

42133

Claim No. 1735/2003

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

COMPANIES COURT

THE HONOURABLE MR JUSTICE HART
25 JULY 2003

IN THE MATTER OF

THE NATIONAL INSURANCE & GUARANTEE CORPORATION LIMITED AND

AND IN THE MATTER OF THE COMPANIES ACT 1985, SECTION 425

ORDER

UPON THE PETITION of the above-named **National Insurance & Guarantee Corporation Limited** whose registered office is situate at Crown House, 145 City Road, London EC1V 1LP (the "Scheme Company") on 25 July 2003 referred unto this Court.

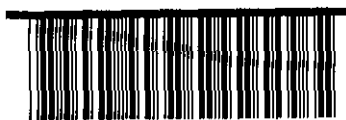
AND UPON HEARING counsel for the Scheme Company;

AND UPON READING the Order of this Court dated 25 March 2003 (whereby the Scheme Company was ordered to convene a Scheme Meeting (as therein mentioned) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between the Scheme Company and its Scheme Creditors (as defined therein);

AND UPON READING the Witness Statements of Anthony Bamber dated 18 July 2003, Fiona Christie dated 18 July 2003 and Neil Allen dated 18 July 2003 and the Exhibits referred to in those Witness Statements;

AND UPON READING the Report of the Chairman of the Scheme Meeting dated 18 July 2003.

THIS COURT HEREBY ORDERS:



1. that the scheme of arrangement pursuant to Section 425 of the Companies Act 1985 a copy of which is annexed to the petition herein (the "Scheme") between the Scheme Company and its Scheme Creditors (as defined in the Scheme) be and is hereby sanctioned;
2. that this Order be produced and that a copy thereof be delivered to the registrar of companies in England and Wales in relation to the Scheme Company.

DATED this 25th day of July 2003

Anthony Zucchi

28-7-03

Counsel for the Petitioner

Claim No. 1735/2003

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

COMPANIES COURT

**THE HONOURABLE MR JUSTICE HART
25 JULY 2003**

IN THE MATTER OF

**THE NATIONAL INSURANCE & GUARANTEE
CORPORATION LIMITED AND**

AND

**IN THE MATTER OF THE COMPANIES ACT 1985,
SECTION 425**

ORDER

Lovells
Atlantic House
Holborn Viaduct
London
EC1A 2FG

F1/KC/JBB

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the action you should take, you should consult your insurance broker or other professional adviser without delay. A copy of this document has been sent to brokers identified by Marlon Management Services Limited as having placed business with or on behalf of the Scheme Companies in relation to Scheme business.

Further copies of this document can be obtained from PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, United Kingdom.

**PROPOSAL IN RELATION TO
SCHEMES OF ARRANGEMENT**

(together the "Scheme")

pursuant to Section 425 of the Companies Act 1985 of Great Britain

between

MARLON INSURANCE COMPANY LIMITED

(formerly Skandia Marine Insurance Company (UK) Ltd and
Vesta (UK) Insurance Company Limited)

THE NATIONAL INSURANCE & GUARANTEE CORPORATION LIMITED

(formerly The National Insurance & Guarantee Corporation Plc)

RIVERSTONE (STOCKHOLM) INSURANCE CORPORATION (PUBL)

(formerly Odyssey Re (Stockholm) Insurance Corporation (publ)

Skandia International Insurance Corporation (publ)

Skandia Reinsurance Corporation

Amphion – Aequitas Reinsurance Corporation

Amphion Insurance Corporation and

Amphion Reinsurance Corporation)

(referred to in the Scheme as the "SCHEME COMPANIES")

and their respective

SCHEME CREDITORS

(as defined in the Scheme)

Scheme Meetings of Scheme Creditors of each of the Scheme Companies to consider and, if thought fit, approve the Scheme will be held on 10 July 2003 commencing at 11.00a.m. at the Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY, United Kingdom. Notice of the Scheme Meetings is given at Section III of this document.

The action to be taken by you is set out on pages 8 and 9 of this document. Whether or not Scheme Creditors intend to be present at the Scheme Meetings, they are requested to complete and return the relevant Forms of Proxy and Voting Forms enclosed with this document as soon as possible.

27 May 2003

IMPORTANT NOTICE TO SCHEME CREDITORS

This document has been prepared in connection with schemes of arrangement proposed pursuant to Section 425 of the Companies Act 1985 between each of the Scheme Companies and their respective Scheme Creditors (as defined in the Scheme) (together the "Scheme").

The proposed Scheme Manager is duly authorised by each of the Scheme Companies to take all and any necessary steps in connection with the promotion and implementation of the Scheme.

The statements, opinions and information contained in this document are made, held or given respectively as at the date of this document unless another time is specified and such statements, opinions and information are made, held or given solely by or on behalf of the Scheme Companies unless expressly attributed to another party. Service of this document shall not give rise to any implication that the facts set out in it since the date of service remain unchanged.

Nothing contained in this document constitutes an admission of any fact or liability on the part of the Scheme Companies or any other person in respect of any asset to which they may be entitled or any claim against them. No estimate of the amount of any claim against the Scheme Companies specified in the Voting Forms returned to the Scheme Manager, or otherwise provided for voting purposes, shall be admissible against the Scheme Companies or shall be taken into account in calculating payments under the Scheme. Any such estimate shall only be used for voting purposes at the meetings of Scheme Creditors to consider the Scheme.

The summary of the principal provisions of the Scheme and related matters contained herein is qualified in its entirety by reference to the Scheme itself, the full text of which is set out on pages 41 to 69. Scheme Creditors are advised to read in full and consider carefully the text of the Scheme.

No person has been authorised to make any representation, whether oral, written, express or implied, concerning the proposed Scheme, which is inconsistent with the statements contained within this document. *Consequently, if such representations are made, they should not be relied upon.*

Scheme Creditors should not construe the contents of this document as legal, tax, financial or other professional advice. Each Scheme Creditor should consult its own professional advisers as to the legal, tax, financial or other matters relevant to the action it should take in connection with the Scheme.

PROPOSED SCHEME MANAGER	LEGAL ADVISERS	PROPOSED SCHEME ADVISERS
Marlon Management Services Limited Marlon House 71-74 Mark Lane London EC3R 7HT United Kingdom Contact: Anthony Bamber or Nigel Hall Tel: +44 (0)20 7481 4681	Lovells Atlantic House Holborn Viaduct London EC1A 2FG United Kingdom Contact: Joe Bannister or Katriona Congleton Tel: +44 (0)20 7296 2000	Dan Schwarzmann Nigel Rackham PricewaterhouseCoopers LLP Plumtree Court London EC4A 4HT United Kingdom Tel: +44 (0)20 7583 5000

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KEY DATES AND PROVISIONAL TIMETABLE

Ascertainment Date	31 DECEMBER 2002
Filing date for Forms of Proxy and Voting Forms ⁽¹⁾	10 JULY 2003
Scheme Meetings	10 JULY 2003
Court hearing to sanction the Scheme ⁽²⁾	18 JULY 2003
Effective Date of the Scheme ⁽²⁾	22 JULY 2003
Final Claims Submission Date ⁽²⁾	20 OCTOBER 2003
Likely commencement of Scheme payments to Scheme Creditors ⁽²⁾	DECEMBER 2003

(1) Guidance notes and instructions for completion of the Forms of Proxy and Voting Forms are set out on pages 72-74.

(2) Dates subsequent to the Scheme Meetings are indicative only. The date of any Court hearing to sanction the Scheme can only be confirmed after the Scheme has been approved by Scheme Creditors at each of the Scheme Meetings.

SECTION I: EXPLANATORY STATEMENT

issued in compliance with Section 426 of the Companies Act 1985

relating to proposed

SCHEMES OF ARRANGEMENT (together the "Scheme")

between

MARLON INSURANCE COMPANY LIMITED
(formerly Skandia Marine Insurance Company (UK) Ltd and
Vesta (UK) Insurance Company Limited)

THE NATIONAL INSURANCE & GUARANTEE CORPORATION LIMITED
(formerly The National Insurance & Guarantee Corporation Plc)

RIVERSTONE (STOCKHOLM) INSURANCE CORPORATION (PUBL)
(formerly Odyssey Re (Stockholm) Insurance Corporation (publ)
Skandia International Insurance Corporation (publ)
Skandia Reinsurance Corporation
Amphion – Aequitas Reinsurance Corporation
Amphion Insurance Corporation and
Amphion Reinsurance Corporation)

(referred to in the Scheme as the "SCHEME COMPANIES")

and their respective

SCHEME CREDITORS
(as defined in the Scheme)

SECTION I: EXPLANATORY STATEMENT

A: KEY DEFINITIONS

This Explanatory Statement is intended to explain material features of the Scheme. Certain capitalised words and expressions appear in the Explanatory Statement. These are either defined below for the purposes of the Explanatory Statement only or also correspond to defined words and phrases in the Scheme. If there is any inconsistency with the terms as used in the Scheme, the Scheme definitions prevail over them. The Scheme definitions are those which appear on pages 43 to 47.

"Ascertainment Date"	means 31 December 2002;
"Business Day"	means a day, not being a Saturday or a Sunday, on which banks in the City of London are open for business;
"Claim Form(s)"	means the form(s) to be sent out to Scheme Creditors in accordance with the Scheme and to be completed by Scheme Creditors in order to establish their claims against the Scheme Companies;
"Court"	means the High Court of Justice of England and Wales;
"Court Order"	means the order of the Court sanctioning the Scheme in respect of each of the Scheme Companies;
"Effective Date"	means in relation to each Scheme Company the date on which the office copy of the Court Order shall have been delivered for registration to the registrar of companies in England and Wales;
"Established Liability"	means the value attributed to the Scheme Liabilities in favour of a Scheme Creditor determined in accordance with the Scheme, after the application of any rights of set-off, counterclaim or deduction applied pursuant to the Scheme;
"Explanatory Statement"	means the statement dated 27 May 2003 explaining the effect of the Scheme to Scheme Creditors as required by Section 426 of the Companies Act 1985;
"Final Claims Submission Date"	means the deadline for submitting completed Claim Forms being 90 days after (and not including) the Effective Date;
"Form(s) of Proxy"	means the form(s) of proxy approved by the Court for the purposes of voting at the Scheme Meeting(s);
"Insurance Contract"	means any contract or policy of insurance, reinsurance or retrocession of any kind whatsoever entered into by or on behalf of a Scheme Company in relation to respectively: Marlon Insurance Company Limited, from 1 January 1992 to 30 June 1997 for marine hull, cargo, energy and liability business written exclusively through the Institute of London Underwriters ("ILU") in the name of Skandia Marine Insurance Company (UK) Limited on a direct or facultative basis and bearing ILU company identification code 3313

and marine direct or facultative business written by Skandia UK Insurance plc between 1 January 1990 and 31 December 1992 exclusively through the ILU and bearing ILU company identification code 3756 and transferred to Marlon Insurance Company Limited pursuant to a transfer under Schedule 2C to the Insurance Companies Act 1982 effected by an Instrument of Transfer dated 16 February 2000;

The National Insurance & Guarantee Corporation Limited ("NIG"), direct and reinsurance risks incepting up to and including 31 December 1981, underwritten through London and continental brokers and agents as itemised by policy numbers in Schedule 1 to the Scheme. In addition to business accepted directly by NIG, business was accepted on behalf of NIG during years 1967 to 1974 (inclusive) by Hugh Paul & Company Limited and Hugh Paul (Agencies) Limited ("the Hugh Paul Pools") (as set out at Appendix (f) of the Explanatory Statement). Hugh Paul (Agencies) Limited is currently known as Seal Underwriting Agency Limited. For the avoidance of doubt marine and aviation liabilities arising from acceptances made on behalf of NIG by Alfred Blackmore & Company Limited or companies or agencies under Alfred Blackmore's control are not included;

Riverstone (Stockholm) Insurance Corporation (publ), from 1 July 1997 to 30 September 1997 for marine hull, cargo, energy and liability business written exclusively through the ILU in the name of Skandia International Insurance Corporation (publ) on a direct or facultative basis and bearing ILU company identification code 3388;

- "Letter of Credit"** means any valid letter of credit issued to or for the benefit of a Scheme Creditor in respect of an Insurance Contract;
- "Post"** means first class post or by air-mail, or hand delivery (including by a generally recognised commercial courier service);
- "Proceedings"** means any step or proceeding whether by way of demand, lien, legal proceeding, execution of judgment, arbitration proceedings or otherwise howsoever in any jurisdiction;
- "Property"** means all forms of property including money, goods, things in action, land and every description of property wherever situated together with obligations and every description of interest, whether present or future or vested or contingent, arising out of, or incidental to, property;
- "Scheme"** means all or any of the schemes of arrangement pursuant to Section 425 of the Companies Act 1985 proposed by each of the Scheme Companies;
- "Scheme Actuary"** means Peter Copeman of the United Kingdom firm of PricewaterhouseCoopers LLP or any person subsequently appointed to be the Scheme Actuary;

"Scheme Adjudicators"	means Andrew Crouchman, Thomas Bond or Colin Czapiewski or any person(s) subsequently appointed to be Scheme Adjudicator;
"Scheme Advisers"	means Dan Yoram Schwarzmann and Douglas Nigel Rackham, both of the United Kingdom firm of PricewaterhouseCoopers LLP, or any person(s) subsequently appointed to be Scheme Adviser;
"Scheme Companies"	means Marlon Insurance Company Limited, The National Insurance & Guarantee Corporation Limited and Riverstone (Stockholm) Insurance Corporation (publ);
"Scheme Creditor"	means, in relation to a particular Scheme Company, a <i>person who is or claims to be a creditor of that Scheme Company in respect of a Scheme Liability</i> ;
"Scheme Liability"	means any amount due in respect of an Insurance Contract to which a Scheme Company is subject, but prior to the application of any valid right of set-off, rights under a Letter of Credit, escrow, trust or similar arrangement or any Security Interest;
"Scheme Manager"	means Marlon Management Services Limited, a company incorporated in England with registered number 03289547 whose registered office is situate at Marlon House, 71 – 74 Mark Lane, London EC3R 7HT, United Kingdom or any person subsequently appointed to be Scheme Manager;
"Scheme Meeting"	means a meeting of the Scheme Creditors held pursuant to an order of the Court to consider and vote on the Scheme;
"Security Interest"	means any valid mortgage, charge, lien, assignment by way of security, <i>other security interest over Property of all or any of the Scheme Companies or bond given by all or any of the Scheme Companies in respect of an Insurance Contract or in relation to Proceedings concerning an Insurance Contract</i> ;
"Voting Form(s)"	means the voting form(s) approved by the Court for the purpose of voting at the Scheme Meeting(s).

B: LETTER FROM THE PROPOSED SCHEME MANAGER

Marlon Management Services Limited
Marlon House
71 – 74 Mark Lane
London EC3R 7HT
United Kingdom

27 May 2003

Dear Scheme Creditor

INTRODUCTION

We are writing to you in connection with the Scheme which the Scheme Companies propose to enter into with their respective Scheme Creditors **in relation to certain, but not all, portfolios of business**. The purpose of the Explanatory Statement, of which this letter forms part, is to:

1. provide background information in relation to the Scheme Companies and the specific portfolios of business proposed to be included in the Scheme;
2. explain the advantages and disadvantages of the Scheme; and
3. explain the main provisions of the Scheme

in order to assist Scheme Creditors to reach an informed decision on whether to vote in favour of the Scheme at the forthcoming Scheme Meetings.

The Scheme is set out fully on pages 41 to 69 of this document. Please note that the Explanatory Statement should not be relied upon as a substitute for reading the Scheme provisions themselves.

WHAT IS A SCHEME OF ARRANGEMENT AND HOW DOES IT BECOME BINDING?

A scheme of arrangement, such as that proposed here, is a compromise or arrangement provided for by Section 425 of the Companies Act 1985 between a company and its creditors (or any class of them). It becomes legally binding when:

1. a majority in number representing not less than 75% in value of creditors or any class of them, present and voting in person or by proxy, vote in favour of the scheme of arrangement at a specially convened meeting held with the leave of the Court;
2. the Court subsequently makes an order sanctioning the scheme of arrangement; and
3. an office copy of that order is delivered to the registrar of companies for registration.

All of the Scheme Companies propose Marlon Management Services Limited, their existing run-off manager, to act as the Scheme Manager to promote, implement and give effect to the Scheme on their behalf.

There will be three separate Scheme Meetings to consider substantially identical schemes of arrangement in relation to each Scheme Company, that is one Scheme Meeting in relation to each Scheme Company. The schemes of arrangement in relation to Marlon Insurance Company Limited, The National Insurance & Guarantee Corporation Limited and Riverstone (Stockholm) Insurance Corporation (publ) can be implemented independently and are not conditional upon each other. *The Explanatory Statement is written in terms of a substantially identical scheme of arrangement being proposed in relation to each Scheme Company.*

WHO WILL BE AFFECTED?

The Scheme is proposed between the Scheme Companies and their respective Scheme Creditors. A Scheme Creditor is defined in the Scheme itself but, in summary, will be restricted to those persons who have, or may in the future have, a claim against the Scheme Companies in relation to an Insurance Contract underwritten by the Scheme Companies. **The Scheme does not cover all business written by the Scheme Companies.** If you have no actual or potential claim against the Scheme Companies in relation to a Scheme Liability, you will be unable to attend or vote at the Scheme Meetings.

Scheme Creditors should note that, once effective, the Scheme will bind each of the Scheme Companies and all of their respective Scheme Creditors, irrespective of whether or not those Scheme Creditors were notified of the Scheme and/or whether they voted at the Scheme Meetings or, if they voted, of whether they voted for or against the Scheme.

WHICH CREDITORS ARE NOT COVERED BY THE SCHEME?

The Scheme will not affect any creditor of any Scheme Company otherwise than as a Scheme Creditor in respect of Scheme Liabilities.

Given that the Scheme Companies are presently solvent, all their other creditors will continue to be paid in the normal course.

For the avoidance of doubt, the Scheme does not cover the following business in relation to each Scheme Company:

Marlon Insurance Company Limited in relation to:

- business written as a member of the Trident Insurance Company Limited Stamp;
- business written as a member of the Sphere Drake Insurance Company Limited Stamp; and
- business written as a member of the London Scandinavian Underwriters Pool.

The National Insurance & Guarantee Corporation Limited in relation to:

- marine and aviation business written by Alfred Blackmore & Company Limited or companies or agencies under Alfred Blackmore's control.

Riverstone (Stockholm) Insurance Corporation (publ) in relation to:

- business other than marine hull, cargo, energy and liability business written exclusively through the Institute of London Underwriters on a direct or facultative basis in the name of Skandia International Insurance Corporation (publ) between 1 July 1997 and 30 September 1997 (referred to as the "Orphan Account").

WHY HAVE YOU BEEN SENT THIS DOCUMENT?

A copy of this document has been sent to those parties in respect of whom the Scheme Companies' records indicate that they have or may have a claim against one or more of the Scheme Companies under an Insurance Contract in respect of a Scheme Liability. However, receipt of this document does not necessarily mean that you are a creditor or a potential creditor of a Scheme Company or that you will be affected by the Scheme. You may wish to ask your broker, who should have received a copy of this document, for further details of your involvement with any of the Scheme Companies.

WHY HAS A SCHEME BEEN PROPOSED?

The Scheme Companies have a number of small claims arising under the portfolios of business covered by the Insurance Contracts and the run-off manager does not expect the run-offs of these portfolios of business to be completed for a considerable number of years. As a result, the Scheme Companies believe that a scheme of arrangement should be the most efficient and effective method of making full payment to Scheme Creditors in the shortest practicable time. The Scheme

will therefore have the effect of concluding certain aspects of the Scheme Companies' run-offs earlier than would be the case if they were to continue until all claims had materialised and had been agreed and paid in the normal course.

The proposed Scheme Manager is confident that Established Liabilities will be paid in full based on the present solvency of the Scheme Companies. Scheme Creditors should note however that there can be no absolute guarantee that all Established Liabilities will be settled in full.

ADVANTAGES OF THE SCHEME

The Scheme Companies consider that the Scheme is advantageous to Scheme Creditors for the following reasons:

(1) Early payment

The Scheme should enable Scheme Creditors to receive payment in full in respect of their Established Liabilities sooner than if the run-offs of the Scheme Companies were to continue until all claims matured and were paid in the ordinary course. The projected date for final payment to Scheme Creditors under the Scheme is December 2003;

(2) No discount for early payment

Administration costs which would have to be incurred in running-off the Scheme Companies' relevant books of business over many years should be reduced materially by the Scheme. The Scheme Companies are seeking to share these savings with Scheme Creditors by applying no discount for early payment of Established Liabilities;

(3) Simplified claims agreement process

The Scheme will provide a process for Scheme Creditors to agree all present and future Scheme Liabilities including those which may not easily be evaluated, such as incurred but not reported losses ("IBNR"). In the event that such agreement cannot be reached between the Scheme Manager and a Scheme Creditor, the Scheme provides for referral to an independent Scheme Adjudicator to determine the amount of an Established Liability in what is intended to be a fair and efficient manner; and

(4) Certainty

The Scheme should enable Scheme Creditors to achieve finality. Any concerns that Scheme Creditors may have over the continuation of the Scheme Companies' run-offs or the long term future solvency of the Scheme Companies will be removed once the Scheme has been implemented.

DISADVANTAGES OF THE SCHEME

In considering the Scheme, Scheme Creditors should also be aware of the following possible disadvantages:

(1) Estimation

The simplified claims agreement process (see the possible advantages above) will result in certain Scheme Liabilities being estimated and Scheme Creditors could ultimately receive less (or more) in respect of their Scheme Liabilities than would have been the case had the Scheme Companies' relevant businesses been run-off in the traditional way; and

(2) Failure to submit Claim Form

If any Scheme Creditor fails to lodge their Claim Form by the Final Claims Submission Date, that Scheme Creditor's Scheme Liability will be valued at nil. Scheme Creditors will not be able to change their Claim Form after the Final Claims Submission Date.

These are the main advantages and disadvantages of the Scheme for Scheme Creditors identified by the Scheme Companies. It is impossible, however, to address each Scheme Creditor's individual circumstances with the result that it is impossible to regard this list of advantages and disadvantages as exhaustive. Each Scheme Creditor is therefore advised to make its own assessment of how the Scheme would affect its own interests. The Scheme Companies consider that the advantages referred to above outweigh the possible disadvantages.

WHAT WILL HAPPEN AFTER THE SCHEME BECOMES EFFECTIVE?

Once the Scheme becomes effective, the Scheme Manager will, within 14 days, send notice by Post that the Scheme is effective together with blank Claim Forms to all Scheme Creditors with known addresses. The Scheme Manager will also place advertisements, calling for Scheme Creditors to complete and return Claim Forms, in *Business Insurance*, *Lloyd's List*, *Insurance Day*, *The Times*, the UK and international editions of the *Financial Times* and the US editions of *The Wall Street Journal*, these being the same publications in which the Scheme Meetings were advertised.

Blank Claim Forms will also be sent by Post to brokers identified as having placed Scheme business with or on behalf of the Scheme Companies to ensure that all possible Scheme Creditors are notified of the Scheme and the action that they are required to take.

Scheme Creditors should note that the deadline for submitting completed Claim Forms is the Final Claims Submission Date, being 90 days after (and not including) the Effective Date. No Scheme Creditor will have any right after the Final Claims Submission Date to submit a new or revised Claim Form or to provide revised or further information in respect of a Scheme Liability except, in the latter case, in response to a request for such revised or further information by the Scheme Manager or a Scheme Adjudicator or in relation to a Substantive Judgment. If a Claim Form in respect of a Scheme Company is not returned by a Scheme Creditor by the Final Claims Submission Date, that Scheme Creditor will be deemed to have a claim of nil and will not be entitled to any payment from that Scheme Company under the Scheme.

The Scheme Manager will endeavour to agree and establish all notified Scheme Liabilities under the Scheme for each Claim Form returned to it. Any Scheme Liabilities (or the application of any set-off, counterclaim or deduction in relation to such Scheme Liabilities) which are not agreed between the relevant Scheme Creditor and the Scheme Manager within the times prescribed in the Scheme will be referred as disputed Scheme Liabilities to a Scheme Adjudicator. The Scheme Adjudicator will make a final determination in respect of each disputed Scheme Liability referred to him in accordance with the dispute resolution procedures set out in the Scheme. The Scheme Adjudicator's decision will be final and there will be no right of appeal.

Within 21 days after each Scheme Liability, or disputed Scheme Liability referred to a Scheme Adjudicator, has been agreed and determined to be an Established Liability under the terms of the Scheme, the relevant Scheme Company shall make a full and final payment to the relevant Scheme Creditor in respect of that Established Liability.

It is anticipated that payments to Scheme Creditors under the Scheme in respect of Established Liabilities will commence during December 2003.

WHAT SHOULD SCHEME CREDITORS DO NOW?

If you are a Scheme Creditor, you are entitled to attend and vote at the Scheme Meeting convened for 10 July 2003 in respect of each Scheme Company against which your Scheme Liabilities arise. The meetings are to be convened at the direction of the Court for the purpose of considering and, if thought fit, approving the Scheme in relation to each Scheme Company.

Formal notice of the Scheme Meetings is given in Section III of this document. Scheme Creditors may attend Scheme Meetings in person (or, if a corporation, by a duly authorised representative) or may vote by proxy.

Enclosed with this document are three separate Forms of Proxy and Voting Forms, one for each Scheme Company, to be used for voting at the Scheme Meetings. Whether or not Scheme Creditors intend to be present in person at the Scheme Meetings, they are requested to complete and sign the relevant Form(s) of Proxy and Voting Form(s) in accordance with the instructions printed on the forms and the guidance notes included in Section IV of this document.

Completed Forms of Proxy and Voting Forms should be returned as soon as possible, and in any event so that they are received by 9:00 a.m. on 10 July 2003 by PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, United Kingdom, marked for the attention of Sara Dennis or Fiona Christie. Alternatively, Scheme Creditors may send their forms by facsimile transmission to facsimile number +44 (0)20 7212 6316 by the same time on the same date provided that the original forms are handed to the chairman of the relevant Scheme Meetings at the meetings or posted to reach PricewaterhouseCoopers LLP no later than 3 Business Days after the relevant Scheme Meetings. Please note that if originals of faxed forms are not received by PricewaterhouseCoopers LLP within the time prescribed, they may be excluded.

The Scheme Manager will consider returned Voting Forms in order to determine the value of each Scheme Creditor's vote at each of the three Scheme Meetings. The value attributed to each Scheme Creditor's Scheme Liability for voting purposes will be agreed on the basis of the information provided by the Scheme Creditor and the information available to the Scheme Manager from the Scheme Companies' existing records. Account will also be taken of any known set-off, counterclaim, Letter of Credit or Security Interest. If agreement cannot be reached between the Scheme Manager and the Scheme Creditor on the quantum of a Scheme Creditor's Scheme Liability for voting purposes, the value to be attributed to such Scheme Liabilities for the purpose of valuing the relevant Scheme Creditor's vote will be deemed to be the lower of the values attributed by the Scheme Creditor and the Scheme Manager. The chairman of the Scheme Meetings will have the power to reject wholly or partially a Scheme Liability (and/or the application of any alleged set-off, counterclaim or deduction) if he considers that it is not fair and reasonable. In the event of a dispute, the chairman's decision will be final and binding and, where possible, will be notified to the relevant Scheme Creditor before the Scheme Meetings.

If any Scheme Creditor is uncertain of the amount of any Scheme Liability, it may provide an estimate along with sufficient and appropriate evidence to support the calculation of that estimate. Estimates of Scheme Liabilities admitted for voting purposes will not be used for the purpose of establishing or settling Scheme Liabilities under the Scheme. The amount of a Scheme Liability admitted for voting purposes will neither constitute an admission of the existence or amount of any liability of the Scheme Companies nor bind the Scheme Manager, the Scheme Companies, the Scheme Creditors, the Scheme Adjudicators, the Scheme Advisers or the Scheme Actuary.

As Scheme Liabilities are denominated in various currencies, any Scheme Liabilities which are not denominated in US dollars will be converted into US dollars for the purpose of voting at the Scheme Meetings. They will be converted at the closing mid-point rate of exchange on the Business Day prior to the day of the Scheme Meetings as quoted in the Financial Times on the day of the Scheme Meetings.

A copy of the Scheme document has also been supplied to brokers, known and identified by the Scheme Manager as having placed Scheme business with or on behalf of the Scheme Companies. The Scheme Manager urges those brokers to inform their clients of the Scheme to ensure that all possible Scheme Creditors receive notice of the Scheme terms and the action that they are required to take prior and subsequent to the Scheme Meetings.

SCHEME MANAGER

The Scheme Manager will act from the Effective Date until the final implementation of the Scheme and will have power (prescribed by the Scheme) to manage and conduct the Scheme Companies' business and affairs in so far as these relate to the Scheme.

The Scheme Manager will be paid out of the Property of Marlon Insurance Company Limited. The Scheme Manager will be entitled to an indemnity out of the Property of Marlon Insurance Company Limited for costs properly incurred in relation to the Scheme and for defending any action brought against the Scheme Manager in relation to the Scheme.

The Scheme Manager will be remunerated on the same basis that it is currently remunerated for performing run-off services for Marlon Insurance Company Limited in relation to the books of business proposed to be schemed, i.e. on an hourly time cost basis.

SCHEME ADVISERS

It is proposed that Dan Yoram Schwarzmann and Douglas Nigel Rackham of United Kingdom firm PricewaterhouseCoopers LLP be appointed to act jointly and severally as Scheme Advisers, with the powers, rights, duties and functions conferred upon them by the Scheme.

The Scheme Advisers may, when requested in writing, provide advice to the Scheme Manager, the Scheme Companies and the Scheme Creditors to facilitate the carrying out of the Scheme. The Scheme Advisers will have full access to all relevant information in relation to Scheme Liabilities. All managerial powers, rights, duties and functions will remain with the Scheme Manager and the Scheme Companies. The duties and functions of the Scheme Advisers are set out in clause 4.1 of the Scheme. In carrying out their duties and functions under the Scheme, the Scheme Advisers will act in good faith and with due care and diligence.

The Scheme Advisers will receive a fee upon the Scheme becoming effective and when the final payment is made to creditors, together with a fee each month from the Effective Date until the final payment is made to creditors subject to a maximum overall amount. A contingent fee, calculated by reference to any ultimate reserve savings, is also payable.

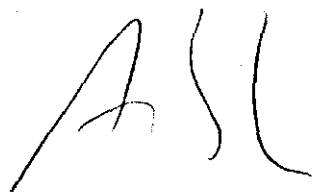
The Scheme Advisers will be paid out of the Property of Marlon Insurance Company Limited and will be entitled to an indemnity for costs properly incurred in relation to the Scheme and for defending any action brought against the Scheme Advisers in relation to the Scheme.

If Scheme Creditors are unclear about, or have any questions concerning, the action they are required to take, they should contact Sara Dennis or Fiona Christie of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, United Kingdom (telephone: +44 (0)20 7583 5000; facsimile: +44 (0)20 7212 6316; e-mail: sara.j.dennis@uk.pwcglobal.com, fiona.christie@uk.pwcglobal.com).

RECOMMENDATION FOR THE SCHEME

The Scheme Manager and each of the Scheme Companies consider that the Scheme will offer Scheme Creditors the most effective and economical method for having their claims against the Scheme Companies determined and paid in the shortest practicable time. All Scheme Creditors who are entitled to vote are encouraged to vote in favour of the Scheme.

Yours faithfully



Anthony Bamber



Nigel Hall

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D: BACKGROUND TO THE SCHEME COMPANIES AND SCHEME LIABILITIES

1. HISTORY OF THE SCHEME COMPANIES

(a) MARLON INSURANCE COMPANY LIMITED ("MIC")

MIC was incorporated in England in 1971 as Vesta (UK) Insurance Company Limited ("Vesta") with number 998720. In 1992 Vesta was renamed Skandia Marine Insurance Company (UK) Limited ("SMIC"). In 1997 the decision was made to transfer the underwriting of London marine business to Skandia International Insurance Corporation (publ)'s London branch and on 30 June 1997 SMIC ceased underwriting. On 2 June 2000 SMIC changed its name to Marlon Insurance Company Limited.

The Scheme covers business written by Marlon Insurance Company Limited, from 1 January 1992 to 30 June 1997 for marine hull, cargo, energy and liability business written exclusively through the Institute of London Underwriters ("ILU") in the name of Skandia Marine Insurance Company (UK) Limited on a direct or facultative basis and bearing ILU company identification code 3313 and marine direct or facultative business written by Skandia UK Insurance plc between 1 January 1990 to 31 December 1992 exclusively through the ILU and bearing ILU company identification code 3756 and transferred to Marlon Insurance Company Limited pursuant to a transfer under Schedule 2C to the Insurance Companies Act 1982 effected by an Instrument of Transfer dated 16 February 2000.

For the avoidance of doubt, business written by MIC as part of the Trident Stamp, the Sphere Drake Stamp and the London Scandinavian Underwriters Pool is excluded from the Scheme.

(b) THE NATIONAL INSURANCE & GUARANTEE CORPORATION LIMITED ("NIG")

The National Insurance & Guarantee Corporation Limited was incorporated in England on 8 October 1894 as a private company with number 42133. On 11 November 1981 it re-registered as a public company and changed its name to The National Insurance & Guarantee Corporation plc. On 30 November 2001 it re-registered as a private company and changed its name back to its present name, The National Insurance & Guarantee Corporation Limited.

The Scheme covers business written by NIG prior to 31 December 1981 and currently termed the "NIG City Account".

The "NIG City Account" comprises direct and reinsurance contracts mainly non-marine in nature (but including incidental aviation and marine business) written almost exclusively through brokers and agents in London and on the continent as itemised by policy numbers in Schedule 1 to the Scheme. In addition to business accepted directly by NIG, business was accepted on behalf of NIG during years 1967 to 1974 (inclusive) by Hugh Paul & Company Limited and Hugh Paul (Agencies) Limited ("the Hugh Paul Pools") (as set out at Appendix (f) of the Explanatory Statement). Hugh Paul (Agencies) Limited is currently known as Seal Underwriting Agency Limited.

For the avoidance of doubt, the NIG City Account does not include marine and aviation liabilities arising from acceptances made on behalf of NIG by Alfred Blackmore & Company Limited or companies or agencies under Alfred Blackmore's control.

Most underwriting in the NIG City Account ceased in 1976 with only a limited number of proportional treaties written between 1976 and 1981.

Since 1 January 1999 the NIG City Account has been 100% reinsured by MIC.

(c) *RIVERSTONE (STOCKHOLM) INSURANCE CORPORATION (PUBL) ("RIVERSTONE")*

Riverstone (Stockholm) Insurance Corporation (publ) was incorporated in Sweden on 22 March 1916 under the name Amphion Reinsurance Corporation with registered number 557206-0977. In April 1922 it changed its name to Amphion Insurance Corporation. In December 1962 it changed its name to Amphion-Aequitas Reinsurance Corporation. It changed its name to Skandia Reinsurance Corporation in January 1966. It changed its name to Skandia International Insurance Corporation (publ) in July 1983 and changed it again to Odyssey Re (Stockholm) Insurance Corporation (publ) in October 1998. It changed its name to its present name in November 2001. The Scheme covers the marine hull, cargo, energy and liability business written exclusively in the ILU on a direct or facultative basis by Riverstone's London branch in the name of Skandia International Insurance Corporation (publ) between 1 July 1997 and 30 September 1997 and bearing the ILU company identification code 3388.

Since 1 January 1998 this business has been 100% reinsured by MIC.

The Scheme does not cover the business transferred on 31 December 2002 by portfolio transfer from Riverstone (Stockholm) Insurance Corporation (publ) to Riverstone Insurance (UK) Limited which effected the transfer of all risks except those of the Orphan Account (the business proposed to be covered by this Scheme) and except other (non-Orphan Account) risks assumed in the *United States of America, Canada, Hong Kong or the Netherlands*.

2. FINANCIAL POSITION

Summary audited balance sheets of each of the Scheme Companies as at 31 December 2001 are included at Appendix (c) of the Explanatory Statement. Each of the Scheme Companies is presently solvent. The most recent annual report and accounts for each Scheme Company will be documents available for inspection and, depending on the timing of publication, may be more recent than the accounts information extracted and presented here.

3. DIRECTORS' INTEREST

None of the directors of the Scheme Companies is a Scheme Creditor. The Scheme will not affect the directors' interests in the Scheme Companies or as directors of the Scheme Companies and no additional remuneration will be received by them under the terms of the Scheme except that, if the Scheme becomes effective by certain target dates, Anthony Bamber and Nigel Hall (directors of Marlon Insurance Company Limited) will be eligible for payments amounting in any case to not more than 15% of their base salaries. Similarly, to the extent that payments under the Scheme are completed by certain target dates, Anthony Bamber and Nigel Hall will be eligible to receive payments amounting in any case to not more than 10% of their base salaries. If the Scheme is sanctioned, the current directors will continue as directors of the Scheme Companies.

E: SUMMARY OF THE SCHEME

1. INTRODUCTION

The proposed Scheme is set out at Section II of this document. Its main provisions are summarised below to help Scheme Creditors understand how the Scheme will operate. However, this summary should not be relied upon as a substitute for the Scheme Creditor reading the full Scheme itself in its entirety.

The primary objective of the Scheme is to terminate the run-offs of particular portfolios of business of the Scheme Companies earlier than in the normal course. The Scheme establishes a method by which the claims of Scheme Creditors (present and in the future) will be valued and paid in full at the values agreed or determined in accordance with the provisions of the Scheme.

2. APPLICATION OF THE SCHEME

The Scheme will apply to any claim against a Scheme Company in respect of a Scheme Liability (existing as at the Ascertainment Date). The Scheme will not apply to trade or other non-insurance creditors of the Scheme Companies. The Scheme will also not apply to any insurance creditors of the Scheme Companies otherwise than in relation to Scheme Liabilities.

3. PROCEEDINGS

Marlon Insurance Company Limited and Riverstone (Stockholm) Insurance Corporation (publ) are not, to Marlon Management Services Limited's knowledge, involved in any ongoing litigation. *The National Insurance & Guarantee Corporation Limited is named by Hercules Inc. seeking declaratory judgment in respect of numerous bodily injury asbestos lawsuits in the United States of America, in the state of Delaware, as one of multiple defendants. The Scheme will prohibit the commencement (or continuation) of any Proceedings against the Scheme Companies or their Property.*

4. ENFORCEMENT OF SCHEME LIABILITIES

The Scheme will also prohibit Scheme Creditors from commencing or continuing any Proceedings or other regulatory process against a Scheme Company or its Property for the purpose of obtaining payment in whole or in part, either directly or indirectly, of any Scheme Liability except in relation to an Established Liability determined in accordance with the terms of the Scheme.

5. CONSEQUENCES OF PROHIBITED ACTS

If, notwithstanding the prohibitions referred to above, a Scheme Creditor does take or continue Proceedings against any Scheme Company or its Property after the Effective Date and receives money, Property or other benefit, it will be treated as having received an advance payment on account of any Established Liability for which it may be entitled to receive payment under the Scheme. As a consequence, any entitlement to payment in respect of an Established Liability under the Scheme will be reduced in an amount determined by the Scheme Manager pursuant to the Scheme. If any such advance distribution to a Scheme Creditor exceeds the amount of its Established Liability the Scheme Creditor will be required to repay the balance immediately to the relevant Scheme Company to the extent permitted by law. These provisions of the Scheme will operate without prejudice to any rights of action the relevant Scheme Company may have against such a Scheme Creditor.

6. RIGHTS IN RELATION TO SECURITY INTERESTS AND LETTERS OF CREDIT

Scheme Creditors' rights to enforce any Security Interest which they hold in respect of a Scheme Liability or drawdown on any Letter of Credit in relation to any Scheme Liability are unaffected by the Scheme. The Scheme will not affect the rights of any Scheme Company in respect of any improper enforcement of any Security Interest or any improper drawdown of any Letter of Credit. Where a Scheme Creditor has the benefit of a Security Interest or Letter of Credit which is greater in value than the amount of its Established Liability, the Scheme Creditor shall, at the request of the Scheme Manager, release, discharge or cancel the Security Interest or Letter of Credit in relation to the surplus or, on its enforcement, return any surplus to the relevant Scheme Company.

7. BROKER FUNDING

Some brokers may have, with or without the Scheme Manager's or the relevant Scheme Company's knowledge, made payments to Scheme Creditors in respect of claims against or premiums due from Scheme Companies. The Scheme does not envisage that brokers who have engaged in such funding will automatically become Scheme Creditors in respect of the amounts paid. The Scheme Manager will need to be provided with evidence of a written assignment or other authority to pay the relevant Scheme Liability to a broker, or be satisfied that any payment by the broker was made under pre-existing contractual obligations with the Scheme Companies or at the request of the Scheme Companies. Notwithstanding that Scheme Liabilities claimed by brokers in respect of such funding may be disputed, they may be entitled to vote at the Scheme Meetings at the absolute discretion of the chairman of each such meeting.

8. DISTRIBUTION OF CLAIM FORMS

Once the Scheme becomes effective, the Scheme Manager will, within 14 days of the Effective Date, send notices by Post that the Scheme is effective and distribute blank Claim Forms to all Scheme Creditors and brokers with known addresses identified as having placed business with or on behalf of the Scheme Companies. In addition, the Scheme Manager will place advertisements, calling for Scheme Creditors to complete and return Claim Forms, in Business Insurance, Lloyd's List, Insurance Day, The Times, the UK and international editions of the Financial Times and the US editions of The Wall Street Journal.

Brokers are urged to notify all possible Scheme Creditors of the action that they should consider and to advise Scheme Creditors to submit their Claim Forms by the Final Claims Submission Date.

9. COMPLETING CLAIM FORMS

Under the Scheme, Scheme Creditors will be invited to submit details of claims in relation to Scheme Liabilities which have been agreed but not yet paid and estimates of the value of Scheme Liabilities which are notified outstanding claims and incurred but not reported ("IBNR") claims to be taken into account in determining their Established Liability, and to supply documents and other information in support of such claims and estimates. This will be achieved by Scheme Creditors completing Claim Forms. The Scheme Manager will review each Claim Form (in conjunction with the Scheme Actuary, as appropriate), in accordance with the Scheme and the actuarial principles set out in Appendix (e). This review will form the basis of the determination of any Scheme Creditor's Established Liability under the Scheme.

Each Scheme Creditor is requested to complete a Claim Form in accordance with the instructions accompanying the Claim Form and return it so as to reach the Scheme Manager at any time on or before the Final Claims Submission Date. In order to specify its Scheme Liability against each Scheme Company, each Scheme Creditor is requested to:

- (a) identify each Insurance Contract, together with broker details, under or in relation to which its claim in relation to a Scheme Liability of a Scheme Company arises; and
- (b) specify the amount of the Scheme Liabilities against a Scheme Company arising under or in relation to each Insurance Contract.

Scheme Creditors are requested to provide information relating to the Scheme Liabilities they claim showing the position as at the Ascertainment Date.

Scheme Creditors who are also insurers or reinsurers and whose claims in relation to Scheme Liabilities arise as a result of their having ceded business to a Scheme Company should include details of agreed losses not yet paid, notified outstanding claims and IBNR. In respect of:

(a) Agreed losses not yet paid and notified outstanding claims

Each Scheme Creditor should provide information supporting each claim in relation to such Scheme Liability including, where appropriate, loss bordereaux certified by the leading underwriter and/or copies of loss reports from the Scheme Creditor's policyholders or cedants or their legal representatives; and

(b) Incurred but not reported (IBNR) claims

Each Scheme Creditor should provide details of the basis for the calculation of each claim in relation to such Scheme Liability supported by documentary evidence showing the reasonableness of each claim. The following are examples of possible evidence:

- (i) cumulative data triangles of paid and incurred loss data; and/or
- (ii) loss bordereaux certified by the leading underwriter; and/or
- (iii) copies of loss reports from policyholders or cedants to the Scheme Creditor; and/or
- (iv) any relevant actuarial reports; and/or
- (v) any other supporting information considered by the Scheme Creditor to be relevant.

Scheme Creditors who are not insurers or reinsurers and whose Scheme Liability arises out of an Insurance Contract entered into by them with a Scheme Company should provide details of their claims in relation to Scheme Liabilities. These should include an estimate of their contingent and future claims in relation to Scheme Liabilities together with such other supporting information as may be available to the relevant Scheme Creditor. Scheme Creditors should contact the Scheme Manager if they have any questions in this regard.

The Scheme Actuary, if requested by the Scheme Manager, will review the particulars as to the estimates of the amount of any IBNR furnished by a Scheme Creditor for reasonableness. Scheme Creditors should note that such estimates may not be protected by privilege under English law and may be discoverable at the instance of a third party with a claim against the Scheme Creditor in any action or Proceedings to which the Scheme Creditor may be party.

Scheme Creditors should consult their own legal advisers as to the consequences of furnishing such particulars in the event that they are, or may become, involved in any litigation with third parties.

10. FINAL CLAIMS SUBMISSION DATE

The Final Claims Submission Date will be the last date by which Claim Forms may be submitted and it will be 90 days after (and not including) the Effective Date.

Each Scheme Creditor will be entitled to submit a new or revised Claim Form and to provide revised or further information to the Scheme Manager in respect of Scheme Liabilities at any time up to the Final Claims Submission Date. No Scheme Creditor will have any right after the Final Claims Submission Date to submit a new or revised Claim Form or to provide revised or further information in respect of a Scheme Liability except, in the latter case, in response to a request from the Scheme Manager, the Scheme Actuary or a Scheme Adjudicator or in relation to a Substantive Judgment.

Where no completed Claim Form is returned to the Scheme Manager by the Final Claims Submission Date, the Scheme Liabilities of that Scheme Creditor will be valued at nil and be deemed under the Scheme to have been satisfied in full.

11. REVIEW AND AGREEMENT OF CLAIM FORMS

The Scheme Manager will consider the information concerning a Scheme Creditor's claim in relation to Scheme Liabilities contained in a completed Claim Form including, but not limited to, consideration of whether any estimates relating to future or contingent Scheme Liabilities are reasonable and whether there are any amounts owed by that Scheme Creditor to a Scheme Company. The Scheme Manager will review the Claim Form if necessary in conjunction with the Scheme Actuary as described in paragraph 9 above.

If the Scheme Manager agrees with the information provided on a Claim Form it will notify the relevant Scheme Creditor in writing to that effect, within 21 days of the Final Claims Submission Date. This agreed claim, after the application of any rights of set-off under the Scheme, becomes an Established Liability.

If the Scheme Manager does not agree with all or part of the information provided on a Claim Form or requires further information, he will notify in writing the relevant Scheme Creditor within 21 days of the Final Claims Submission Date. If such disputed matters are not subsequently agreed between the Scheme Creditor and the Scheme Manager within 49 days of the Final Claims Submission Date, the Scheme Manager will send the Scheme Creditor a copy of the Claim Form completed in such a manner as it is prepared to accept but will inform the Scheme Creditor that, if it is not accepted, it will refer the claim to a Scheme Adjudicator. If the Scheme Creditor wishes its claim to be referred to a Scheme Adjudicator then it must respond to the Scheme Manager with 21 days of receipt of this communication confirming that the matter is to be referred to a Scheme Adjudicator. *If the Scheme Creditor does not respond to this communication from the Scheme Manager within 21 days then the Claim Form so completed by the Scheme Manager will be deemed to be determinative of the disputed matters and will form the basis of that Scheme Creditor's Established Liability.*

Scheme Creditors which confirm that they wish their claim to be referred to a Scheme Adjudicator will be able to choose which of the Scheme Adjudicators they would prefer to review their claim. However, should the Scheme Advisers consider that the Scheme Adjudicator chosen by the Scheme Creditor is not qualified to resolve the particular disputed matters, the Scheme Advisers shall at their absolute discretion decide which Scheme Adjudicator should resolve the particular dispute. *If the Scheme Creditor does not select a Scheme Adjudicator then the Scheme Advisers shall select the most appropriate Scheme Adjudicator.*

The Scheme Adjudicator will review all the information provided and may request additional information where required from the Scheme Creditor, Scheme Company or Scheme Actuary. A final determination in respect of each disputed Scheme Liability will then be made in accordance with the dispute resolution procedure contained in the Scheme.

Once a Scheme Creditor's claim is agreed, after the application of any right of set-off, counterclaim or deduction as provided for by the Scheme, it becomes an Established Liability payable by the relevant Scheme Company to that Scheme Creditor. If a Scheme Creditor benefits from any Security Interest and/or Letter of Credit, the value of such benefit may be set-off or deducted from the payment of any Established Liability determined to be payable to that Scheme Creditor. To the extent that, prior to a claim being agreed and during the review by the Scheme Manager or Scheme Adjudicator (as appropriate), a Scheme Creditor obtains a Substantive Judgment or Final Settlement in relation to a Scheme Liability, the Scheme Manager or Scheme Adjudicator will take such a Substantive Judgment or Final Settlement into account as set out in the Scheme. If a Scheme Manager or Scheme Adjudicator agrees or adjudicates a claim such that it becomes an Established Liability, notwithstanding the issuing, notification to or receipt by a Scheme Creditor of a Substantive Judgment or Final Settlement, the Scheme Creditor will only receive payment of the Established Liability as provided for in the Scheme and will not be able to enforce the Substantive Judgment or Final Settlement against a Scheme Company.

12. DETERMINATION AND PAYMENT OF ESTABLISHED LIABILITIES

The Ascertainment Date, on which Scheme Liabilities will be valued in accordance with the Scheme, will be 31 December 2002. The purpose of the Ascertainment Date is to provide Scheme Creditors with a clear uniform starting point from which the calculation of Scheme Liabilities will be undertaken.

Until the Effective Date, payments to Scheme Creditors will be made in the normal course. Thereafter, payments will be made in accordance with the terms of the Scheme. Under the Scheme, each Scheme Creditor's Established Liabilities will be determined after applying set-off, and in so far only as relates to amounts owed by a Scheme Creditor to a Scheme Company and a Scheme Company to a Scheme Creditor.

The Scheme Companies will then make payment in full to Scheme Creditors in respect of their Established Liabilities within 21 days of their becoming established under the Scheme.

The Scheme Manager may, at its discretion, if requested by a broker who has provided written evidence of his authority to act on behalf of a Scheme Creditor to the Scheme Manager, and provided no notice is received by the Scheme Manager to the contrary from such Scheme Creditor, direct a Scheme Company to make payments to the broker in respect of the relevant Scheme Creditor's Established Liability.

Payment in full by a Scheme Company to a Scheme Creditor, or any broker authorised by the Scheme Creditor to receive such payment in respect of any Established Liability, will be in full and final settlement of such Established Liability and the Scheme Company concerned will have no further liability in respect thereof.

Payments will be made by cheque and sent by Post. Alternatively, if requested to do so by a Scheme Creditor, payments may be made by way of telegraphic transfer to the bank account specified by the Scheme Creditor at the Scheme Creditor's expense. The despatch of cheques and payments made by way of telegraphic transfer will constitute a full discharge of the Scheme Companies' Scheme Liability to Scheme Creditors. If a Scheme Creditor to which a cheque has been despatched has not presented it for payment after 6 months from the date of posting, the relevant Scheme Creditor will be deemed to have been satisfied in full in relation to such payment.

13. REVERSION TO RUN-OFF

A Scheme Company may, at its absolute discretion, terminate its own Scheme at any time before 49 days after the Final Claims Submission Date or before the first claim, if any, is referred to a Scheme Adjudicator, whichever is the earlier, if such Scheme Company believes that the Scheme is no longer beneficial to it.

If a Scheme Company decides to terminate the Scheme in this way, it will send notice to all of its Scheme Creditors and advertise in the publications referred to in paragraph 8 of this document that the Scheme is to terminate for such Scheme Company. This will not affect the Scheme in respect of the other Scheme Companies.

If a Scheme Company terminates its Scheme in this way, the Scheme Liabilities against such Scheme Company which have become Established Liabilities under the Scheme will be binding on the Scheme Company and its Scheme Creditors. Furthermore, any payment made by a Scheme Company to a Scheme Creditor, or any broker authorised by the Scheme Creditor to receive such payment in respect of any Established Liability, will be payment in full and final settlement of such Established Liability, or part thereof, and the Scheme Company concerned will have no further liability in respect thereof.

The Scheme Company concerned will then revert to run-off, agreeing its remaining claims in the normal course.

14. INTEREST ON SCHEME LIABILITIES

Scheme Creditors will be entitled to receive amounts in respect of interest as part of the distribution in respect of an Established Liability where they are entitled to such interest by reason of contract or statute. Such interest will be calculated on the relevant part of the Scheme Creditor's Established Liability up to the Business Day before the Business Day on which payment in respect of that Established Liability is to be paid under the Scheme.

15. CURRENCY OF PAYMENT

Any amount owed to a Scheme Creditor in respect of an Established Liability which, in accordance with the underlying Insurance Contract, is in any currency other than US dollars, Canadian dollars, pounds sterling or euros will be paid in pounds sterling, converted at the mid market rate of exchange for that particular currency quoted in the *Financial Times* on the last Friday of the month before the date for payment under the Scheme. Claims in US dollars, Canadian dollars, pounds sterling or euros will be paid in the currency of the claim. Claims in any of the currencies which were replaced by the euro will be converted into euros at the rate at the date of conversion and paid in euros. Where set-off is applied the Scheme Companies will, where necessary, convert the set-off into the currency in which the Scheme Liability will be paid, as at the date on which the set off is determined.

16. THE SCHEME ADVISERS

The Scheme Advisers' function and remuneration is described on page 10 in the letter from the proposed Scheme Manager.

17. THE SCHEME ACTUARY

The first Scheme Actuary under the Scheme will be Peter Copeman, a partner in the United Kingdom firm of PricewaterhouseCoopers LLP and the Scheme Companies' existing actuarial adviser, whose duties, functions and rights are conferred upon him by the Scheme. The Scheme Actuary will be entitled to an indemnity out of the Property of Marlon Insurance Company Limited for costs properly incurred in relation to the Scheme and for defending any action brought against the Scheme Actuary in relation to the Scheme.

The Scheme Actuary's function will be to provide advice to the Scheme Manager to enable it, on behalf of the Scheme Companies, to assess and where appropriate agree Scheme Creditors' claims in relation to Scheme Liabilities under the Scheme. The powers, rights, duties and functions of the Scheme Actuary are set out in clause 4.3 of the Scheme. When called upon to do so the Scheme Actuary will also provide information to the Scheme Adjudicators.

The Scheme Actuary is not a Scheme Creditor, shareholder or director of any Scheme Company.

18. THE SCHEME ADJUDICATORS

The first Scheme Adjudicators under the Scheme will be Andrew Crouchman, senior counsel, and Thomas Bond, a partner, both in the legal firm Akin, Gump, Strauss, Hauer & Field, LLP, and Colin Czapiewski, a partner in the actuarial firm Lane Clark & Peacock, whose powers, duties, functions and rights are conferred upon them by the Scheme.

The Scheme Adjudicators will act as independent experts and not as arbitrators and their specific function will be to determine any disputed Scheme Liability that has been referred to them under the Scheme. In this respect, the Scheme Adjudicators will be entitled to engage such appropriate independent professional advice as they consider necessary. The Scheme Adjudicators will be entitled to an indemnity out of the Property of Marlon Insurance Company Limited for costs properly incurred in relation to the Scheme and for defending any action brought against them in relation to the Scheme.

None of the Scheme Adjudicators are Scheme Creditors, shareholders or directors of any Scheme Company.

19. THE SCHEME MANAGER

The Scheme Manager's function and remuneration is described on pages 9 and 10 in the letter from the proposed Scheme Manager.

20. LIABILITY

Scheme Creditors will not be entitled to challenge acts done or omitted to be done in good faith and with due care by the Scheme Manager, Scheme Advisers, Scheme Actuary or Scheme Adjudicators in performing their duties or functions under the Scheme and none of the Scheme Manager, Scheme Advisers, Scheme Actuary or Scheme Adjudicators will be liable for any loss unless such loss is attributable to their negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty.

21. FINAL IMPLEMENTATION OF THE SCHEME

The Scheme will be finally implemented upon the Scheme Manager's certification that all Established Liabilities have been determined and paid (or deemed to have been satisfied) in accordance with the Scheme.

As soon as practicable after the implementation of the Scheme, the Scheme Manager will publish in the same publications in which it advertised the Scheme Meetings an advertisement stating that the Scheme has been finally implemented.

22. ASSISTANCE TO BE PROVIDED

During the implementation of the Scheme, Scheme Creditors must meet the reasonable requirements of all or any of the Scheme Manager, Scheme Advisers, Scheme Actuary, Scheme Adjudicators or Scheme Companies in connection with the Scheme. Similarly, the Scheme Manager and the Scheme Companies must meet the reasonable calls for assistance of all or any of the Scheme Advisers, Scheme Actuary or Scheme Adjudicators in connection with the Scheme.

23. EXTENSION OF TIME LIMITS

The Scheme Manager may extend (by way of advertisement) any time period referred to in the Scheme in relation to the determination of Established Liabilities or payments to Scheme Creditors (other than the Final Claims Submission Date, which can only be extended in the case of manifest administrative error, without notice). Similarly, a Scheme Adjudicator may with the consent of the Scheme Manager extend any time period under the dispute resolution procedure contained in the Scheme by such period as he deems necessary to determine any disputed Scheme Liability.

24. MEETINGS OF SCHEME CREDITORS

During the Scheme, the Scheme Manager may at any time convene a meeting of Scheme Creditors for a particular Scheme Company.

Any five (or in the case of the Scheme relating to Riverstone (Stockholm) Insurance Corporation (publ), two) or more Scheme Creditors who have Scheme Liabilities (after the application of set off, deduction or counterclaim) with an aggregate value in excess of 15% of the total known Scheme Liabilities for that Scheme Company may, by written notice, require the Scheme Manager to convene a meeting of Scheme Creditors for that Scheme Company in accordance with the terms of the Scheme, to consider the removal of any of the Scheme Adjudicators.

To be valid and effective, any resolution at a meeting of Scheme Creditors must be an extraordinary resolution (which is a resolution passed by a majority in number representing not less than 75% in value of the Scheme Creditors who, being entitled to do so, vote in person or by proxy on such resolution at the meetings convened to consider such a resolution). It is unlikely that meetings of Scheme Creditors will be convened except in the most exceptional circumstances. Scheme Creditors' votes at any meeting of the Scheme Creditors following the Scheme Meetings will be valued in the same way as for the Scheme Meetings.

25. SCHEME EXPENSES AND SCHEME COSTS

All costs, charges, expenses and disbursements incurred by the Scheme Manager, Scheme Advisers, Scheme Actuary or Scheme Adjudicators in accordance with and relating to their terms of engagement in connection with the negotiation, preparation and implementation of the Scheme and other costs incidental to the Scheme will be paid in full out of the property of Marlon Insurance Company Limited in the normal course.

26. ELECTRONIC COMMUNICATIONS

At the option of the Scheme Creditor, communications required under the Scheme can be sent electronically in accordance with the Scheme's terms.

27. GOVERNING LAW AND JURISDICTION

The Scheme will be governed by and construed in accordance with the laws of England and Scheme Creditors agree that the Court shall have exclusive jurisdiction to hear and determine any Proceeding and any dispute which may arise out of any provisions of the Scheme, or out of any action taken or omitted to be taken under the Scheme. The Court will also have exclusive jurisdiction in relation to any dispute arising in the administration of the Scheme or out of the Explanatory Statement. *For such purposes, the Scheme Creditors irrevocably submit to the jurisdiction of the Court.*

28. CONDITIONS FOR THE SCHEME TO BECOME EFFECTIVE

The Scheme in relation to each Scheme Company will become effective as soon as an office copy of the Court Order sanctioning the Scheme, where made, for that Scheme Company is delivered for registration to the registrar of companies in England and Wales.

29. SECTION 304 RELIEF IN THE UNITED STATES OF AMERICA

It is proposed that an application will be made in the United States of America pursuant to Section 304 of the United States Bankruptcy Code for a permanent injunction restraining Scheme Creditors in the United States from proceeding against Scheme Companies in relation to Scheme Liabilities in that jurisdiction and relying instead on the provisions of the Scheme for such liabilities to be met in full. It is proposed that this application will be made only if and when the Scheme in relation to the respective Scheme Company becomes effective in the United Kingdom.

27 May 2003

F: APPENDICES

APPENDIX (a) CURRICULA VITAE

THE SCHEME ADVISERS**DAN YORAM SCHWARZMANN**

Dan Schwarzmann is a partner in the London office of the United Kingdom firm PricewaterhouseCoopers LLP where he has been involved in corporate recovery work since 1990. He is a specialist in insolvency and reorganisations within the insurance industry.

In recent years Dan's assignments have included a number of substantial insurance companies in the London market.

In particular, he is a scheme administrator, scheme adviser or provisional liquidator for a number of insurance companies including BAI (Run-Off) Limited (formerly the Builders' Accident Insurance Limited), Black Sea and Baltic General Insurance Company Limited, Chester Street Holdings Limited (formerly Iron Trades Holdings Limited), City General Insurance Company Limited, Dunedin Underwriting Pool (for policies written through the Dunedin Underwriters (HMT) Limited), Hassneh Insurance Co. (UK) Limited, Independent Insurance Company Limited, OIC Run-Off Limited and The London and Overseas Insurance Company Limited, The Seven Provinces Insurance Company NV, Transatlantica Reinsurance Company NV, Nationale Nederlanden Schadeverzekering Maatschappij NV, Nationale-Netherlands Insurance Company Est 1845 and the Mercantile Mutual Insurance (Australia) Limited.

Dan is particularly concerned with innovative means of dealing with the run-offs of solvent and insolvent insurance companies, including through the mechanism of a scheme of arrangement.

In addition to handling assignments in the insurance industry, Dan has also been involved with a number of other cases in the financial sector.

Dan is a member of the Association of Business Recovery Professionals, the Institute of Chartered Accountants in England and Wales and the International Association of Insurance Receivers. He is also a licensed Insolvency Practitioner. He has a masters degree in business administration.

DOUGLAS NIGEL RACKHAM

Nigel is a director in the London office of the United Kingdom firm PricewaterhouseCoopers LLP specialising in reorganisation and insolvency within the insurance industry. His insurance experience started in the early 1980s as auditor and adviser to a number of brokers and Lloyd's syndicates and agencies. He has worked in the business recovery area since 1990 covering a range of industries and running insolvencies of various sizes and complexities. A particular expertise has been undertaking business reviews and assisting in turnaround situations.

Since 1995 Nigel has worked primarily in the insurance run-off market advising on exit routes and developing innovative solutions for stakeholders. He is currently the scheme adviser, liquidator, provisional liquidator or scheme administrator for a number of insurance companies including City General Insurance Company Limited, Black Sea and Baltic Insurance Company Limited, Fremont Insurance Company (UK) Limited, ICS Reinsurance Private Limited, RMCA Reinsurance Limited, The Charter Reinsurance Company Limited, The Insurance Corporation of Singapore (UK) Limited, The Hawk Insurance Company Limited, United Standard Insurance Company Limited, Andrew Weir Insurance Company Limited, Trinity Insurance Company Limited, Bryanston Insurance Company Limited and Oaklife Assurance Company Limited.

Nigel is a member of the Association of Business Recovery Professionals, a fellow of the Institute of Chartered Accountants in England and Wales and a licensed Insolvency Practitioner.

THE SCHEME ACTUARY**PETER COPEMAN**

Peter Copeman became a Fellow of the Institute of Actuaries in 1979 and, since that time, he has spent his working career in non-life insurance. He was formerly employed as a senior manager in the UK subsidiary of a major European insurance company, responsible for actuarial services, strategic and financial planning, and was involved in direct and London market business. He previously worked for a major United Kingdom composite insurer, gaining experience in both United Kingdom and international non-life operations.

Peter joined Coopers & Lybrand in 1993, became a partner in 1995 and now leads the United Kingdom non-life actuarial practice of the United Kingdom firm PricewaterhouseCoopers LLP. He has wide experience in most branches of non-life insurance, in both actuarial and management roles. Particular assignments have included:

- (a) actuarial analysis of reserves for direct and London market business, including specific advice in the areas of LMX, asbestos related and environmental liabilities;
- (b) actuarial analysis of motor, household and health rating structure and levels;
- (c) actuarial analysis of reinsurance programmes; and
- (d) due diligence work for acquisitions of insurance companies and brokers, including investigations and assessment of strategy, operations and financial performance.

Peter is currently the Scheme Actuary for The Charter Reinsurance Company Limited. He has previously been a signatory for Lloyd's opinions and holds a Practising Certificate to sign actuarial opinions in Ireland.

Peter has been a member of various actuarial working parties considering topics such as corporate planning, latent claims and actuarial reporting.

Peter received a BSc Honours in Mathematics from Bristol University. He is a Fellow of the Institute of Actuaries, a Member of the American Academy of Actuaries and a Fellow Member of the Society of Actuaries in Ireland. He was previously on the General Insurance Board of the Faculty and Institute of Actuaries and is currently a member of the Professional Standards & Guidance and the Current Issues sub-committees. He is a past Chairman of the London Market Actuaries Group.

note: a partner in the firm PricewaterhouseCoopers LLP means a member of PricewaterhouseCoopers LLP.

THE SCHEME ADJUDICATORS**ANDREW CROUCHMAN**

Andrew C. Crouchman is Senior Counsel in the insurance section of law firm Akin, Gump, Strauss, Hauer & Feld, LLP in the London office, which he joined in 1998 from Barlow Lyde & Gilbert where he had been a partner since 1993.

Prior to entering private practice, Andrew was a divisional director at two insurance brokers, Hogg Robinson London Limited and J.H. Minet & Co Ltd., and Director and Company Secretary of Merrett Claims Administration (799) Limited, the Lloyd's Underwriting Agency run-off company. He has broad market experience in broking international professional indemnity business and managing a broader liability portfolio, and was closely involved in the underwriting and claims management of one of the largest non-marine accounts at Lloyd's.

Andrew advises international and London insurers on all aspects of their reinsurance business, ranging from due diligence, inspections, claims run-off, disputes and commutations on existing accounts, to alternative risk transfer and securitisation of risk products in the developing markets, including any associated policy drafting and interpretation.

His areas of expertise include reinsurance – he has featured in the *Euro-money* Legal Group Guide to the World's Leading Insurance and Reinsurance Lawyers; Lloyd's – he was a key member of the reinsurance team advising on insolvency and regulatory issues arising in the

formation of Equitas; and insurance/capital markets – he was the United Kingdom reinsurance team leader for the securitisation of catastrophe risks for St. Paul Re, London (into George Town Re) by Goldman Sachs, New York.

Andrew received his M.A. Cantab (Hons) from Cambridge University in 1975, and initially qualified as a barrister at law of the Middle Temple, London. In 1991 he re-qualified as a Solicitor of the Supreme Court of England and Wales. He has been a contributing author to various publications including *Alternative Risk Financing, Commutations and Reinsurance Practice and the Law*. In 2002 he was appointed a Scheme Adjudicator for 5 United Kingdom solvent schemes of arrangement.

THOMAS BOND

Thomas J. Bond is a partner in the Austin, Texas office of law firm Akin, Gump, Strauss, Hauer & Feld, LLP. He chairs the firm wide insurance practice group, is a member of the technology practice group and serves on the firm's strategic planning and management committees. Thomas practices insurance and regulatory law in Texas and on a national basis in the United States. Additionally, he routinely advises insurance enterprises in e-commerce-related issues. Prior to joining Akin Gump, Thomas was the commissioner of insurance for the State of Texas from 1982 to 1985.

Thomas' clients include holding companies, life insurance companies, property and liability companies, trade associations, reinsurers, health maintenance organisations, e-commerce insurance ventures, title underwriters and agencies, prepaid legal entities, agents, large insureds and the insurance departments of other States. He has been involved in the rehabilitation and liquidation of troubled companies, both hostile and negotiated acquisitions and mergers, numerous regulatory approval projects, investment decisions, and the design and approval of new coverages. Thomas also represents clients in connection with regulatory approvals and acquisitions in numerous other States.

Thomas is a frequent speaker on public policy issues related to insurance and managed health care. He has been particularly active in the national debate on the regulation of health maintenance organisations and the application of judicial sanctions to managed care decision-making. His work includes legislative and executive branch advocacy in Texas and other States and before the United States Government. Thomas' career also includes staff work for the Texas Legislature, political consulting, freelance writing, editing and teaching.

Thomas received a BA in English from Baylor University in 1969 and an MFA in writing from Bowling Green State University in 1973. He received his JD with honours from the University of Texas School of Law in 1982. Thomas is a member of several professional organisations, including the State Bar of Texas, the State Bar of Colorado, the American Bar Association and the International Association of Insurance Counsel. He was also a founding board member of the Federation of Regulatory Counsel.

COLIN CZAPIEWSKI

Colin Czapiewski began his career at the Prudential Assurance Company. In December 1985, he was appointed Company Actuary at Terra Nova Insurance Company. In July 1993, he joined United Kingdom firm Lane Clark & Peacock, consulting actuaries, as Partner and Head of General Insurance operations, where he and his team have built up the practice to be a significant player in this market.

Colin became a Fellow of the Institute of Actuaries in 1984. In 1990, he became a Member of the American Academy of Actuaries and in 1995 he was appointed an Honorary Member of the Polish Society of Actuaries. He was elected to the Council of the Institute of Actuaries in July 1995. He was Institute representative and Deputy Chairman of the General Insurance Board

which is responsible for non-life aspects of the Institute of Actuaries and the Faculty of Actuaries. He also sits on several other committees within the profession including the Social Policy Board and the Research Committee.

Colin has extensive actuarial experience in the specialised area of General Insurance and Risk Management. He has written and presented a large number of papers around the world on a broad range of insurance-related actuarial topics, including pricing, reserving, actuarial reporting, marine insurance, assessment of reinsurance security, expenses, latent claims (including asbestos and pollution), capital requirements, risk exposure, Y2K, public and employers liability, financial condition reporting and many other topics.

He has performed litigation support and arbitration for many insurance (and especially reinsurance) disputes in areas where he is seen as an expert in the market.

Colin is the Scheme Adjudicator for City General Insurance Company Limited, Dunedin Underwriting Pool (for policies written through the Dunedin Underwriters (HMT) Limited) and Hassneh Insurance Company (UK) Limited.

Colin has travelled extensively within Europe, the United States, Canada and Australia both for discussions with cedants, insurers and reinsurers and to address seminars and conferences of actuaries and others in the insurance world.

Colin is a Liveryman of the Worshipful Company of Actuaries and is Treasurer of the Actuaries Club.

APPENDIX (b) LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

- (1) Orders of the Court dated 25 March 2003 summoning of the Scheme Meetings;
- (2) Letters of consent to act from each of the Scheme Manager, the Scheme Advisers, the Scheme Actuary and the Scheme Adjudicators; and
- (3) Audited annual financial statements of the Scheme Companies as at 31 December 2001 or such other later date as such financial statements become available.

The above documents or copy documents will be available for inspection on reasonable notice by Scheme Creditors (until the close of the Scheme Meetings) at the following locations during ordinary business hours on any Business Day:

PricewaterhouseCoopers LLP
Plumtree Court
London
EC4A 4HT
United Kingdom
Contact: Sara Dennis or Fiona Christie
Tel: +44 (0)20 7583 5000

Lovells
Atlantic House
London
EC1A 2FG
United Kingdom
Contact: Katriona Congleton
Tel: +44 (0)20 7296 2000

PricewaterhouseCoopers LLP
1177 Avenue of the Americas
New York
New York 10036
United States
Contact: Greg Moore
Tel: +1 646 471 3875

APPENDIX (c) FINANCIAL INFORMATION

1. The figures below were extracted from the audited balance sheets of Marlon Insurance Company Limited ("MIC"), The National Insurance & Guarantee Corporation Limited ("NIG") and Riverstone (Stockholm) Insurance Corporation (publ) ("Riverstone") as at 31 December 2001:

	MIC	NIG	Riverstone
	£'000	£'000	Swedish Krone
ASSETS			
Investments	71,530	655,602	337,719
Reinsurers' share of technical provisions	25,103	80,962	2,039,530
Debtors	5,932	167,261	9,835
Other assets	446	6,308	34,266
Prepayments and accruals	182	213,842	853
	103,193	1,123,975	2,422,203
LIABILITIES			
Capital and reserves	(27,390)	(181,082)	(108,960)
Technical provisions	(70,571)	(876,048)	(2,039,854)
Creditors	(5,072)	(66,740)	(269,943)
Accruals, deferred income and provision for other charges	(160)	(105)	(3,716)
	(103,193)	(1,123,975)	(2,422,203)

APPENDIX (d) CLAIM FORM

The Scheme Company

For each claim arising under an Insurance Contract, in relation to which you are a Scheme Creditor, please complete this Claim Form following the instructions on the following pages. **You should read the instructions carefully and note that the Claim Form is to be completed with the position as at the Ascertainment Date, 31 December 2002.**

The numbers at the head of the columns correspond to the numbered instructions contained on the following pages of this form.

THIS CLAIM FORM, ALONG WITH APPROPRIATE SUPPORTING INFORMATION, MUST BE RETURNED TO PRICEWATERHOUSECOOPERS LLP, PLUMTREE COURT, LONDON EC4A 4HT, UNITED KINGDOM MARKED FOR THE ATTENTION OF SARA DENNIS OR FIONA CHRISTIE AS SOON AS POSSIBLE AND BY NO LATER THAN THE FINAL CLAIMS SUBMISSION DATE, NAMELY 20 OCTOBER 2003. AFTER WHICH NO NEW OR REVISED CLAIM FORM(S) WILL BE ADMITTED, OR REVISED OR FURTHER INFORMATION ACCEPTED, EXCEPT IN THE LATTER CASE IN RESPONSE TO A REQUEST FROM THE SCHEME MANAGER, THE SCHEME ACTUARY OR THE SCHEME ADJUDICATOR(S) OR IN RELATION TO A SUBSTANTIVE JUDGMENT.

Please complete a separate Claim Form for each currency. Use photocopied pages as required.

SCHEME CREDITOR NAME AND ADDRESS:
CURRENCY:

(1) Insurance Contract reference number	(2) Participation percentage (%)	(3) Inception date	(4) Relevant Broker	(5) Relevant Broker reference	(6) Agreed claims	(7) Notified Outstanding Claims	(8) IBNR claims	(8a) Basis of IBNR claims	(9) Security Interests, Letters of Credit or any other counter- claims	(10) Total (6+7+8-9)

To the best of my knowledge and belief the information on this Claim Form and any supporting schedules, as amended or otherwise, is correct.

Signed: Name:
Position/Capacity:
For and on behalf of (Scheme Creditor name) Date:

SEE THE FOLLOWING PAGES FOR "INSTRUCTIONS FOR COMPLETION OF THE CLAIM FORM"

INSTRUCTIONS FOR COMPLETION OF THE CLAIM FORM

Please note that the terms used within these instructions and in the Claim Form bear the same meanings as given to them in the Scheme of Arrangement.

The numbers below refer to the numbered columns in the Claim Form. If in relation to an Insurance Contract you have any claims in more than one currency, please photocopy the table and use a separate table for each currency, specifying in the box provided the relevant currency. If there are insufficient lines for any one currency, please photocopy the table and complete the photocopy. Please refer to page 17 of the Scheme document for further details on completing the Claim Form and the supporting evidence required.

(1) Insurance Contract reference number

Please specify each Insurance Contract reference number under which each of your claims may arise against the Scheme Company, and provide a copy of the policy schedule or cover note and the schedule of insurers with particulars of each claim in supporting schedules (where applicable). Your broker will be able to assist you in confirming or identifying additional Insurance Contracts and reference numbers. Please then insert the Insurance Contract reference numbers on the Claim Form using a separate line for each.

(2) Participation percentage

The participation percentage for each Insurance Contract represents the percentage line underwritten or assumed by the Scheme Company under the Insurance Contract. Insert the percentage line for each Insurance Contract (apportioning the value of each of your claims against the Scheme Company accordingly when completing columns (6), (7) and (8)) and if the percentage is not of 100% state what it is a percentage of.

(3) Inception date

Specify the date when each Insurance Contract commenced. In the case of continuous Insurance Contracts or Insurance Contracts of more than 12 months, each anniversary or renewal should be shown as a separate Insurance Contract.

(4) Relevant Broker

Specify the name of the broker who placed the Insurance Contract or, if the placing broker is not known, any other broker or intermediary (if known) who acted on your behalf in relation to the Insurance Contract. Enter, in addition, either "Placing" or "Other" as applicable.

(5) Relevant Broker reference

Specify the broker's contract reference for each Insurance Contract.

(6) Agreed claims

Specify the amount of any claim or (where there is more than one claim) the aggregate amount of any claims not yet paid you have arising under each Insurance Contract that has/have been established by agreement, or otherwise.

(7) Notified Outstanding claims

Specify the estimated amount of any claim or (where there is more than one claim) the aggregate estimated amount of any claims you have arising under each Insurance Contract that has/have been reported but not yet established and provide particulars of your estimate(s) in supporting schedules in accordance with the Scheme.

(8) IBNR claims

Specify the estimated amount or (where there is more than one claim) the aggregate estimated amount of any claims you have arising under each Insurance Contract that has/have been incurred but not yet reported and provide particulars of your estimate(s) in supporting schedules in accordance with the Scheme.

(8a) Basis of IBNR claims

Your estimate(s) may be based on:

- A** the development of paid claims under the Insurance Contract; or
- B** the development of incurred claims under the Insurance Contract (i.e. paid/agreed claims together with known outstanding claims); or
- C** the development of the ratio of incurred losses to the total premiums under the Insurance Contract (i.e. the incurred loss ratio); or
- D** any other generally accepted actuarial basis which must be specified.

Enter **A**, **B**, **C** or **D** as appropriate in column (8a) and provide particulars of your estimates (which may include actuarial analysis) in supporting schedules in accordance with the Scheme (please refer to page 48 of the Scheme document for further details).

(9) Security Interests, Letters of Credit or any other counter-claims

Specify the estimated amount or (where there is more than one claim) the aggregate estimated amount of any Security Interest, Letter of Credit, trust, set-off or cross-claim that you believe exists in relation to each Insurance Contract under each claim(s) and which is available in respect of such claim(s). Provide an analysis of the amount and provide any supporting documentation, including bank references in respect of Letters of Credit.

(10) Total

Enter the total of columns (6), (7) and (8) less column (9). Enter the total sum of all column (10) amounts at the foot of the column in the box marked "Total".

You are requested to return the Claim Form, together with supporting schedules, to PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, United Kingdom marked for the attention of Sara Dennis or Fiona Christie by the Final Claims Submission Date, namely 20 October 2003.

APPENDIX (e) ESTIMATION METHODOLOGY PAPER

Actuarial Estimation Methodology in connection with the Scheme of Arrangement
between the companies listed below and their Scheme Creditors

Marlon Insurance Company Limited
The National Insurance & Guarantee Corporation Limited
Riverstone (Stockholm) Insurance Corporation (publ)

This document must be read in its entirety.
Reading individual sections in isolation could be misleading.

1. INTRODUCTION

1.1 Purpose and Scope

This document provides an overview of the actuarial methodology used to provide advice to Marlon Management Services Limited ("the Scheme Manager") when estimating the ultimate losses in connection with the proposed schemes of arrangement between the companies listed below ("the Scheme Companies") and their Scheme Creditors.

- Marlon Insurance Company Limited
- The National Insurance & Guarantee Corporation Limited
- Riverstone (Stockholm) Insurance Corporation (publ)

Expressions defined in the Scheme will have the same meanings in this report.

1.2 Background

Marlon Insurance Company Limited wrote marine hull, cargo, energy and liability business in the name of Skandia Marine Insurance Company (UK) Limited from 1 January 1992 to 30 June 1997 exclusively through the Institute of London Underwriters on a direct or facultative basis and bearing ILU company identification code 3313. Skandia UK Insurance Plc wrote marine direct or facultative business between 1 January 1990 and 31 December 1992 exclusively through the Institute of London Underwriters bearing ILU company identification code 3756 which was transferred to Marlon Insurance Company Limited in February 2000 pursuant to a transfer under Schedule 2C to the Insurance Companies Act 1982.

The National Insurance & Guarantee Corporation Limited wrote direct and reinsurance risks incepting prior to 31 December 1981 through London and continental brokers and agents (currently termed the "NIG City Account"). Since 1 January 1999 this business has been 100% reinsured by Marlon Insurance Company Limited. The majority of the liabilities relate to the 1966-1971 underwriting years and consist primarily of Asbestos, Environmental Pollution and Health Hazard claims.

Riverstone (Stockholm) Insurance Corporation (publ) wrote marine hull, cargo, energy and liability business in the name of Skandia International Insurance Corporation (publ) from 1 July 1997 to 30 September 1997 exclusively through the Institute of London Underwriters on a direct or facultative basis bearing ILU company identification code 3388. Since 1 January 1998 this business has been 100% reinsured by Marlon Insurance Company Limited.

2. OVERVIEW OF THE SCHEME ACTUARY'S INTENDED APPROACH

2.1 Estimates of liabilities for the Scheme

The Scheme Manager has retained the Scheme Actuary to conduct analyses of the Scheme Liabilities of each Scheme Company in order to produce estimates of ultimate claims as at 30 September 2002. The Scheme Actuary has delivered a report on the Scheme Liabilities for each Scheme Company to the Scheme Manager.

An outline of the information and methodology that was used to derive the estimates as at 30 September 2002 is contained in Sections 3 and 4 of this report.

2.2 Assessment of amounts due to each Scheme Creditor

As part of the procedure for submitting claims under the Scheme, Scheme Creditors will be asked to provide, on a Claim Form, paid claim and notified outstanding claim figures that they believe have been advised to or are due from the Scheme Companies as at 31 December 2002. Scheme Creditors will also be asked to provide their estimate of IBNR claims, if any, on an undiscounted basis (i.e. without taking account of the time value of money) as at 31 December 2002.

Following the claims submission process, the Scheme Manager will decide on the reasonableness of each claim submission. In performing this exercise, the Scheme Manager may, if required, seek actuarial advice from the Scheme Actuary, whose analysis will be based on the methodology described in Section 4 of this report.

Each Scheme Creditor is expected to provide supporting documentation and evidence for their claim, particularly in relation to any IBNR claim submissions.

If a Scheme Creditor submits a claim for notified outstanding claims and/or IBNR claims but does not submit an estimate of the amount concerned, the Scheme Manager will attribute a nil value to this claim.

If, after the process described above, the Scheme Manager and the Scheme Creditor cannot reach an agreement on the value of the claim, the claim will be referred to the Scheme Adjudicator who will review all available information to determine what constitutes a reasonable estimate of the Scheme Creditor's claim. The Scheme Manager will provide the Scheme Adjudicator with its review of the Scheme Creditor's claim and the reasons for their disagreement. If required by the Scheme Manager, the Scheme Actuary will provide actuarial advice to assist the Scheme Manager form its view. The Scheme Adjudicator will take into account when reaching his decision the methodology set out in this paper and any additional information provided by the Scheme Manager. The additional information may, if requested, include the Scheme Actuary's estimated reserve requirement for the Scheme Creditor on a best estimate basis. The Scheme Adjudicator's final decision based on the available information will be binding insofar as the law allows this to be the case.

3. INFORMATION

3.1 Information used for the Actuarial Review

The Scheme Actuary's reserving work was based on the following information made available by the Scheme Manager as at 30 September 2002.

Marlon Insurance Company Limited and
Riverstone (Stockholm) Insurance
Corporation (publ)

The National Insurance & Guarantee
Corporation Limited

- | | |
|---|---|
| <ul style="list-style-type: none"> ● Quarterly premium, paid claims and incurred claims development data for each class of business at both a gross of reinsurance and ceded level. This information was split further into Sterling, US Dollar and Canadian Dollar sub-divisions. ● The paid and outstanding claim positions of each large loss impacting the Company as at 30 September 2002. | <ul style="list-style-type: none"> ● Paid and outstanding claim positions of each outstanding claim in original currency as at 30 September 2002 at both a gross of reinsurance and ceded level. |
|---|---|

3.2 Reliance on information

The Scheme Actuary will rely on all information supplied to him by the Scheme Manager without verification (other than for reasonableness and internal consistency). The Scheme Actuary will also arrange, where appropriate, to have any additional information used verified by the Scheme Manager. This should provide comfort that the information used in the exercise is supported to market standards for the acceptance of the valuation of a claim.

4 ACTUARIAL METHODOLOGY

4.1 Introduction

Any actuarial approaches adopted must result in an "equitable treatment" of the Scheme Creditors. However, the actuarial methodologies used by the Scheme Actuary are necessarily constrained by the information available.

The purpose of this exercise is to assist the Scheme Manager in determining the reasonableness of the Scheme Creditors' claims. The reserving exercise conducted by the Scheme Actuary as at 30 September 2002 has attempted to allow for the underlying characteristics of each class of business or loss event under review and has therefore used a variety of techniques for estimating future liabilities. The Scheme Actuary has then selected the techniques that have, in his opinion, given the most robust results as the basis for the estimation of each cohort of policies under review.

Although the Scheme Actuary has identified a reserve estimate (as opposed to a range of reserve estimates) for each cohort of policies, there is of course a level of uncertainty that attaches to each estimate. The projections are designed to include no margins for either caution or optimism.

All estimates of future liability have been formulated on an undiscounted basis and are designed to represent the monetary cost of claims settlement without any allowance for the time value of money.

The paragraphs below describe the methodologies that the Scheme Actuary has used to derive reserve estimates as at 30 September 2002. If required by the Scheme Manager, the Scheme Actuary will use his estimate of ultimate claims as part of the process to assess the valuation of each Scheme Creditor's claim submission. In order for the Scheme Actuary to consider claims at an individual level, he may, if required, make use of additional actuarial techniques to test the reasonableness of the Scheme Creditor's own information, methodology and assumptions, in cases where further analysis is required.

4.2 Marlon Insurance Company Limited and Riverstone (Stockholm) Insurance Corporation (publ)

For the purposes of estimation, the losses have been grouped by class of business. The purpose of these groupings is to ensure that the estimation is conducted using as many homogenous groups as possible, subject to the constraints of statistical credibility of the available data.

The Scheme Actuary has applied a number of standard actuarial projection techniques to the development information described in Section 3.1 of this report to derive estimated reserve requirements. Where appropriate, large losses have been projected separately from the attritional data.

4.3 The National Insurance & Guarantee Corporation Limited

For the purposes of estimation, the losses have been grouped by latent claim type and by whether the business written is on a proportional or non-proportional basis. The purpose of these groupings is to ensure that the estimation is conducted using as many homogenous groups as possible, subject to the constraints of statistical credibility of the available data.

Based on his experience of similar latent claim types in the market and, where possible, information about the underlying assured, the Scheme Actuary has selected benchmark IBNR loadings to add to the notified outstanding claim amounts. These have been estimated separately for each latent claim type and policy type (direct, proportional and non-proportional).

No explicit allowances have been made for currently unanticipated new sources of health hazards in the future or for any identified claims types for which no claims or exposure information is currently available.

4.4 Pure APH IBNR

Sections 4.2 and 4.3 of this report have described the process for determining reserves that are specific to individual Scheme Creditors ("Specific Reserves"). These are reserves for claims relating to circumstances that are known to the Scheme Manager and Scheme Companies and which lead to a potential liability. In addition to the Specific Reserves, there is a need to consider reserves for "pure IBNR". Pure IBNR is a non-specific reserve for claims for circumstances that are not currently known to the Scheme Manager and Scheme Companies.

The Scheme Actuary estimates pure IBNR for each of the above categories for which Specific Reserves have already been calculated for Scheme Creditors. Pure IBNR can arise under these categories for several reasons. Some of the sources that are relevant to the Scheme are listed below:

- a policy that is not currently known about presented by a known creditor;
- all potential sources of liability for creditors of which the Scheme Manager and Scheme Companies are currently unaware.

In estimating these pure IBNR reserves, the approach is to apply appropriate industry benchmark multiples to the Specific Reserves. These benchmarks are adjusted to take account of features of the Scheme Companies. This is a high-level approach, but is believed to be reasonable in this situation.

4.5 Allocation of IBNR to individual contracts

When providing advice to the Scheme Manager, the Scheme Actuary may, if required, consider the Scheme Creditor's claims submissions as at 31 December 2002 in comparison with the reserve requirements estimated by the Scheme Actuary as at 30 September 2002 adjusted for any claims paid and movements in notified outstanding claims between 30 September 2002 and 31 December 2002.

In order to compare estimated reserve requirements at a creditor level, the Scheme Actuary may, if required, use a number of techniques to allocate his estimated reserve requirements from the groupings described above for known Scheme Creditors to individual contracts using the following approaches.

4.5.1 Marlon Insurance Company Limited and Riverstone (Stockholm) Insurance Corporation (publ)

The Scheme Actuary may, if required by the Scheme Manager, allocate the estimated IBNR reserve requirements to individual contracts using a number of predictor statistics:

- the premium;
- the rate on line;
- the paid claims development;
- the incurred claims development; and
- the outstanding claims.

The Scheme Actuary's model would consider, for each cohort of policies, the statistics above (where available). The model would give an appropriate weighting to each of these factors in order to allocate the estimated IBNR reserves to each policy within the cohort.

4.5.2 The National Insurance & Guarantee Corporation Limited

The Scheme Actuary may, if required by the Scheme Manager, allocate the estimated IBNR reserves derived at a claim type level to individual contracts in proportion to the notified outstanding claims.

Peter Copeman FIA
Scheme Actuary

APPENDIX (f) SEAL UNDERWRITING AGENCIES LIMITED

(HUGH PAUL AGENCIES NON-MARINE & AVIATION EXCESS OF LOSS POOLS)

UNDERWRITING YEAR	NIG'S GROSS PERCENTAGE SHARE OF EACH MAIN POOL LINE WRITTEN BY HUGH PAUL AGENCIES:	
1967	16.67	Pool 'A'
	20.00	Pool 'B'
	20.00	Pool 'C'
1968	16.67	Pool 'A'
	20.00	Pool 'B'
	20.00	Pool 'C'
1969	22.22	
1970	11.76	Pool 'A'
	18.18	Pool 'B'
	25.00	Pool 'C'
1971	13.80	Excluding French and Spanish business
	23.53	French and Spanish business
1972	18.75	Excluding French and Spanish business
	60.00	French and Spanish business
1973	11.76	Excluding French and Spanish business
	50.00	French and Spanish business
1974	11.76	Excluding French and Spanish business
	100.00	French and Spanish business

During the years 1970 to 1974 (inclusive) Hugh Paul Agencies also accepted business for a second Pool at the same time as writing for the Main Pool. In those instances the Agencies' written line was a combination of both interests and the allocation between the pools was recorded alongside the Agencies' name. NIG did not participate on any pool other than the Main Pool.

For guidance, the other pools comprise:-

1967 – Pool CT

1970 – Pool No 2

1971 – Pool No 2

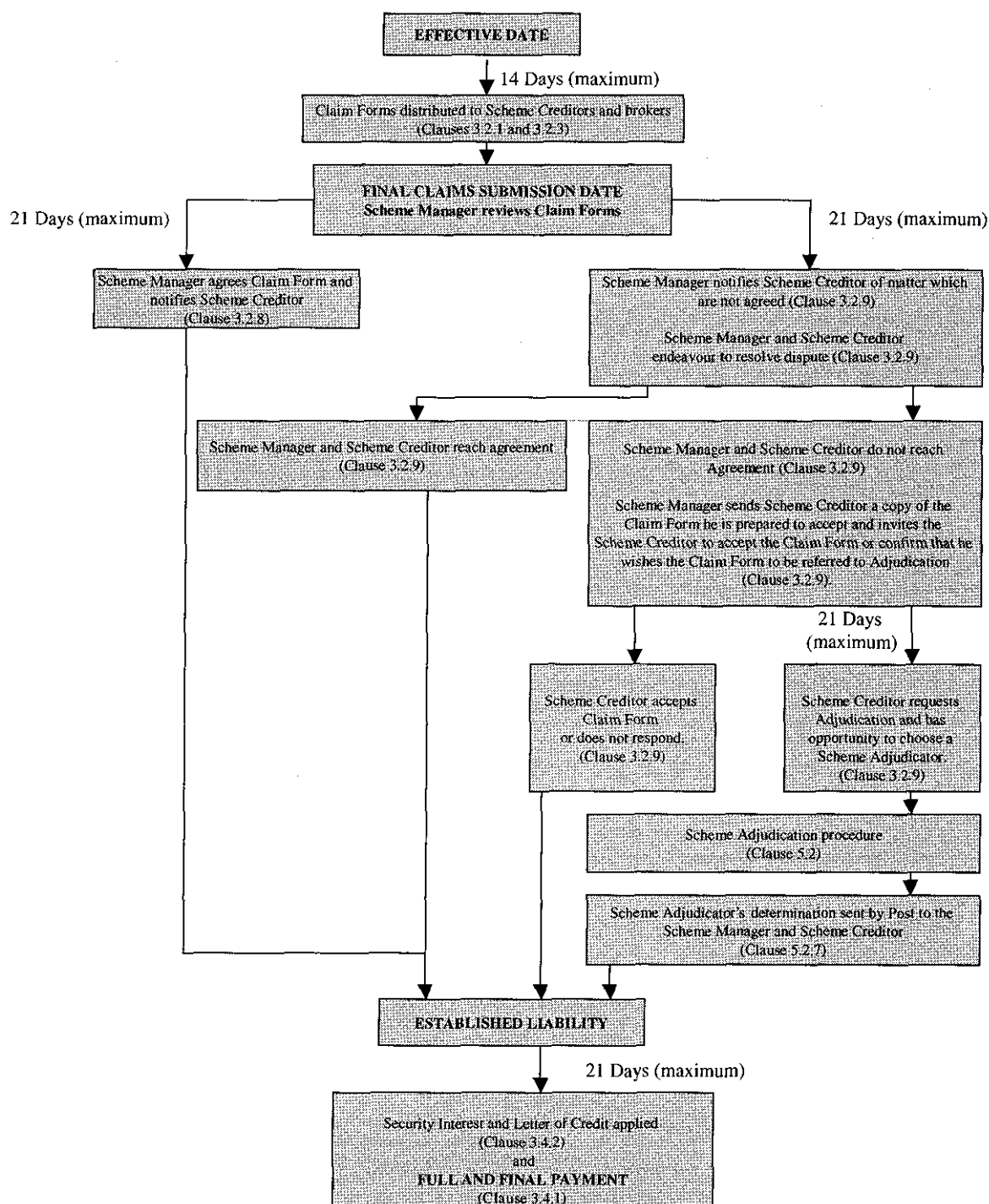
1972 – Pool X

1973 – Pool X; Pool Y; Pool Z

1974 – Pool X; Pool Y; Pool Z

APPENDIX (g) DIAGRAM ILLUSTRATING THE PROCEDURE FOR AGREEING ESTABLISHED LIABILITIES

This diagram summarises the procedure for agreeing Established Liabilities. The time periods, other than the Final Claims Submission Date, can be extended at the discretion of the Scheme Manager by giving notice of any extension by advertisement in the same manner as referred to in Clause 3.2.4 of the Scheme.



SECTION II: THE SCHEME

PROPOSAL IN RELATION TO SCHEMES OF ARRANGEMENT

(together the "Scheme")

pursuant to Section 425 of the Companies Act 1985 of Great Britain

between

MARLON INSURANCE COMPANY LIMITED
*(formerly Skandia Marine Insurance Company (UK) Limited and
Vesta (UK) Insurance Company Limited)*

THE NATIONAL INSURANCE & GUARANTEE CORPORATION LIMITED
(formerly The National Insurance & Guarantee Corporation plc)

RIVERSTONE (STOCKHOLM) INSURANCE CORPORATION (PUBL)
*(formerly Odyssey Re (Stockholm) Insurance Corporation (publ)
Skandia International Insurance Corporation (publ)
Skandia Reinsurance Corporation
Amphion – Aequitas Reinsurance Corporation
Amphion Insurance Corporation and
Amphion Reinsurance Corporation)*

(referred to in the Scheme as the "SCHEME COMPANIES")

and

their respective

SCHEME CREDITORS
(as defined in the Scheme)

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PART 1

PRELIMINARY

1.1 Definitions and Interpretation

1.1.1 In the Scheme, unless inconsistent with the subject or context, the following words shall have the following meanings:

"Ascertainment Date"	31 December 2002;
"Business Day"	a day, not being a Saturday or a Sunday, on which banks in the City of London are open for business;
"Canadian dollars"	dollars being the lawful currency of Canada for the time being;
"CDDA"	the Company Directors Disqualification Act 1986 of Great Britain;
"Claim Form"	a form in the form set out in Appendix (d) of the Explanatory Statement or substantially similar thereto;
"Co-Insurer"	any insurer, reinsurer or retrocessionaire actually or potentially liable under an Insurance Contract or under a contract which, in the opinion of the Scheme Manager, is on substantially the same terms and with the same insured or reinsured as an Insurance Contract under which a Scheme Company is also actually or potentially liable;
"Common Liability"	any Liability arising under or otherwise in connection with an Insurance Contract made between a Scheme Company, a Scheme Creditor and one or more Co-Insurers (whether by way of a multilateral contract or by way of a number of single contracts which are, in the opinion of the Scheme Manager, on substantially identical terms, made variously between a Scheme Company, a Scheme Creditor and one or more Co-Insurers), such that the Scheme Company's and the Co-Insurer's rights and Liabilities under the said contract relate to the same layer of cover (where the contract in question is of insurance, reinsurance or retrocession and where the risk giving rise to the Liability is insured in layers) and are substantially identical, whether they are joint, several or differing in quantum;
"Companies Act"	the Companies Act 1985 of Great Britain;
"Court"	the High Court of Justice of England and Wales;
"Court Order"	the order of the Court sanctioning the Scheme in respect of each of the Scheme Companies;
"Dispute Resolution Procedure"	the procedure for the resolution of disputes set out in clause 5.2;
"Effective Date"	in relation to each Scheme Company the date on which the office copy of the Court Order shall have been delivered for registration to the registrar of companies in England and Wales;

"Established Liability"	the value attributed to the Scheme Liabilities in favour of a Scheme Creditor determined in accordance with the Scheme, after the application of any rights of set-off, counterclaim or deduction applied pursuant to the Scheme;
"Explanatory Statement"	the statement dated 27 May 2003 explaining the effect of the Scheme to Scheme Creditors as required by Section 426 of the Companies Act;
"Euros"	the single currency adopted by participating Member States in furtherance of economic and monetary union under Article 109 of the Treaty of European Union;
"Final Claims Submission Date"	the last date for the submission of Claim Forms by Scheme Creditors being 90 days after (and not including) the Effective Date;
"Final Settlement"	a binding agreement, evidenced in writing, which of itself determines the obligations of a Co-Insurer under the contract or policy in question (either as to liability and/or as to quantum);
"Insurance Contract"	<p>any contract or policy of insurance, reinsurance or retrocession of any kind whatsoever entered into by or on behalf of a Scheme Company in relation to respectively:</p> <p>Marlon Insurance Company Limited, from 1 January 1992 to 30 June 1997 for marine hull, cargo, energy and liability business written exclusively through the Institute of London Underwriters ("ILU") in the name of Skandia Marine Insurance Company (UK) Limited on a direct or facultative basis and bearing ILU company identification code 3313 and marine direct or facultative business written by Skandia UK Insurance plc between 1 January 1990 to 31 December 1992 exclusively through the ILU and bearing ILU company identification code 3756 and transferred to Marlon Insurance Company Limited pursuant to a transfer under Schedule 2C to the Insurance Companies Act 1982 effected by an Instrument of Transfer dated 16 February 2000;</p> <p>The National Insurance & Guarantee Corporation Limited ("NIG"), direct and reinsurance risks incepting up to and including 31 December 1981, underwritten through London and continental brokers and agents as itemised by policy numbers in Schedule 1 to the Scheme. In addition to business accepted directly by NIG business was accepted on behalf of NIG during years 1967 to 1974 (inclusive) by Hugh Paul & Company Limited and Hugh Paul (Agencies) Limited ("the Hugh Paul Pools") (as set out at Appendix (f) of the Explanatory Statement). Hugh Paul Agencies is currently known as Seal Underwriting Agency Limited. For the avoidance of doubt marine and aviation liabilities arising from acceptances made on behalf of NIG by Alfred Blackmore & Company Limited or companies or agencies under Alfred Blackmore's control are not included.</p> <p>Riverstone (Stockholm) Insurance Corporation (publ), from 1 July 1997 to 30 September 1997 for marine hull, cargo, energy and liability business written exclusively through the</p>

	ILU in the name of Skandia International Insurance Corporation (publ) on a direct or facultative basis and bearing ILU company identification code 3388;
"Letter of Credit"	any valid letter of credit issued to or for the benefit of a Scheme Creditor in respect of an Insurance Contract;
"Liability"	any liability of a person, whether it is present, future, prospective or contingent, whether or not its amount is fixed or unliquidated, whether or not it involves the payment of money and whether it arises at common law, in equity or by statute, in England or in any other jurisdiction, or in any other manner whatsoever, but such expression does not include any liability which is barred by statute or is otherwise unenforceable and, for the avoidance of doubt, a person who does not have a legal liability under a contract or policy because such contract or policy is void or, being voidable, has been duly avoided, will not have a liability for the purposes of the Scheme;
"Mentally Disordered"	in relation to a Scheme Actuary, Scheme Adviser, Scheme Manager or Scheme Adjudicator, where he is a patient within the meaning of Part XII of the Mental Health Act 1983 or Section 125(1) of the Mental Health (Scotland) Act 1984 or an order is made by a court having jurisdiction in matters concerning mental disorder for his detention or the appointment of a receiver or other person to exercise power over his affairs;
"Notice"	a dated notice in writing sent by the Scheme Manager to the Scheme Adjudicator (and copied, with enclosures, by Post to the relevant Scheme Creditor) within 84 days of the Final Claims Submission Date referring a disputed matter in writing sent by Post setting out details of the matter or matters to be resolved enclosing submissions together with evidence in support of them including copies of such of the particular Scheme Company's records as shall appear relevant, the relevant Claim Forms and enclosures, if any, together with any supporting documents provided by the Scheme Creditor as referred to in clause 5.2.1;
"Payment on Account"	any sums received by a Scheme Creditor in respect of a Scheme Liability between the Ascertainment Date and Effective Date as referred to in clause 3.3;
"Post"	first class post or by air mail, or hand delivery (including by a generally recognised commercial courier service);
"Pounds sterling"	pounds sterling or any other lawful currency for the time being of the United Kingdom;
"Proceedings"	any step or proceeding whether by way of demand, lien, legal proceeding, execution of judgment, arbitration proceedings or otherwise howsoever in any jurisdiction;

"Property"	all forms of property including money, goods, things in action, land and every description of property wherever situated together with obligations and every description of interest, whether present or future or vested or contingent, arising out of, or incidental to, property;
"Scheme"	all or any of the schemes of arrangement pursuant to Section 425 of the Companies Act proposed in relation to all or any of the Scheme Companies as set out in this document or as may from time to time be modified in accordance with clause 1.5;
"Scheme Actuary"	Peter Copeman of the United Kingdom firm PricewaterhouseCoopers LLP or any person subsequently appointed as such pursuant to clause 4.3.5;
"Scheme Adjudicators"	Andrew Crouchman, Thomas Bond, Colin Czapiewski or any person(s) subsequently appointed as such pursuant to clause 5.1.6;
"Scheme Advisers"	Dan Yoram Schwarzmann and Douglas Nigel Rackham, both of the United Kingdom firm PricewaterhouseCoopers LLP, or any person(s) subsequently appointed as such pursuant to clause 4.1.6;
"Scheme Companies"	the companies referred to in clause 1.2;
"Scheme Creditor"	in relation to a particular Scheme Company, a person who is or claims to be a creditor of that Scheme Company in respect of a Scheme Liability;
"Scheme Liability"	any Liability arising out of an Insurance Contract to which a Scheme Company is subject at the Ascertainment Date but in all cases prior to the application of any valid right of set-off, counterclaim, deduction, right under a Letter of Credit, escrow, trust or similar arrangement or any Security Interest;
"Scheme Manager"	Marlon Management Services Limited, a company incorporated in England with registered number 03289547 whose registered office is situate at Marlon House, 71-74 Mark Lane, London EC3R 7HT or any person subsequently appointed as such pursuant to clause 4.2.5;
"Scheme Meeting"	a meeting of the Scheme Creditors held pursuant to an order of the Court to consider and vote on the Scheme;
"Secured Liability"	a Scheme Liability that is secured by a Security Interest or a Letter of Credit;
"Security Interest"	any valid mortgage, charge, lien, assignment by way of security, other security interest over Property of all or any of the Scheme Companies or bond given by all or any of the Scheme Companies in respect of an Insurance Contract or in relation to Proceedings concerning an Insurance Contract;
"Substantive Judgment"	in relation to a Common Liability, an order, judgment, decision or award of a court or other tribunal of competent jurisdiction which is: <ul style="list-style-type: none"> (a) final and conclusive in relation to the merits of a Scheme Creditor's rights against a Co-Insurer under the contract in question, in that the tribunal has established

certain facts as proved or as not in dispute, identified the relevant principles of law applicable to such facts and reached its decision by applying those principles to such facts, such that the Co-Insurer's obligations under the contract in question (either as to liability or as to quantum) have been determined;

(b) a final order being an order or award of a court or tribunal which is not subject to any pending appeal, request for reargument, rehearing, reconsideration or similar relief and in relation to which the time to appeal or request reargument, rehearing, reconsideration or similar relief has expired;

(c) not a default judgment being:

any order, judgment, decision or award of a court or other tribunal of competent jurisdiction which is obtained or entered by virtue only of a Co-Insurer having omitted to take a procedural step or steps in relation to Proceedings brought by a Scheme Creditor, including any such order, judgment, decision or award which has been obtained by virtue of the Co-Insurer having failed:

(i) to acknowledge the commencement and/or service of the process whereby the Scheme Creditor commenced such Proceedings; or

(ii) to serve a defence, answer or other response to the Scheme Creditor's claim; or

(iii) to comply with any order or direction of the court or other tribunal which was interlocutory, procedural or intermediate in nature and/or with any procedural rules of such court or other tribunal; and

"US dollars"

dollars being the lawful currency of the United States of America for the time being.

1.1.2 Interpretation

In the Scheme:

(a) references to parts, clauses and schedules are references to the parts, clauses and schedules of the Scheme and part, clause and schedule headings and the table of contents are given for ease of reference only and shall not affect the interpretation of the Scheme;

(b) references to a person include an individual, firm, company, corporation or unincorporated body of persons; and

(c) the singular includes the plural and vice versa and the masculine includes the feminine and vice versa.

1.2 Scheme Companies

- 1.2.1 Marlon Insurance Company Limited was incorporated in England on 1 January 1971 with registered number 00998720 under the name of Vesta (UK) Insurance Company Limited. On 1 January 1992 its name was changed to Skandia Marine Insurance Company (UK) Limited. On 2 June 2000 its name was changed to its present name.
- 1.2.2 The National Insurance & Guarantee Corporation Limited was incorporated in England on 8 October 1894 with registered number 42133 as a private company under the name of The National Insurance & Guarantee Corporation Limited. On 11 November 1981 it re-registered as a public company and changed its name to The National Insurance & Guarantee Corporation plc. On 30 November 2001 it re-registered as a private company and changed its name back to its present name.
- 1.2.3 Riverstone (Stockholm) Insurance Corporation (publ) was incorporated in Sweden on 22 March 1916 under the name Amphion Reinsurance Corporation with registered number 557206-0977. In April 1922 it changed its name to Amphion Insurance Corporation. In December 1962 it changed its name to Amphion-Aequitas Reinsurance Corporation. It changed its name to Skandia Reinsurance Corporation in January 1966. It changed its name to Skandia International Insurance Corporation (publ) in July 1983. It changed its name to Odyssey Re (Stockholm) Insurance Corporation (publ) in October 1998. In November 2001 it changed its name to its present name.

1.3 Participation in the Scheme

- 1.3.1 The Scheme Companies have authorised the Scheme Manager to execute or do or to procure to be executed or done all documents, acts or things as may be necessary or as the Court may order necessary to be executed or done by them or on their behalf to implement and to give effect to the Scheme.
- 1.3.2 The Scheme Manager, the Scheme Advisers, the Scheme Actuary and the Scheme Adjudicators have each as appropriate consented to act in relation to and/or agreed to be bound by the Scheme.

1.4 Terms incorporated by reference

The Claim Form appended to the Explanatory Statement is expressly incorporated into the Scheme by reference so as to form part of the Scheme as if repeated within it.

1.5 Modification of the Scheme

Provided that there is no prejudice to Scheme Creditors, the Scheme Manager on behalf of the Scheme Companies may consent on behalf of all those concerned to any modification of or addition to the Scheme, or any terms or conditions which the Court may think fit to approve or impose at any hearing to sanction the Scheme.

PART 2 GENERAL PROVISIONS

2.1 Application and purposes of the Scheme

2.1.1 The Scheme shall only apply to all Scheme Creditors and only in relation to Scheme Liabilities. All other Liabilities and assets of the Scheme Companies shall not be affected by the provisions of the Scheme.

2.1.2 The purposes of the Scheme are:

- (a) to determine each Scheme Company's Established Liabilities; and
- (b) to pay to each Scheme Creditor the amount of its Established Liability.

2.2 Enforcement of Scheme Liabilities

2.2.1 Without prejudice to clause 2.3 and Part 5 in any event, no Scheme Creditor shall be entitled to commence or continue any Proceedings or other judicial, quasi-judicial or regulatory process whatsoever against any Scheme Company or its Property in any jurisdiction for the purpose of obtaining payment directly or indirectly of a Scheme Liability, except in relation to any Proceedings against a Scheme Company or its Property in relation to any Established Liability where (a) that Scheme Company has failed to perform any obligation to make payment of an Established Liability to a Scheme Creditor or (b) otherwise with the written consent of the Scheme Manager.

2.2.2 Without prejudice to all other rights and remedies available to the Scheme Companies and the Scheme Manager, if after the Effective Date any Scheme Creditor takes any action which is prohibited by clause 2.2.1 and which results in a payment, monetary award or order in relation to Property, benefit or other advantage to such Scheme Creditor, it shall, for the purpose of considering whether it is entitled to receive any payment in respect of an Established Liability, be treated as having received on account of its Established Liability an advance payment under the Scheme equal to the amount or gross value of any money, Property, benefit or advantage obtained by it at the expense of the relevant Scheme Company as a result of such action and, to the extent that such amount or gross value exceeds such Scheme Creditor's Established Liability, the Scheme Creditor will be required to repay to the Scheme Company such amount or gross value that exceeds the value of any Established Liability, to the extent permitted by law.

2.2.3 The extent, if any, to which a Scheme Creditor who acts in breach of clause 2.2.1 shall be entitled to payment in respect of an Established Liability shall be determined by the Scheme Manager having regard to the terms of the Scheme.

2.2.4 For the purposes of clause 2.2.2, the gross value of any money, Property, benefit or advantage obtained as aforesaid shall be determined by the Scheme Manager or, in case of dispute, by the Scheme Adjudicator and (without prejudice to the generality of the foregoing) may include such amount as may be considered to be appropriate by way of interest, costs, charges and expenses incurred by or on behalf of the relevant Scheme Company or the Scheme Manager as a consequence of the action prohibited by clause 2.2.1.

2.3 Security Interests and Letters of Credit

2.3.1 Nothing in the Scheme shall preclude a Scheme Creditor from enforcing a Security Interest or drawing down any Letter of Credit in accordance with its terms and those of the relevant Insurance Contract to satisfy any Scheme Liability in respect of which such Security Interest or Letter of Credit was created.

2.3.2 Nothing in the Scheme shall affect the rights of any Scheme Company against any person in respect of any enforcement or improper drawdown of any Security Interest or Letter of Credit issued or created in respect of that Scheme Company.

2.3.3 Where a Scheme Creditor has the benefit of a Security Interest or Letter of Credit which is greater in value than the amount of its Established Liability, the Scheme Creditor shall, at the request of the Scheme Manager, release, discharge or cancel the Security Interest or Letter of Credit in relation to the surplus or, on its enforcement, return any surplus to the relevant Scheme Company.

2.4 Interest

Where a Scheme Liability bears interest by reason of contract or statute, that interest shall form part of the Scheme Liability. Such interest will be calculated on such relevant part of a Scheme Creditor's Established Liability as at the Business Day prior to the Business Day on which payment is made in respect of the relevant Established Liability.

2.5 Set-off

2.5.1 Subject to the provisions of clauses 2.5.2, 2.5.3 and 2.5.4 below, where a Scheme Creditor owes amounts to a Scheme Company, an account shall be taken by the Scheme Manager of the sums due from the relevant Scheme Creditor to that Scheme Company and from the Scheme Company to that Scheme Creditor and sums due from one party shall be set off against sums due from the other. In taking the account under this clause 2.5, the Scheme Manager shall give effect to any set-off or counterclaim available to the relevant Scheme Creditor as at the Ascertainment Date.

2.5.2 Only the balance of the account, if any, referred to in clause 2.5.1 and payable to a Scheme Creditor shall be capable of becoming an Established Liability. Any balance due to the Scheme Company shall be paid by the Scheme Creditor to the Scheme Company.

2.5.3 Any sums received by a Scheme Creditor in respect of a Scheme Liability between the Ascertainment Date and the Effective Date (a Payment on Account) shall be considered in the determination, pursuant to the Scheme, of a Scheme Company's Established Liability to that Scheme Creditor.

2.5.4 Any sums received by a Scheme Company from a Scheme Creditor between the Ascertainment Date and the Effective Date shall also be considered in the determination, pursuant to the Scheme, of a Scheme Company's Established Liability to that Scheme Creditor.

2.6 Foreign currency conversions

In determining any set-off, counterclaim or Security Interest in relation to a Scheme Liability where the set-off, counterclaim or Security Interest is expressed in a currency other than the currency in which the relevant Scheme Liability was incurred the set-off, counterclaim or Security Interest shall be converted into the currency in which the Scheme Liability will be paid (provided that it is not extinguished by the set-off, counterclaim or Security Interest) as at the date on which the set-off, counterclaim or Security Interest is determined.

2.7 Broker funding

Claims against a Scheme Company by insurance brokers in respect of amounts paid by them whether voluntarily or involuntarily:

- (a) in satisfaction of or towards a Scheme Creditor's claims against the Scheme Company; or
- (b) to a Scheme Creditor in payment of or towards premiums due from a Scheme Company to that Scheme Creditor

shall not be admitted as Scheme Liabilities unless either:

- (i) the said Scheme Creditor shall have assigned to the insurance broker in writing his claim against the relevant Scheme Company and written notice of that assignment has been given to the relevant Scheme Company and where any such assignment takes place after the Effective Date the said Scheme Creditor, shall have given notice of it by Post to the Scheme Manager; or
- (ii) the payment was made pursuant to a pre-existing contractual obligation of the insurance broker to or at the request of the Scheme Company.

2.8 No release

2.8.1 Subject to clause 2.8.2, nothing in the Scheme shall be construed as a release of the Scheme Companies' obligations in respect of Scheme Liabilities.

2.8.2 No Scheme Creditor whose Established Liability has been determined pursuant to the Scheme shall be entitled to any payment from a Scheme Company in respect of any Scheme Liability except pursuant to clause 3.4.

PART 3 ASCERTAINMENT OF ESTABLISHED LIABILITIES

3.1 Valuation

The Established Liability in favour of each Scheme Creditor shall be determined with reference to the Scheme Liabilities in favour of that Scheme Creditor valued as at the Ascertainment Date and in accordance with the terms of the Scheme.

3.2 Claim Forms

3.2.1 The Scheme Manager shall within 14 days after the Effective Date cause a Claim Form to be sent by Post to each Scheme Creditor of whose address it is aware.

3.2.2 The Scheme Manager shall have no duty or obligation whatsoever to advise or inform a Scheme Creditor whether on a Claim Form or otherwise of reserves made or liabilities anticipated by a Scheme Company in respect of Scheme Liabilities.

3.2.3 Claim Forms may be sent to Scheme Creditors at such addresses as they notify in writing to the Scheme Manager and, failing such notification, to such address or addresses as may be shown in the Scheme Companies' records or to any other address being the last known address of the Scheme Creditor which the Scheme Manager may reasonably believe is appropriate. In the event that the Scheme Manager does not have, or does not believe it has, a current address for a Scheme Creditor, a Claim Form shall be sent to any and all brokers identifiable in the address records available to the Scheme Manager as the Scheme Creditor's broker(s).

3.2.4 The Scheme Manager shall within 14 days after the Effective Date:

- (a) cause to be published in the same newspapers and publications in which the Scheme Meetings were advertised an advertisement calling for all Scheme Creditors to complete and return Claim Forms; and
- (b) send to each relevant insurance broker of whose address it is aware copies of the Claim Forms.

3.2.5 Each Scheme Creditor shall be invited to complete the Claim Form sent to it with details of Scheme Liabilities in respect of each Insurance Contract together with details of any sums owed to Scheme Companies in that capacity which are to be set-off under the Scheme in reduction of the Scheme Liabilities of that Scheme Creditor against a Scheme Company. Claim Forms shall be sent to the Scheme Manager at the address indicated thereon **to arrive on or before the Final Claims Submission Date**. The Claim Forms shall be completed and amended in accordance with the instructions attached thereto by the Scheme Manager and accompanied by any supporting documentation as may be appropriate.

3.2.6 In the event that a Scheme Creditor fails to return a Claim Form to the Scheme Manager by the Final Claims Submission Date, the Scheme Manager shall attribute nil value to the Scheme Liabilities of that Scheme Creditor and they shall be deemed to have been satisfied in full under the Scheme.

3.2.7 The Scheme Manager shall examine each Claim Form returned to it on time in accordance with clause 3.2.5 (if necessary with the Scheme Actuary) and in accordance with the actuarial principles set out in Appendix (e) of the Explanatory Statement where appropriate. Such examination shall include (without limitation) consideration of whether:

- (a) details of Insurance Contracts or broker(s) thereon are correct and/or adequately supported by any documentation submitted with the Claim Form;

- (b) details of estimates of Scheme Liabilities arising in respect of the Insurance Contracts detailed on the Claim Form are accurate and/or reasonable;
 - (c) there is any Liability of the Scheme Creditor to the Scheme Company to which clause 2.5 applies and, if so, what value should be placed on such Liability for the purpose of clause 2.5; and
 - (d) there is any Security Interest and/or Letter of Credit to which clause 3.4.2 or 3.4.3 does or may apply.
- 3.2.8 In the event that the Scheme Manager concurs with the information on a completed Claim Form, it shall within 21 days of the Final Claims Submission Date notify the relevant Scheme Creditor in writing of its agreement by Post. The Scheme Company and the Scheme Creditor will thereafter treat the completed Claim Form as valid and binding as to the matters referred to on it and no further amendments to it may be made by the Scheme Creditor. This claim as agreed, after the application of any right of set-off, counterclaim or deduction if applicable, becomes an Established Liability. The relevant Scheme Creditor's Established Liability shall be deemed to have been determined on the date the notification referred to in this clause 3.2.8 is sent to such Scheme Creditor.
- 3.2.9 In the event that the Scheme Manager does not consider adequate or agree with all or any of the information on any Claim Form as completed or amended in accordance with clause 3.2.5, it shall notify the relevant Scheme Creditor by Post of the matters which are not adequate or agreed within 21 days of the Final Claims Submission Date. If such disputed matters are not subsequently agreed between the Scheme Creditor and the Scheme Manager within 49 days of the Final Claims Submission Date, the Scheme Manager will send the Scheme Creditor a copy of the Claim Form completed in such a manner as it is prepared to accept (except where clause 3.2.10 applies and without prejudice to any step taken pursuant to clause 3.2.9). If the Scheme Creditor does not accept the Claim Form so completed and wishes its claim to be referred to a Scheme Adjudicator then such Scheme Creditor must respond to the Scheme Manager within 21 days of receipt of the completed Claim Form confirming that the matter is to be referred to a Scheme Adjudicator. If a Scheme Creditor wishes disputed matters to be referred to a Scheme Adjudicator it should indicate which Scheme Adjudicator should consider the disputed matters. In the event that in the opinion of the Scheme Advisers in their absolute discretion the Scheme Adjudicator chosen is not qualified to adjudicate on the disputed matters, the Scheme Advisers will decide which other Scheme Adjudicator shall act in relation to the disputed matters. In the event that a Scheme Creditor does not respond to receipt of a Claim Form completed by the Scheme Manager as described above and does not indicate that the disputed matters should be referred to a Scheme Adjudicator within 21 days, the Claim Form completed by the Scheme Manager shall be treated by the Scheme Company and the Scheme Creditor as valid and binding as to the matters referred to on it and no amendments to it may be made by the Scheme Creditor. This claim, after the application of any set-off, counterclaim or deduction if applicable, becomes an Established Liability. The relevant Scheme Creditor's Established Liability shall be deemed to have been determined 21 days after the Scheme Creditor received the Claim Form from the Scheme Manager that the Scheme Manager was prepared to accept.
- 3.2.10 If within 49 days of the Final Claims Submission Date the Scheme Manager has not agreed a claim and a Scheme Creditor provides to the Scheme Manager documentary proof in a form satisfactory to the Scheme Manager of the details of a Substantive Judgment or Final Settlement, the Scheme Manager will make all reasonable efforts to reach agreement with the Scheme Creditor on the basis of such Substantive Judgment or Final Settlement provided that, in doing so, the Scheme Manager shall take into account:
- (a) the similarity of interests of the relevant Scheme Company and Co-Insurer(s) who are party to that Substantive Judgment or Final Settlement;

- (b) any material difference in the defences relied on by or claims made by the Co-Insurers in the relevant Proceeding and the defences or cross claims which would or might be available to the Scheme Company in relation to the Scheme Liability; and
 - (c) the best interests of Scheme Creditors generally.
- 3.2.11 If within 70 days but not within 49 days of the Final Claims Submission Date a Scheme Creditor provides the proof referred to in clause 3.2.10 (and without prejudice to any steps taken pursuant to clause 3.2.9), then the Scheme Manager may in its absolute discretion but always subject to clauses 3.2.13 and 3.2.14 have regard to the Substantive Judgment or Final Settlement.
- 3.2.12 In the event that the Scheme Manager has received in accordance with clauses 3.2.10 or 3.2.11 a Substantive Judgment or Final Settlement details and has not reached agreement with the relevant Scheme Creditor on the basis of that Substantive Judgment or Final Settlement within 70 days of the Final Claims Submission Date, the disputed matters shall be referred to a Scheme Adjudicator of the Scheme Creditor's choice (such choice to be subject to the Scheme Advisers determining that the selected Scheme Adjudicator is qualified to act and, if he is not so qualified, the Scheme Advisers shall determine which other Scheme Adjudicator is qualified to adjudicate) to be determined in accordance with the Dispute Resolution Procedure.
- 3.2.13 Subject to clause 3.2.14, the aggregate amount of any Scheme Liabilities owed to a Scheme Creditor, less the aggregate amount of any sums owed to a Scheme Company available to be set-off and any other deductions from Scheme Liabilities effected pursuant to the Scheme, valued and agreed or determined in accordance with this clause 3 or Part 5, shall be the amount of that Scheme Creditor's Established Liability.
- 3.2.14 Where the aggregate of a Scheme Creditor's claims in respect of Scheme Liabilities is exceeded by the aggregate of sums owed to Scheme Companies available to be set-off and deductions from Scheme Liabilities effected pursuant to the Scheme, the net amount shall be paid by the Scheme Creditor to the Scheme Company.
- 3.2.15 The amount in respect of which any Scheme Creditor votes at any meeting of Scheme Creditors (including a Scheme Meeting) and/or any adjudication of or decision on discrepancies between the information provided by Scheme Creditors prior to the holding of the Scheme Meetings and the relevant Scheme Company's records for the purposes of voting at the said Scheme Meeting shall not be binding on the relevant Scheme Company, the Scheme Creditors, the Scheme Actuary, the Scheme Manager, the Scheme Advisers and/or the Scheme Adjudicator for any purposes other than voting.
- 3.2.16 The periods referred to in this clause 3.2 and clause 5.2 (except the Final Claims Submission Date) may be extended to such period or periods as may be determined by the Scheme Manager by its giving notice of any such extension by advertisement in the same manner as referred to in clause 3.2.4. The Final Claims Submission Date in respect of a Scheme Creditor may be extended as may be determined by the Scheme Manager in its absolute discretion without notice but only in the case of manifest administrative error.
- 3.3 **Sums received in respect of Scheme Liabilities between the Ascertainment Date and the Effective Date**
Any sums received by a Scheme Creditor in respect of a Scheme Liability between the Ascertainment Date and the Effective Date (a Payment on Account) shall be considered in the determination, pursuant to the Scheme, of a Scheme Company's Established Liability to that Scheme Creditor. Any sums received by a Scheme Company from a Scheme Creditor between the Ascertainment Date and the Effective Date shall also be considered in the determination, pursuant to the Scheme, of a Scheme Company's Established Liability to that Scheme Creditor.

3.4 Payment of Established Liabilities

3.4.1 A Scheme Company shall effect payment in full of each Scheme Creditor's Established Liability within 21 days of its determination in accordance with the Scheme.

3.4.2 Where a Scheme Creditor has the benefit of a Security Interest and/or Letter of Credit the Scheme Manager may, by agreement with or on giving notice by Post to that effect to the Scheme Creditor concerned, reduce a payment pursuant to this clause 3.4 by the amount of such Security Interest or Letter of Credit.

3.4.3 Where a Scheme Creditor has the benefit of a Security Interest and/or Letter of Credit which is greater in value than that Scheme Creditor's Established Liability the Scheme Creditor shall, at the request of the Scheme Manager, take such steps as are necessary to release, discharge or cancel such Security Interest or Letter of Credit or, on its enforcement or exercise, return any surplus to the relevant Scheme Company.

3.4.4 All payments pursuant to the Scheme shall be made, in the absolute discretion of the Scheme Manager:

(a) by cheque in favour of the Scheme Creditor (or as the Scheme Creditor may direct by written notice) sent by Post at the risk of the Scheme Creditor to the last address of the Scheme Creditor known to the Scheme Manager (or to such other address as the Scheme Creditor may from time to time notify in writing to the Scheme Manager) or, if no address for the Scheme Creditor is known to the Scheme Manager, to the last known address of the insurance broker through which the relevant Insurance Contract was effected;

(b) if requested by the Scheme Creditor and at the expense of the Scheme Creditor (which expense will be deducted from the relevant payment), by telegraphic transfer to such bank account as the Scheme Creditor may from time to time notify to the Scheme Manager; or

(c) in such other manner as the Scheme Manager may reasonably determine

and the Scheme Manager shall be entitled to require a Scheme Creditor or other person to execute such forms of discharge, receipt or other documents as it may determine in connection with the making of any payment pursuant to the Scheme.

3.4.5 Any payment pursuant to this clause 3.4 which is uncashed or otherwise unclaimed by the intended payee after the expiration of six months from the posting of the cheque, or the making of the attempted payment in such other manner as the Scheme Manager has determined pursuant to clause 3.4.4(c), shall be deemed never to have been made and the Scheme Creditor's right to such payment shall be extinguished and the Established Liability to which it relates shall be deemed to have been satisfied in full.

3.4.6 Payments made pursuant to this clause to:

(a) a Scheme Creditor; or

(b) a person actually or ostensibly authorised to act on behalf of the Scheme Creditor, pursuant to clause 3.4.4 or otherwise

shall, for all purposes, constitute a valid discharge of the relevant Scheme Company in respect of such Established Liability to the extent of such payment. For the purpose of this clause 3.4, payment of any cheque by the bank on which it is drawn shall be satisfaction of this obligation to pay the amount in which it was drawn and receipt by the receiving bank of the amount of a telegraphic transfer shall be satisfaction of the obligation to pay the amount transferred.

3.5 Currency of payment

Any amount payable to a Scheme Creditor under the Scheme in respect of an Established Liability which was incurred in United States dollars, Canadian dollars, Pounds sterling or Euros or one of the currencies which was replaced by the Euro shall be paid in United States dollars, Canadian dollars, Pounds sterling or Euros as the case may be. Where a Scheme Liability was incurred in a currency replaced by the Euro, it shall be converted into Euros at the fixed rate of exchange in operation for that currency as at the date it was so replaced and shall be paid in Euros. The amount payable to a Scheme Creditor in respect of any Scheme Liability which was incurred in any other currency shall be paid in Pounds sterling, converted at the mid market rate of exchange for that particular currency quoted in the Financial Times on the last Friday of the month preceding the date of payment under the Scheme.

PART 4 THE SCHEME ADVISERS, THE SCHEME MANAGER AND THE SCHEME ACTUARY

4.1 The Scheme Advisers

- 4.1.1 There shall be one or more independent Scheme Advisers having the duties and functions conferred upon them by the Scheme and/or delegated to them by the Scheme Manager. A Scheme Adviser may carry out his duties and functions under the Scheme either jointly or severally.
- 4.1.2 The Scheme Advisers shall provide, upon written request and with the agreement of the Scheme Advisers (the Scheme Advisers being under no obligation to agree), such assistance to the Scheme Manager, the Scheme Companies and/or the Scheme Creditors as may reasonably be requested to facilitate the implementation of the Scheme.
- 4.1.3 The first Scheme Advisers shall be Dan Yoram Schwarzmans and Douglas Nigel Rackham both of the United Kingdom firm PricewaterhouseCoopers LLP.
- 4.1.4 A Scheme Adviser may resign his appointment at any time by giving no less than three months' notice in writing to the Scheme Manager or on such shorter period of notice as the Scheme Adviser and the Scheme Manager may agree in writing.
- 4.1.5 The office of a Scheme Adviser shall be vacated if he:
 - (a) dies;
 - (b) is convicted of an indictable offence;
 - (c) resigns his office by notice in accordance with clause 4.1.4;
 - (d) becomes bankrupt;
 - (e) is disqualified from acting as a director of a company under the CDDA; or
 - (f) becomes Mentally Disordered.
- 4.1.6 If the office of a Scheme Adviser is vacated in accordance with clauses 4.1.4 or 4.1.5 the Scheme Manager shall be entitled to appoint a replacement Scheme Adviser provided that:
 - (a) such replacement consents to act, is independent and is qualified to act in accordance with clause 4.1.1 and not disqualified by virtue of clause 4.1.5; and
 - (b) all remaining Scheme Advisers, if any, consent to such appointment.
- 4.1.7 The Scheme Manager and the Scheme Companies acknowledge that the Scheme Advisers will be entitled to have full access to all such information as may from time to time be required in relation to the operation of the Scheme and to all books, papers, documents and other information contained or represented in any format whatsoever in the possession or under the control of the Scheme Companies and/or the Scheme Manager.

4.2 The Scheme Manager

- 4.2.1 There shall be one or more Scheme Managers having the powers to manage and control the businesses and affairs of the Scheme Companies in connection with the Scheme. A Scheme Manager may carry out his duties and functions under the Scheme either jointly or severally. The Scheme Manager shall also have the powers specifically conferred on it by the Scheme, including:
 - (a) to have full access to all such information as the Scheme Manager may from time to time require in relation to the affairs of the Scheme Companies or the operation of the Scheme and to all books, papers, documents and other information

contained or represented in any format whatsoever in the possession or under the control of the Scheme Companies (and to disclose such information to any third party as the Scheme Manager sees fit);

- (b) to apply to the Court for directions in relation to any particular matter arising under, or in the course of the operation of, the Scheme;
- (c) on behalf of the Scheme Companies to negotiate, compromise, waive or settle Scheme Liabilities and/or claims of the Scheme Companies in that capacity against Scheme Creditors and in particular without limitation to agree on behalf of the Scheme Companies with reinsurers, retrocessionaires and Scheme Creditors the payment of commuted sums in full and final satisfaction thereof;
- (d) at the Scheme Manager's discretion, to treat those acting on behalf of principals insured or reinsured by the Scheme Companies, including but not limited to managing general agents, the managers of underwriting pools, the holders of line slips or binding authorities and, for the avoidance of doubt, Lloyd's syndicates, as if they were a principal creditor or debtor in place of their principal;
- (e) to do all acts and to execute in the name and on behalf of the Scheme Companies any deed receipt or other document which may be necessary for or incidental to the full and proper implementation of the Scheme;
- (f) to make any payment which is necessary or incidental to the performance of the Scheme Manager's or the Scheme Companies' functions;
- (g) to exercise any other powers necessary for or incidental to the full and proper implementation of the Scheme; and
- (h) to do all other things incidental to the exercise of the foregoing powers.

4.2.2 The first Scheme Manager shall be Marlon Management Services Limited.

4.2.3 A Scheme Manager may resign its appointment and a Scheme Company may terminate the Scheme Manager's appointment at any time by giving no less than three months' notice in writing to the Scheme Companies or Scheme Manager as the case may be or on such shorter period of notice as the Scheme Manager and the Scheme Companies may in either case agree in writing.

4.2.4 The office of a Scheme Manager shall be vacated if the Scheme Manager:

- (a) becomes unable to pay its debts within the meaning of section 123 of the Insolvency Act 1986; or
- (b) takes any corporate action, legal proceedings or other procedure or step in relation to:
 - (i) the suspension of payments, a moratorium of any indebtedness, winding-up, dissolution, administration or re-organisation (by way of voluntary arrangement, scheme of arrangement or otherwise);
 - (ii) a composition, assignment or arrangement with any creditor;
 - (iii) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of it or any of its assets;
 - (iv) the enforcement of any encumbrance (including any mortgage, pledge, lien, hypothecation, charge, assignment or deposit by way of security or any other agreement having the effect of providing or giving security or preferential ranking to any creditor) over any of its assets;
 or any analogous procedure or step in any jurisdiction;

or, being an individual, he:

- (a) dies;
- (b) is convicted of an indictable offence;
- (c) resigns his office by notice in accordance with clause 4.2.3;
- (d) becomes bankrupt;
- (e) is disqualified from acting as a director of a company under the CDDA; or
- (f) becomes Mentally Disordered.

4.2.5 If the office of a Scheme Manager is vacated or terminated in accordance with clauses 4.2.3 or 4.2.4 the Scheme Companies shall be entitled to appoint a replacement Scheme Manager or Scheme Managers provided that such replacement consents to act and is not disqualified by virtue of clause 4.2.4.

4.3 The Scheme Actuary

4.3.1 There shall be a Scheme Actuary having the duties and functions and the rights conferred upon him by the Scheme.

4.3.2 The Scheme Actuary shall be a fellow of an actuarial body which is affiliated to the International Actuarial Association and who has at least two years' continuous experience of general insurance actuarial work.

4.3.3 The first Scheme Actuary shall be Peter Copeman, a partner in the United Kingdom firm PricewaterhouseCoopers LLP, Southwark Towers, 32 London Bridge Street, London SE1 9SY, United Kingdom.

4.3.4 The office of the Scheme Actuary shall be vacated if the appointee to that office:

- (a) dies;
- (b) is convicted of an indictable offence;
- (c) resigns his office by notice in writing by Post to the Scheme Manager provided that at least three months' prior notice of such resignation shall be given by the Scheme Actuary;
- (d) becomes bankrupt;
- (e) ceases to be a fellow of an actuarial body which is affiliated to the International Actuarial Association;
- (f) is disqualified from acting as a director of a company under the CDDA; or
- (g) becomes Mentally Disordered.

4.3.5 In the event of a vacancy in the office of Scheme Actuary, the Scheme Manager shall thereupon be entitled to appoint as a replacement Scheme Actuary a person who is qualified so to act pursuant to clause 4.3.2 and is not disqualified pursuant to clause 4.3.4.

4.4 Change of Scheme Manager

In the event that, pursuant to clause 4.2.5 above, there is a change of Scheme Manager, the Scheme Manager shall ensure that a notice alerting Scheme Creditors to such a change is inserted in the publications in which the notice referred to in clause 3.2.4 appeared and it shall ensure that such a notice is inserted before vacating its position.

PART 5 THE SCHEME ADJUDICATORS AND DISPUTE RESOLUTION PROCEDURE

5.1 The Scheme Adjudicators

- 5.1.1 There shall be one or more Scheme Adjudicators having the powers, duties, functions, and rights conferred upon them by the Scheme.
- 5.1.2 A Scheme Adjudicator shall be any person who is duly qualified in the reasonable opinion of the Scheme Companies to discharge the function of Scheme Adjudicator under the Scheme.
- 5.1.3 The first Scheme Adjudicators shall be Andrew Crouchman, Senior Counsel, and Thomas Bond, a partner, both of the legal firm Akin Gump Strauss Hauer & Feld, LLP, One Angel Court, London EC2R 7HJ, United Kingdom and 300 West 6th Street, Suite 2100, Austin, Texas TX7801, U.S.A., and Colin Czapiewski, a partner in actuarial firm Lane Clark & Peacock LLP, 30 Old Burlington Street, London W1S 3NN, United Kingdom.
- 5.1.4 The Scheme Adjudicators may carry out their duties and functions under the Scheme either jointly or severally.
- 5.1.5 A Scheme Adjudicator shall vacate office if he:
- (a) dies;
 - (b) is convicted of an indictable offence;
 - (c) resigns his office by three months' notice in writing sent by Post to the Scheme Manager and the Scheme Advisers;
 - (d) becomes bankrupt;
 - (e) is disqualified from acting as a director of a company under the CDDA or equivalent legislation in any other jurisdiction; or
 - (f) becomes Mentally Disordered.
- 5.1.6 In the event that the office of Scheme Adjudicator is vacated pursuant to clause 5.1.5, the Scheme Manager shall appoint a replacement in accordance with clause 5.3. The Scheme Adjudicators may be removed by a resolution passed at a meeting of Scheme Creditors held in accordance with clause 7.9 provided that the resolution for the removal of a Scheme Adjudicator names a replacement who is qualified to act as a Scheme Adjudicator under clause 5.1.2 and is not disqualified from so doing under clause 5.1.5 and has consented in writing to do so.
- 5.1.7 A Scheme Adjudicator shall act as expert and not as arbitrator with respect to all matters submitted to him in accordance with the Scheme.

5.2 Dispute Resolution Procedure

The following applies to any matter which is referred to a Scheme Adjudicator pursuant to clauses 3.2.9 or 3.2.12.

- 5.2.1 The Scheme Manager shall within 14 days of the Scheme Creditor requesting adjudication refer a disputed matter by a dated notice in writing sent by Post to a Scheme Adjudicator (a "Notice") (and copied, with enclosures, by Post to the relevant Scheme Creditor), setting out details of the matter or matters to be resolved and enclosing submissions together with evidence in support of them including copies of such of the relevant Scheme Company's records as shall appear appropriate, the relevant Claim Forms and enclosures, if any, together with any supporting documents provided by the Scheme Creditor.

- 5.2.2 The relevant Scheme Creditor may, within 21 days of the date of the Notice, send written observations on the Notice and its enclosures by Post to the Scheme Adjudicator and shall send a copy (with any enclosures) of such written observations by Post to the Scheme Manager.
- 5.2.3 The Scheme Adjudicator shall consider the papers and documents before him and shall as soon as possible, and in any event within 21 days of receipt of the documents referred to in clauses 5.2.1 and 5.2.2, give notice in writing to the relevant party of whether:
- (a) he requires further documents, data or information from the Scheme Creditor, the Scheme Manager and/or the Scheme Actuary. In such event the relevant person(s) shall as soon as possible and in any event within 21 days after receipt of such request from the Scheme Adjudicator provide the Scheme Adjudicator with the said further documents, data or information with a copy (with enclosures) to the other party to the dispute and the other party may within 14 days of receipt of the copy send any additional documents, data or information to the Scheme Adjudicator and shall send a copy (with enclosures) to the first party; and/or
 - (b) he requires the Scheme Creditor, Scheme Manager and/or Scheme Actuary to appear before and address him on any matters he shall determine in which case the relevant person(s) shall be at liberty so to appear on such date and at such place as the Scheme Adjudicator shall prescribe.
- 5.2.4 In the event that the Scheme Adjudicator requires any relevant person referred to under clause 5.2.3(b) to appear before him, he shall be entitled to prescribe and lay down such reasonable procedures or provisions as he in his absolute discretion deems appropriate for the purpose of assisting him in reaching his decision. The Scheme Adjudicator shall also be entitled to call for such evidence, documents, data and information as he may require.
- 5.2.5 The Scheme Adjudicator shall be entitled to consult with such advisers, including but not limited to legal advisers, accountants and insurance industry experts, as he may reasonably deem appropriate and shall be entitled to be remunerated and to be reimbursed his reasonable costs and expenses in carrying out his duties under the Scheme by the Scheme Manager on behalf of the Scheme Companies.
- 5.2.6 The Scheme Adjudicator shall be entitled to make such order or give such directions in respect of his remuneration and reasonable costs and expenses incurred by him as he shall think just including an order to the parties to deposit such sum as the Scheme Adjudicator shall deem appropriate in respect of costs before commencement of the dispute resolution procedure under this Part 5. In the exercise of his powers, the Scheme Adjudicator shall be entitled to:
- (a) direct that any or all of his remuneration, costs, and expenses shall be paid by Marlon Insurance Company Limited, in which case payment shall be made in accordance with the terms of the Scheme; or
 - (b) direct that any or all of his remuneration, costs and expenses shall be paid by the Scheme Creditor in respect of whose Scheme Liability the dispute has arisen, in which case, the remuneration shall be paid by the Scheme Creditor forthwith and in any case no later than 14 days from the date of such direction, failing which Marlon Insurance Company Limited shall pay such amount from its assets and it shall become due from that Scheme Creditor and shall be deducted from any amount which may be or may become due to the Scheme Creditor by way of Established Liabilities, such Scheme Creditor being treated for these purposes as having received, on account of any such Established Liability, an advance equal to the amount which it has been directed to pay.

- 5.2.7 The Scheme Adjudicator shall as soon as possible and in any event before the expiration of 21 days from the latest of the date on which a dispute was referred to him or 14 days after the provision of further documents, data or information pursuant to clause 5.2.3(a) or 14 days after the conclusion of any appearance before him pursuant to clause 5.2.3(b) (whichever shall be the later) certify in writing sent by Post to the Scheme Manager and the relevant Scheme Creditor his determination in relation to that disputed matter; provided that the Scheme Adjudicator may with the consent of the Scheme Manager (such consent not to be unreasonably withheld) extend the said periods by such amount of time as he and the Scheme Manager shall agree. The relevant Scheme Creditor's Established Liability shall be deemed to have been determined on the date the notification referred to in this clause 5.2.7 is sent to the Scheme Manager and such Scheme Creditor.
- 5.2.8 The Scheme Adjudicator may in reaching his determination in relation to a disputed matter referred to him have regard to the terms of any Substantive Judgment or Final Settlement provided to him by a Scheme Creditor, taking into account those matters set out in clause 3.2.10 (a), (b) and (c).
- 5.2.9 Nothing in clause 5.2.8 shall oblige the Scheme Adjudicator to delay reaching a decision on any dispute referred to him pending the receipt of a Substantive Judgment or Final Settlement.
- 5.2.10 The decision of the Scheme Adjudicator on any dispute referred to him in accordance with the Scheme shall be final and binding on the Scheme Companies, the Scheme Advisers, the Scheme Manager and the relevant Scheme Creditors and there shall be no right to appeal from such decision insofar as the law allows. The Scheme Creditor shall in addition not have any right to make any claim against the Scheme Adjudicator in respect of his decision.

PART 6 DURATION OF THE SCHEME

6.1 Final implementation of the Scheme

Without prejudice to the continuing effect of the Scheme, the Scheme shall be finally implemented upon written confirmation by the Scheme Manager to the relevant Scheme Company that all Scheme Liabilities have been adjudicated or otherwise determined and all Established Liabilities paid in full (or deemed to have been satisfied in full) in accordance with the terms of the Scheme and the Scheme Manager (subject to clause 6.2), Scheme Adjudicators, Scheme Advisers and Scheme Actuary shall be released from their obligations hereunder.

6.2 Notice of final implementation of the Scheme

As soon as practicable after the final implementation of the Scheme pursuant to clause 6.1, the Scheme Manager shall cause to be published in the newspapers and publications in which the Scheme Meetings were advertised an advertisement stating that the Scheme has been finally implemented.

6.3 Reversion to run-off

6.3.1 If at any time before 49 days after the Final Claims Submission Date or before the first claim, if any, is referred to a Scheme Adjudicator (whichever is the earlier) a Scheme Company believes, in its absolute discretion, that the Scheme is no longer beneficial to that Scheme Company then the relevant Scheme Company may send notice to all its Scheme Creditors, and may place notice in those publications referred to in clause 3.2.4, that the Scheme shall terminate insofar as it applies to that relevant Scheme Company.

6.3.2 In the event of such unilateral termination of the Scheme by any one or more (but not all) of the Scheme Companies, the Scheme shall continue to operate in respect of all other Scheme Companies and shall cease to have effect only in respect of the Scheme Company which has given notice in accordance with clause 6.3.1.

6.4 Effects of reversion to run-off

If the business of any Scheme Company reverts to run-off as contemplated by clause 6.3, any Scheme Liabilities which have already been determined as Established Liabilities shall be binding on that Scheme Company and on the relevant Scheme Creditor.

PART 7 OTHER PROVISIONS

7.1 Notices

- 7.1.1 All notices required to be sent pursuant to the provisions of the Scheme shall be in writing and shall be sent by Post and notices to the Scheme Advisers shall in addition be sent by facsimile transmission to them on the day of posting.
- 7.1.2 All notices to the first Scheme Advisers shall be sent c/o PricewaterhouseCoopers LLP to Plumtree Court, London EC4A 4HT, United Kingdom (facsimile: +44 (0)20 7212 6316). All notices to any other Scheme Adviser shall be sent to that Scheme Adviser's address at the date of the notice.
- 7.1.3 Notices to Scheme Creditors may be sent to such addresses as they notify in writing to the Scheme Manager and failing such notification to such address as may be shown in the Scheme Companies' records or to any other address being the last known address of the Scheme Creditor which the Scheme Manager may reasonably believe is appropriate.

7.2 Governing law and jurisdiction

- 7.2.1 Subject to clause 7.2.2, the Scheme shall be governed by and construed in accordance with English Law. The Scheme Creditors hereby agree that the Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which may arise out of the Explanatory Statement or any provision of the Scheme or arising from any action taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme.
- 7.2.2 Nothing in this clause 7.2 shall affect the validity of other provisions determining governing law and jurisdiction between any of the Scheme Companies and any Scheme Creditor whether contained in any contract or otherwise.

7.3 Scheme Creditors to co-operate

Scheme Creditors shall co-operate with and render such assistance as the Scheme Manager, the Scheme Advisers, the Scheme Actuary and/or the Scheme Adjudicator may reasonably require in accordance with their functions under the Scheme, including but not limited to the provision of information and documents in connection with the operation of the Scheme.

7.4 Responsibility

- 7.4.1 This clause 7.4 applies to the acts and liabilities of any of the Scheme Manager, the Scheme Advisers, the Scheme Actuary and the Scheme Adjudicator (and/or any of their employees, agents or advisers) in connection with the implementation and administration of the Scheme in accordance with its terms.
- 7.4.2 No Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by any of the persons referred to in clause 7.4.1 in accordance with or to implement the provisions of the Scheme and no such person shall be liable for any loss unless such loss is attributable to his negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty.

7.5 Powers, rights, duties and functions

- 7.5.1 Any function or duty of, or right or power conferred on, the Scheme Companies or their officers, whether by statute or by the memorandum or articles of association, which could be exercised in such a way as to interfere with the performance or exercise by any of the Scheme Manager, Scheme Advisers, Scheme Adjudicator(s) or Scheme Actuary of the powers, rights, duties and functions conferred upon them under the Scheme will not be

exercisable except with the consent of the Scheme Manager, which consent may be given either generally or in relation to particular cases (provided however that nothing in this clause 7.5.1 shall relieve the directors of the Scheme Companies from their duty to act in accordance with law, including but not limited to the Insolvency Act 1986).

- 7.5.2 Without prejudice to the generality of the Scheme, in performing or exercising their powers, rights, duties and functions under the Scheme, the Scheme Manager, the Scheme Advisers, the Scheme Adjudicator and/or the Scheme Actuary shall be entitled to be remunerated out of the Property of Marlon Insurance Company Limited for the performance and exercise of such powers, rights, duties and functions and for all expenses properly incurred by them in connection therewith.

7.6 Indemnity

- 7.6.1 Subject to the Companies Act, each of the Scheme Manager, the Scheme Advisers, the Scheme Adjudicator and the Scheme Actuary (the "Indemnified Persons") (in their capacities as such) shall, in relation to the Scheme Companies, be entitled to an indemnity out of the Property of Marlon Insurance Company Limited against:

- (a) all actions, claims, Proceedings and demands brought or made against any or all of the Indemnified Persons in respect of any act done or omitted to be done by any or all of them in good faith without negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on any of their part in the course of implementing the Scheme in accordance with its terms; and
- (b) all expenses and liabilities properly incurred by any or all of the Indemnified Persons in performing or exercising any power, right, duty or function conferred upon any of them under the Scheme in implementing the Scheme in accordance with its terms.

- 7.6.2 Without prejudice to the generality of clause 7.6.1, each such person as is expressed to be entitled to an indemnity in accordance with that clause (in the capacity in which it is entitled to such an indemnity) shall be entitled to an indemnity out of the Property of Marlon Insurance Company Limited:

- (a) against any liability incurred by it in defending any Proceedings, whether civil or criminal, in respect of any negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on any of their part in relation to the operation of the Scheme in which judgment is given in any of their favour or in which any of them are acquitted; or
- (b) in connection with any application in any such Proceedings in which relief is granted to any of the Scheme Companies by a court from liability for negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on any of their part in relation to the operation of the Scheme.

- 7.6.3 Marlon Insurance Company Limited may pay costs incurred by any such person as is referred to in clauses 7.6.1 and 7.6.2 in defending Proceedings of the nature described in clause 7.6.2 which relate to the operation of the Scheme provided that Marlon Insurance Company Limited obtains from such person an undertaking to reimburse it (with interest) for any amount which would not, in the event, have been payable by the Scheme Company under clause 7.6.2.

7.7 Costs

- 7.7.1 The costs of the Scheme to be paid out of the Property of Marlon Insurance Company Limited shall include all costs, charges, expenses and disbursements reasonably incurred in connection with the negotiation, preparation and implementation of the Scheme as and when they arise, including the Scheme Manager's costs in relation to the aforesaid, the

costs of holding the meeting of Scheme Creditors convened to consider the Scheme and the costs of obtaining the sanction of the Court and, in each case, to which the Scheme Manager is entitled pursuant to the terms of any engagement letter.

7.7.2 Scheme costs to be paid out of the Property of Marlon Insurance Company Limited shall include the following:

- (a) all costs, charges, expenses, and disbursements incurred by, and the remuneration of, the Scheme Manager in its capacity as such under the Scheme which the Scheme Manager is entitled to pursuant to the terms of any engagement letter;
- (b) the costs, charges, expenses and disbursements incurred by, and the remuneration of, the Scheme Advisers in their capacity as such under the Scheme which the Scheme Advisers are entitled to pursuant to the terms of any engagement letter;
- (c) the costs, charges, expenses and disbursements incurred by, and the remuneration of the Scheme Adjudicators in their capacity as such under the Scheme which the Scheme Adjudicators are entitled to pursuant to the terms of any engagement letter;
- (d) the costs, charges, expenses and disbursements incurred by, and the remuneration of the Scheme Actuary in his capacity as such under the Scheme which the Scheme Actuary is entitled to pursuant to the terms of any engagement letter;
- (e) the costs, charges, expenses and disbursements, if any, incurred by, and the remuneration of, any employee, agent, delegate and/or professional adviser of the persons referred to in clauses 7.7.2(a) to (d) (inclusive) above, to the extent such costs, charges, expenses, disbursements and remuneration are referable to the running of, or the implementation of the Scheme and to which the persons referred to in clauses 7.7.2(a) to (d) (inclusive) are entitled to pursuant to the terms of any engagement letter.

7.7.3 So long as the Scheme remains in force, there shall be paid in full, as and when they arise, out of the Property of Marlon Insurance Company Limited the following:

- (a) all costs, charges, expenses and disbursements incurred by any Scheme Company in the course of carrying out the Scheme and of complying with the provisions of the Act;
- (b) the costs, charges, expenses and disbursements, if any, incurred by, and the remuneration of, any employee, agent, delegate and/or professional adviser of any Scheme Company to the extent such costs, charges, expenses, disbursements and remuneration are referable to the running of, or the implementation of, the Scheme.
- (c) insofar as it does not fall within clause 7.7.3(a), any sum which any Scheme Company is obliged to pay by reason of the obligations imposed on such Scheme Company by the Scheme; and
- (d) notwithstanding that the Scheme shall have been finally implemented, the costs of placing the notices required by clause 6.

7.8 Electronic Communications

7.8.1 Notwithstanding anything to the contrary in the Scheme, information concerning Scheme Liabilities (including any Claim Form or relevant accompanying information, but not including copies of any relevant supporting documentation which was not originally produced in electronic form) and any other communication required to be or capable of being given or sent hereunder may, at the option of the Scheme Creditor concerned, be given or sent by the relevant Scheme Company, Scheme Advisers, Scheme Adjudicators, Scheme Manager or Scheme Creditor in electronic form to the address specified for that

purpose by that Scheme Creditor or the relevant Scheme Company, Scheme Advisers, Scheme Manager or Scheme Adjudicators. References in the Scheme to Post and addresses shall therefore be construed accordingly.

- 7.8.2 A notice given in electronic form shall be deemed to have been received on the Business Day following the expiration of 24 hours after the time it was sent by the sender provided that the same shall have been sent to the address specified for that purpose. In relation to electronic communications "address" includes any number or address used for the purposes of such communications.
- 7.8.3 Proof that a notice contained in electronic form was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence that the notice was given.

7.9 Meetings of Scheme Creditors

- 7.9.1 The Scheme Manager may (in its absolute discretion and with no obligation to do so) at any time convene meetings of Scheme Creditors.
- 7.9.2 Any five (or, in the case of the Scheme relating to Riverstone (Stockholm) Insurance Corporation (publ), two) or more Scheme Creditors who have Scheme Liabilities (after the application of set-off, deduction or counterclaim in accordance with the Scheme) estimated for voting purposes with an aggregate value in excess of 15 per cent of all Scheme Liabilities (after the application of set-off, deduction or counterclaim in accordance with the Scheme) of that particular Scheme Company, may by notice in writing signed by them or on their behalf and deposited at the registered office of the Scheme Manager require the Scheme Manager to convene a meeting of Scheme Creditors to consider the removal of a Scheme Adjudicator for that particular Scheme Company pursuant to clause 5.1.6. It shall be the duty of the Scheme Manager forthwith to convene a meeting of Scheme Creditors for that purpose and to give notice of such meeting as is necessary to enable such purpose to be carried out effectively in accordance with the provisions of the Scheme.
- 7.9.3 At least 28 days' notice shall be given of any meeting of Scheme Creditors:
- (a) to all known Scheme Creditors by Post; and
 - (b) by placing advertisements containing the requisite information in such publication or publications as the Scheme Manager shall consider appropriate,
- and any such notice shall be deemed to have been served on the date on which it is posted or, as the case may be, the latest date on which the advertisement appears. The accidental omission to give notice of any meeting of Scheme Creditors so convened to, or the non-receipt of a notice of such meeting by, any Scheme Creditor entitled to receive such notice shall not invalidate the proceedings at that meeting.
- 7.9.4 The notice of any meeting of Scheme Creditors shall set out the text, or an adequate summary, of the resolution which is to be proposed at the meeting (or, if no resolution is to be proposed at the meeting, the nature of the business to be discussed thereat) and, in the case of a notice which is sent by Post, shall be accompanied by a letter explaining why the meeting is being convened.
- 7.9.5 A resolution put to a meeting of Scheme Creditors shall be effective if it is passed by a majority in number representing three-fourths in value of those present in person or by proxy and voting. Every Scheme Creditor entitled to vote shall have the right to appoint any person as his proxy to attend and vote instead of him. The instrument appointing a proxy may be in any form which the Scheme Manager may approve and must be lodged at the place specified in the notice of meeting for the lodging of proxies not less than 48 hours before the meeting, or any adjournment thereof, at which it is to be used. No

business shall be transacted at any meeting of Scheme Creditors unless a quorum is present when the meeting proceeds to business. Two Scheme Creditors present in person or by proxy and having the right to vote at the meeting shall be a quorum.

- 7.9.6 The Scheme Manager shall nominate a person to preside at each meeting of Scheme Creditors. If such person is not present within 15 minutes after the time appointed for opening the meeting or is unwilling to preside, the Scheme Creditors present in person or by proxy shall choose one of themselves to be chairman of the meeting. If no person is willing to preside as chairman of the meeting, the meeting shall be adjourned for seven days and, if no person is willing to preside as chairman of the adjourned meeting, the meeting shall be dissolved.

27 May 2003

SCHEDULE 1 TO THE SCHEME

The policy records held by Marlon Insurance Company Limited in relation to the Insurance Contracts of The National Insurance & Guarantee Corporation Limited comprise policies with the following policy numbers:

1000 to 17154
F10001 to F11795
F12000 to F13191
F16001 to F16241
F17001 to F19999 plus F25000 to F26911
F20001 to F24239
5492 to 17197

(the above ranges include alpha prefixes (e.g. AN5492 or AS5492) and alpha suffixes (e.g. 8763A or 5498B)).

For avoidance of doubt, the Insurance Contracts in relation to The National Insurance & Guarantee Corporation Limited do not include policies:

- (a) with a reference that commences with the letters AV
or
- (b) with a four digit reference in respect of policies incepting on or after 1973
or
- (c) accepted on behalf of The National Insurance and Guarantee Corporation Limited by Alfred Blackmore & Company Limited or companies or agencies under Alfred Blackmore's control,

which contracts will be either marine or aviation in nature.

SECTION III: NOTICE OF SCHEME MEETINGS

IN THE HIGH COURT OF JUSTICE

NO 1735 OF 2003

NO 1739 OF 2003

AND

NO 1740 OF 2003

CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF

MARLON INSURANCE COMPANY LIMITED
THE NATIONAL INSURANCE & GUARANTEE CORPORATION LIMITED AND
RIVERSTONE (STOCKHOLM) INSURANCE CORPORATION (PUBL)

AND

IN THE MATTER OF THE COMPANIES ACT 1985, SECTION 425

NOTICE OF SCHEME MEETINGS

NOTICE IS HEREBY GIVEN that by three Orders dated 25 March 2003 in relation to each of the above companies the High Court of Justice of England and Wales has directed that meetings (the "Scheme Meetings") of certain creditors ("Scheme Creditors" as defined in the schemes of arrangement referred to below) of Marlon Insurance Company Limited, The National Insurance & Guarantee Corporation Limited and Riverstone (Stockholm) Insurance Corporation (publ) in relation to certain businesses (the "Scheme Companies" and each a "Scheme Company") be convened for the purpose of considering and, if thought fit, approving (with or without modification) schemes of arrangement in identical form (the "Scheme") proposed to be made between each of the Scheme Companies and their respective Scheme Creditors. Scheme Creditors are insurance, reinsurance, or retrocession creditors of the Scheme Companies, in respect of certain businesses;

AND that such Scheme Meetings will be held at the Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY at 11a.m. on 10 July, 2003 at which place and time all Scheme Creditors of each Scheme Company are requested to attend. Registration will commence at 10.30 a.m..

Enclosed are:

- the Scheme together with the Explanatory Statement
- Forms of Proxy and Voting Forms

Scheme Creditors may vote in person at each Scheme Meeting or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their stead.

It is requested that the completed Forms of Proxy be lodged together with Voting Forms with PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, United Kingdom marked for the attention of Sara Dennis or Fiona Christie, not later than 9.00 a.m. on 10 July 2003, but if

Forms of Proxy and Voting Forms are not so lodged they may be sent by facsimile transmission to +44 (0)20 7212 6316 by the same time on the same date provided the original forms are handed to the chairman of the relevant Scheme Meeting at the relevant meeting or posted so as to be received by PricewaterhouseCoopers LLP no later than 3 Business Days after the date of the relevant Scheme Meetings. Any Scheme Creditor returning a Form of Proxy only will have the value of their Scheme Liabilities determined for voting purposes by the chairman on the basis of the information available to the Scheme Manager in respect of such claims.

By the said Order the Court has directed that the chairman of the Scheme Meetings shall be Dan Yoram Schwarzmann, a partner in the United Kingdom firm PricewaterhouseCoopers LLP, or, failing him, Douglas Nigel Rackham, a director in the United Kingdom firm PricewaterhouseCoopers LLP, or, failing both of them, Mark Batten, a partner in the United Kingdom firm PricewaterhouseCoopers LLP, and has directed the chairman to report the results of the said Scheme Meetings to the Court.

The said Scheme will be subject to the subsequent sanction of the High Court of Justice of England and Wales.

DATED this 27th day of May 2003

Lovells
Atlantic House
Holborn Viaduct
London EC1A 2FG
United Kingdom

SECTION IV: GUIDANCE NOTES AND INSTRUCTIONS FOR COMPLETION OF THE FORM OF PROXY AND THE VOTING FORM

Certain capitalised words and expressions appear in this Section IV. These shall have the same meanings and be construed in the same way as set out in Section IA "Key Definitions" which appear on pages 2 to 4.

1. INTRODUCTION

Scheme Creditors are entitled to attend and vote, either in person or by proxy, at such of the Scheme Meetings summoned to consider the Scheme as they may be eligible. Enclosed with this document are three Forms of Proxy (which each incorporate a Voting Form) for use by Scheme Creditors at the Scheme Meeting(s). It is necessary formally to convene three separate Scheme Meetings, one for each of the Scheme Companies.

- (a) Scheme Creditors in respect of **Marlon Insurance Company Limited** should complete the **BLUE** Form of Proxy and Voting Form.
- (b) Scheme Creditors in respect of **The National Insurance & Guarantee Corporation Limited** should complete the **YELLOW** Form of Proxy and Voting Form.
- (c) Scheme Creditors in respect of **Riverstone (Stockholm) Insurance Corporation (publ)** should complete the **WHITE** Form of Proxy and Voting Form.

2. VOTING

Scheme Creditors wishing to vote must either;

- (a) attend and vote in person (or, if a corporation, by a duly authorised representative) by completing the relevant Form of Proxy and Voting Form, leaving blank the appointment of proxy; or
- (b) if Scheme Creditors do not wish to attend, they may appoint the chairman of the relevant Scheme Meeting(s) or some other person, who may or may not be a Scheme Creditor, as their proxy. If Scheme Creditors appoint a person other than the chairman of the Scheme Meeting(s) as their proxy, that person must attend in person at the relevant Scheme Meeting(s).

When appointing a proxy, Scheme Creditors must sign the front page of the appropriate Form(s) of Proxy indicating whether the person appointed as their proxy is to vote "FOR" or "AGAINST" the Scheme. If, however, Scheme Creditors wish to give their proxy holder a discretion to vote For or Against (or abstain) at the relevant Scheme Meeting(s), then they should sign the box marked "AT DISCRETION". If Scheme Creditors intend to sign the box marked "AT DISCRETION" they must appoint a person other than the chairman of the Scheme Meeting(s) as their proxy, otherwise their proxy will be invalid.

- (c) Whether a Scheme Creditor attends and votes in person or appoints a proxy the Scheme Creditor must specify the amount of their Scheme Liabilities for voting purposes against each Scheme Company by completing the appropriate Voting Form.

3. SPECIFICATION OF SCHEME LIABILITIES FOR VOTING PURPOSES

Scheme Creditors are requested to include details of all Insurance Contracts under which a Scheme Liability arises and specify the amount of their Scheme Liability against the relevant Scheme Company arising under each Insurance Contract in accordance with the instructions on the form.

In order for the Scheme Manager to verify the applicable Insurance Contract details, Scheme Creditors should, in the first instance, refer to the schedule of insurance (also known as the policy or coverage schedule), which forms part of the policy document or cover note provided by insurance brokers or others evidencing the Insurance Contract. The schedule of insurance may bear one or more reference numbers. Scheme Creditors should identify the reference number relating to the relevant Scheme Company and insert it on the relevant Voting Form.

Scheme Creditors are requested to provide details on their Voting Form of any Proceedings concerning a Scheme Liability in relation to which they would like to rely on an existing or future Substantive Judgment or Final Settlement.

It would be of assistance if, in respect of each Insurance Contract under which a Scheme Creditor's Scheme Liability arises, Scheme Creditors would furnish copies of the policy schedule or cover note and the schedule of insurance with the particulars of each Scheme Liability in supporting schedules in accordance with the instructions contained in the Voting Form. Where a Scheme Creditor will seek to rely on a Substantive Judgment or Final Settlement, documentary evidence of the Proceedings and the stage they have reached should also be provided.

Insurance brokers or other intermediaries may be able to provide information concerning Insurance Contracts under which Scheme Creditors may have a Scheme Liability against the Scheme Companies.

Before admitting a Scheme Creditor's estimated Scheme Liability for voting purposes, the chairman of the Scheme Meeting(s) will be obliged to satisfy himself that the estimated Scheme Liability is reasonable. If Scheme Creditors do not specify the reference number of each Insurance Contract under which Scheme Liabilities arise, the chairman may not be able to admit the Scheme Liability to vote at the Scheme Meeting(s).

If Scheme Creditors wish to vote in respect of an estimated Scheme Liability either reported but not yet established or incurred but not reported, they should furnish particulars of such estimates in supporting schedules in accordance with the instructions contained in the Voting Form.

Particulars as to the estimates of the amount of any future Scheme Liabilities furnished by a Scheme Creditor for voting purposes may not be protected by privilege under English law and may be discoverable at the instance of a third party with a claim against the Scheme Creditor in any action or proceedings to which the Scheme Creditor may be party.

Scheme Creditors should consult their own legal advisers as to the consequences of furnishing such particulars in the event that they are, or may become, involved in any litigation with third parties.

Scheme Creditors with Scheme Liabilities which are disputed by the Scheme Manager will be eligible to vote at the Scheme Meeting(s) at which they are eligible to attend in respect of such Scheme Liabilities. The value attributed to each Scheme Creditor's Scheme Liability for voting purposes will be as set out on page 9. The chairman of the Scheme Meetings will also have the power to reject a Scheme Liability (and/or the application of any set-off, counterclaim or deduction in accordance with the Scheme) for the purposes of voting, in whole or in part, if he considers that it is not fair and reasonable. In the event of a dispute in relation to valuation for voting purposes, the chairman's decision will be final and binding and, where possible, he will notify his decision on valuation for voting purposes to the relevant Scheme Creditor before the Scheme Meetings. However, the admission of an estimated Scheme Liability for voting purposes at the Scheme Meetings is without prejudice to the right of the Scheme Manager to dispute any such Scheme Liability for the purposes of agreeing a claim under the Scheme.

Scheme Creditors should ensure that all parts of the appropriate Form(s) of Proxy and Voting Form(s) are completed or indicate that they are not relevant. Completed forms should be returned by 9.00 a.m. on 10 July 2003 to PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, United Kingdom marked for the attention of Sara Dennis or Fiona Christie. Alternatively Scheme Creditors may send their forms by facsimile transmission to facsimile

number +44 (0)20 7212 6316 by the same time on the same date provided that the original forms are handed to the chairman of the relevant Scheme Meeting(s) at the relevant meeting(s) or posted so as to be received by the Scheme Manager no later than 3 Business Days after the date of the relevant Scheme Meeting(s). Please note that if originals of faxed forms are not received, they may not be counted.

4. BROKERS

The Scheme Manager has supplied a copy of the Scheme document and copies of Forms of Proxy and Voting Forms to all brokers with known addresses identified as having placed business with or on behalf of the Scheme Companies in relation to Insurance Contracts. Brokers are requested to note that the Scheme Manager has circularised all Scheme Creditors where it knows their addresses with a copy of the Scheme document and a Form of Proxy and Voting Form. The Scheme Manager appreciates that it is typical in such cases for brokers to notify all of their clients with news of the Scheme and should be grateful if brokers would do the same in this case to ensure that all potential Scheme Creditors are advised of the proposed Scheme and the action that they are required to take.

5. QUERIES

If any Scheme Creditor has any questions concerning the completion of the Form of Proxy and Voting Form or concerning any other matter in relation to the proposed Scheme, they may write to Sara Dennis or Fiona Christie at PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT, United Kingdom; (e-mail: sara.j.dennis@uk.pwcglobal.com, fiona.christie@uk.pwcglobal.com).

Scheme Creditors are urged to read the Scheme document carefully. If any Scheme Creditor is in any doubt as to the action they should take, they should consult their insurance broker or other professional adviser without delay.