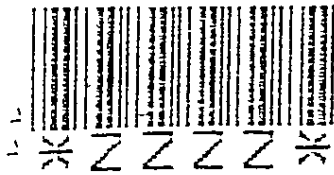


SEPARATOR SHEET



Arran Insurance Company Ltd

01506943

FRIDAY



LK9KM113

LD4

18/07/2008

12

COMPANIES HOUSE

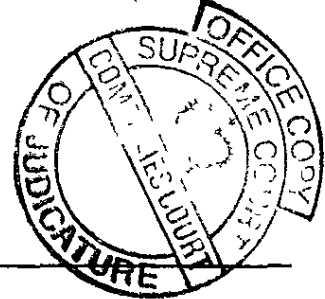
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

MR JUSTICE DAVID RICHARDS

IN THE MATTER OF AEGON SCHADEVERZEKERING NV ~~AND THE OTHER~~
COMPANIES LISTED ON THE SCHEDULE TO THE APPLICATION (ALL BEING
MEMBERS OF THE EW PAYNE POOLS)

AND

IN THE MATTER OF THE COMPANIES ACT 2006



ORDER

UPON THE APPLICATION of the Companies listed in the attached Schedule (the Companies) by
a Claim Form dated 25 April 2008

AND UPON HEARING Leading Counsel for the Companies

AND UPON READING the Claim Form and the evidence

THIS COURT HEREBY SANCTIONS (a) the scheme of arrangement proposed by each of the
Companies (apart from Unionamerica Insurance Company Limited And Eagle Star Insurance
Company Limited) as set out in Appendix A to this Order and (b) the modified scheme of arrangement
proposed by Unionamerica Insurance Company Limited And Eagle Star Insurance Company Limited
respectively as set out in Appendix B to this Order

AND IT IS ORDERED that there shall be liberty to the Companies to apply to the Registrar of the
Companies Court

Dated 17 July 2008

DR

No 3397 of 2008

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

**IN THE MATTER OF AEGON
SCHADEVERZEKERING NV AND THE
OTHER COMPANIES LISTED ON THE
SCHEDULE TO THIS ORDER (THE EW
PAYNE POOLS)**

AND

**IN THE MATTER OF THE COMPANIES ACT
2006**

ORDER

Edwards Angell Palmer & Dodge UK LLP
One Fetter Lane
London
EC4A 1JB
Ref VMT/NPS/01143578

SCHEDULE

ACN 000 141 051 Limited

AEGON Schadeverzekering NV

Affiliated F M Insurance Company

Aior Insurance Company Limited (on its own behalf and through its participation on the BVF Pool)

Allianz Belgium SA (on its own behalf and through its participation on the BVF Pool)

Allianz Suisse Insurance Company

Alma Insurance Company Limited

Alte Leipziger Versicherung AG

American Casualty Company of Reading

American International Reinsurance Company

American States Insurance Company

Argonaut Insurance Company

Arran Insurance Company Limited

Assicurazioni Generali SpA UK Branch

Aterforsakringsaktielaget Stockholm

Axa Belgium SA

Axa Insurance UK PLC

Axa Re

Baloise Insurance Company Limited

Bothnia International Insurance Company Limited (on its own behalf and through its participation in the BVF Pool)

Carolina Casualty Insurance Company

Codan Insurance Ltd (Codan Forsikring A/S)

Commerce and Industry Insurance Company

Companhia De Seguros Fidelidade - Mundial SA

CX Reinsurance Company Limited

Eagle Star Insurance Company Limited

Factory Mutual Insurance Company

Farmers Mutual Hail Insurance Company of Iowa

Federated Mutual Insurance Company

Fieldmill Insurance Company Limited (with regard to its participation in the Hillcot Underwriting Pool which was formerly known as the Toa Re Underwriting Pool, the Toa Re-Oatley Underwriting Pool and the GE Oatley (Underwriting Agencies) Limited Pool)

Florists' Mutual Insurance Company

Gan Assurances IARD

Generali Assurances Generales

Generali Versicherung AG (in respect of its participation on the BVF Pool)

Gjensidige Forsikring, Norway

GLOBALE Ruckversicherungs-AG

Hamburger Internationale Rueckversicherung AG

Harper Insurance Limited

Hillcot Re Limited (with regard to its participation in the Hillcot Underwriting Pool which was formerly known as the Toa Re Underwriting Pool, the Toa Re-Oatley Underwriting Pool and the GE Oatley (Underwriting Agencies) Limited Pool)

Inland Insurance Company

IRB-Brasil Resseguros S A

Lansforsakringar Sak Forsakringaktiebolag (Publ)

Longmynd Insurance Company Limited (with regard to its participation in the Hillcot Underwriting Pool which was formerly known as the Toa Re Underwriting Pool, the Toa Re-Oatley Underwriting Pool and the GE Oatley (Underwriting Agencies) Limited Pool)

Markel International Insurance Company Limited

Milwaukee Insurance Company

Minster Insurance Company Limited

Mitsui Sumitomo Insurance Company Limited

Munchener Ruckversicherungs-Gesellschaft (on its own behalf and through its participation on the BVF Pool)

Niedersachsen Versicherungs-AG

Nipponkoa Insurance Co , Ltd

North Star Mutual Insurance Company

NRG Victory Reinsurance Limited

Oberosterreichische Versicherung Aktiengesellschaft

Phoenix Insurance Company

Pohjantahti Mutual Insurance Company

Provinzial Rheinland Holding

Public Service Mutual Insurance Company

R+V Versicherung AG (in respect of its participation on the BVF Pool)

REAAL Schadeverzekeringen NV

RiverStone Insurance (UK) Limited

Saskatchewan Government Insurance

SCOR Global P&C, acting on behalf of Magdeburger Ruckversicherungs-Actien-Gesellschaft and La Vittoria Riassicurazioni S P A (in respect of their participation on the BVF Pool)

Scor Ruckversicherung (Deutschland) AG

Sentry Insurance a Mutual Company

Sirius International Insurance Corporation (publ)

Sparebank 1 Skadeforsikring AS

SV SparkassenVersicherung Holding AG

Stronghold Insurance Company Ltd

Swiss Reinsurance America Corporation

Swiss Reinsurance Company

Swiss Reinsurance Company Rappresentanza per L'Italia

The Copenhagen Reinsurance Company Limited

Tokio Marine & Nichido Fire Insurance Co , Ltd

The Travelers Indemnity Company

Tri-State Insurance Company of Minnesota

Unionamerica Insurance Company Limited

UNIQA Versicherungen AG (in respect of its participation on the BVF Pool)

Veritas Mutual Non-Life Insurance Company

WARTA Insurance and Reinsurance Company SA (on its own behalf and through its participation on the BVF Pool)

WASA International Forsakringsaktielbolag

Western National Mutual Insurance Company

Wustenrot & Wurttembergische AG (on its own behalf and through its participation on the BVF Pool)

No 3397 of 2008

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

MR JUSTICE DAVID RICHARDS

**IN THE MATTER OF AEGON SCHADEVERZEKERING NV AND THE OTHER COMPANIES
LISTED ON THE SCHEDULE TO THE APPLICATION (All BEING MEMBERS OF THE EW
PAYNE POOLS)**

AND

IN THE MATTER OF THE COMPANIES ACT 2006

APPENDIX A

THE E W PAYNE POOLS SCHEME

A PROPOSAL IN RELATION TO SCHEMES OF ARRANGEMENT PURSUANT TO PART 26 OF THE COMPANIES ACT 2006

BETWEEN

THE SCHEME COMPANIES

(Listed on pages 2 to 10 of this document)

AND THEIR RESPECTIVE

SCHEME CREDITORS

**CONCERNING BUSINESS UNDERWRITTEN AND/OR ADMINISTERED
BY REINSURANCE SOLUTIONS LIMITED ON BEHALF OF THE
SCHEME COMPANIES IN RESPECT OF**

THE EXCESS OF LOSS POOL NO 1 (1960 to 1985),

THE EXCESS OF LOSS POOL NO 2 (1974 to 1982),

THE EXCESS OF LOSS POOL NO 3 (1983) AND

THE 'X' ACCOUNT POOL (1961 to 1968).

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT CONTAINS EXTENSIVE AND DETAILED INFORMATION AND SHOULD BE READ IN ITS ENTIRETY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY. A COPY OF THIS DOCUMENT HAS BEEN SENT TO THOSE EXISTING BROKERS BELIEVED TO HAVE PLACED BUSINESS WITH OR ON BEHALF OF ANY OF THE SCHEME COMPANIES. BROKERS, OTHER AGENTS AND INTERMEDIARIES ARE REQUESTED TO BRING THE CONTENTS OF THIS DOCUMENT TO THE ATTENTION OF CLIENTS WHO HAVE, OR MAY HAVE, SCHEME CLAIMS AGAINST ANY OF THE SCHEME COMPANIES.

SCHEME COMPANIES' PRESENT NAMES AND RELEVANT FORMER NAMES

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
ACN 000 141 051 Limited	National & General Insurance Company Limited
AEGON Schadeverzekering NV	Compagnie van Assuradeuren NV NEZAM N V
Affiliated F M Insurance Company	Affiliated F M Insurance Company
Aioi Insurance Company Limited (on its own behalf and in respect of its participation in the BVF Pool)	Dai Tokyo Fire & Marine Insurance Company Limited
Allianz Belgium SA	AGF Belgium SA Assubel-Vie SA Assubel Accidents & Dommages SA, ex Caisse Nationale Belge d'Assurances SA
Allianz Suisse Insurance Company (on its own behalf and in respect of its participation in the BVF Pool)	Allianz Suisse Insurance Company Elvia Insurance Company Helvetia Accident Swiss Insurance Company General of Berne Insurance Company
Alma Insurance Company Limited	Aura General Mutual Insurance Company (Keskinainen Vakuutusyhtiö Aura) Tapiola General Mutual Insurance Company Pohja General Mutual Insurance Company (Keskinainen Vahinkovakuutusyhtiö Pohja, Omsesidiga Skadeforsakring Pohja, Pohja Keskinainen)
Alte Leipziger Versicherung AG	Alte Leipziger Rückversicherung AG
American Casualty Company of Reading	American Casualty Company of Reading
American International Reinsurance Company	American International Reinsurance Company
American States Insurance Company	American Union Reinsurance Company
Argonaut Insurance Company	Shamrock Insurance Company Limited
Arran Insurance Company Limited	Ancon Insurance Company (UK) Limited
Assicurazioni Generali S p A UK Branch	Assicurazioni Generali S p A UK Branch
Återforsakringsaktiebolaget Stockholm (Stockholm Reinsurance Company Limited)	Stockholm Reinsurance Company Limited

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
Axa Belgium SA	Royal Belge Incendie Reassurance SA
Axa Insurance UK Plc	Forsikringsaksjeselskapet Polaris-Norske Sjø Forsikringsaktieselskabet Nordlyset
Axa Re	Ancienne Mutuelle La Paix (Paris) La Providence La Providence IARD
Baloise Insurance Company Limited	Baloise Fire Insurance Co Limited Baloise Marine Insurance Co Limited
Bothnia International Insurance Company Limited (on its own behalf and in respect of its participation in the BVF Pool)	Aterforskringsaktiebolaget Vastuu Finska Sjöforskrings Industriforskring Keskinnainen Vakuutusyhtio Sampo Patria Reinsurance Company Limited Pohjola Insurance Company Limited Sampo International Insurance Company Vastuu Jalleenvakuutusosakeyhtio
Carolina Casualty Insurance Company	Insurance Company of the South
Codan Insurance Limited	Dansk Søassurance (Dansk Søassurance) Hafnia Ins Co Ltd Hafnia Reassurance (Hafnia Re) Den Kjøbenhavnske Sø-Assurance-Forening (Copenhagen Søassurance) Forskringsselskabet Haand i Haand (later Hafnia Haand-i-Haand) Dansk Søassurance A/S (Dansk Søassurance/Danish Marine Insurance Co Ltd) Forskringsselskabet Hafnia Sø –og Industri, Forskringsselskabet Hafnia A/S (Hafnia Insurance Ltd) Hafnia Reassurance A/S Forenede Assurandører Aktieselskab, Fjerde Søforskrings Selskab A/S

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
	A/S Forsikringsselskabet Codan Codan Arbejdsskadeforsikring A/S Codan Insurance Ltd
Commerce and Industry Insurance Company	Commerce and Industry Insurance Company
Companhia De Seguros Fidelidade - Mundial SA	Companhia de Seguros Fidelidade, SA Fidelidade Grupo Segurador
CX Reinsurance Company Limited	CNA Reinsurance Company Limited CNA International Reinsurance Company Limited CNA Reinsurance of London Limited Continental Casualty Limited
Eagle Star Insurance Company Limited	Eagle Star Group Eagle Star (Swann and Everett Underwriting Agency) Eagle Star Reinsurance Company Limited
Factory Mutual Insurance Company	Allendale Mutual Insurance Company MFB Mutual Insurance Company (Manufacturers Mutual Insurance Company, Firemens Mutual Insurance Company, Blackstone Mutual Insurance Company) Arkwright Mutual Insurance Company Arkwright-Boston Mutual Insurance Company Philadelphia Manufacturers Mutual Insurance Company (PMMI) Mutual Boiler & Machinery Insurance Company Protection Mutual Insurance Company
Farmers Mutual Hail Insurance Company of Iowa	Farmers Mutual Hail Insurance Company Of Iowa
Federated Mutual Insurance Company	Federated Mutual Insurance Company
Fieldmill Insurance Company Limited (with regard to its participation in the Hillcot Underwriting Pool which was formerly known as the Toa Re Underwriting Pool, the Toa Re-Oatley Underwriting Pool and the GE	Harleysville Insurance Company (UK) Limited

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
Oatley (Underwriting Agencies) Limited Pool)	
Florists' Mutual Insurance Company	Florists' Mutual Insurance Company
Gan Assurances IARD	Groupe des Assurances Nationales Assurances Nationales
Generali Assurances Generales	Union Suisse Compagnie Generale D'Assurances
Generali Versicherung AG (in respect of its participation in the BVF Pool)	Thuringia Versicherung AG Thuringia Generali Versicherung AG
Gjensidige Forsikring Norway	Gjensidige Forsikring Gjensidige Norsk Skadeforsikring Trondhjems Forsikringsselskab
GlobALE Rückversicherungs-AG	Gerling-Konzern GLOBALE Versicherungs- Aktiengesellschaft Gerling-Konzern Rückversicherungs- Aktiengesellschaft Gerling Globale Rückversicherungs- Aktiengesellschaft
Hamburger Internationale Rückversicherung AG	Hamburg-Bremer Rückversicherungs-AG
Harper Insurance Limited	Harper Versicherungs AG (Harper Insurance Limited) Turegum Versicherungsgesellschaft (Turegum Insurance Company)
Hillcot Re Limited (with regard to its participation in the Hillcot Underwriting Pool which was formerly known as the Toa Re Underwriting Pool, the Toa Re-Oatley Underwriting Pool and the GE Oatley (Underwriting Agencies) Limited Pool)	The Toa-Re Insurance Company (UK) Limited Chevanstell Limited Tryg-Baltica International (UK) Limited Colonia Baltica Insurance Limited Colonia Insurance Company (UK) Limited Oslo Reinsurance Company (UK) Limited Norden Insurance Company (UK) Limited
Inland Insurance Company	Inland Insurance Company
IRB-Brasil Resseguros S A	Instituto de Resseguros do Brasil

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
Lansforsakringar Sak Forsakringsaktiebolag (publ) (Lansforsakringar Non-Life Insurance Company (publ))	Jordbrukets Forsakringsbolaget. Omsesidigt
Longmynd Insurance Company Limited (with regard to its participation in the Hillcot Underwriting Pool which was formerly known as the Toa Re Underwriting Pool, the Toa Re-Oatley Underwriting Pool and the GE Oatley (Underwriting Agencies) Limited Pool)	Security Insurance Company (UK) Limited
Markel International Insurance Company Limited	Intercontinental Reinsurance Company Limited Terra Nova Insurance Company Limited
Milwaukee Insurance Company	Milwaukee Union Mutual Insurance Company
Minster Insurance Company Limited	Groupama Insurance Company Limited GAN Insurance Company Limited GAN Minster Insurance Company Limited
Mitsui Sumitomo Insurance Company Limited	The Sumitomo Marine & Fire Insurance Company Limited Mitsui Marine & Fire Insurance Co Ltd Taisho Marine & Fire Insurance Co Ltd
Munchener Ruckversicherungs-Gesellschaft (Munich Reinsurance Company) (on its own behalf and on behalf of Reale Riassicurazioni S P A's participation in the BVF Pool)	Victoria Ruckversicherungs A G Reale Riassicurazioni S P A
Niedersachsen Versicherungs-AG	Niedersachsen Versicherungs-AG
Nipponkoa Insurance Co, Ltd	The Nippon Fire & Marine Insurance Co, Ltd
North Star Mutual Insurance Company	North Star Mutual Insurance Company
NRG Victory Reinsurance Limited	Victory Insurance Company Limited The Victory Reinsurance Company Limited
Oberosterreichische Versicherung Aktiengesellschaft	Oberosterreichische Landes-Brandschaden-Versicherungsanstalt Wechselseitige Oberosterreichische Landes-Brandschaden-Versicherungsanstalt Wechselseitige Oberosterreichische Versicherungsanstalt

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
	Oberösterreichische Wechselseitige Versicherungsanstalt Oberösterreichische Vermögensverwaltungs-Aktiengesellschaft
Phoenix Insurance Company	Phoenix Insurance Company
Pohjantahti Mutual Insurance Company	Keskinainen Hameen Vakuutusyhtio Hameen Vakuutus Mutual Insurance Company
Provinzial Rheinland Holding	Provinzial-Feuerversicherungsanstalt der Rheinprovinz
Public Service Mutual Insurance Company	Public Service Mutual Insurance Company
R+V Versicherung AG (in respect of its participation in the BVF Pool)	Rhein-Main Rückversicherungs-Gesellschaft AG
REAAL Schadeverzekeringen N V (formerly Hooge Huys Schadeverzekeringen N V)	Hooge Huys Schadeverzekeringen N V
RiverStone Insurance (UK) Limited	Riverstone Insurance (UK) Limited Riverstone Management Limited (formerly known as Sphere Drake Underwriting Limited and Sphere Drake Underwriting Management Limited) Colonia Insurance Company (UK) Limited Dai Tokyo Insurance Company (UK) Limited Drake Insurance Company Limited Employers Of Wausau Insurance Company (UK) Limited Norden Insurance Company (UK) Limited Sampo Insurance Company (UK) Limited Sentry (UK) Insurance Company Limited Sentry Indemnity Company Sphere Drake Insurance Plc Sphere Insurance Company Limited Vesta (UK) Insurance Company Limited Solar Underwriting Agencies Ltd Iron Trades Mutual Insurance Company Limited

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
	Koa Insurance Company (UK) Limited Sterling Insurance Company Limited
Saskatchewan Government Insurance	Saskatchewan Government Insurance Office
SCOR Global P&C, acting on behalf of Magdeburger Ruckversicherungs-Actien-Gesellschaft and La Vittoria Riassicurazioni S P A (in respect of their participation in the BVF Pool)	La Vittoria Riassicurazioni S P A Magdeburger Ruckversicherungs-Actien-Gesellschaft Deutsche Continental Ruckversicherungs AG
Scor Ruckversicherung (Deutschland) AG	Agrippina Ruckversicherungs-Aktiengesellschaft
Sentry Insurance a Mutual Company	Hardware Mutual Casualty Company
Sirius International Insurance Corporation (publ)	Sirius International Insurance Corporation Sirius Insurance Company Limited Swedish Atlas Reinsurance Company Limited Atlas Insurance Company Limited
Sparebank 1 Skadeforsikring AS	Forsikringsaktieselskapet Samvirke Samvirke Skadeforsikring AS
SV SparkassenVersicherung Holding AG	Sparkassenversicherung Allgemeine Versicherung AG Zentraleuropaeische Versicherung AG
Stronghold Insurance Company Limited	Stronghold Insurance Company Limited
Swiss Reinsurance America Corporation	Buffalo Insurance Company Underwriters Reinsurance Company Swiss Re Underwriters Agency Inc
Swiss Reinsurance Company	Swiss Reinsurance Company
Swiss Reinsurance Company Rappresentanza per L'Italia	Unione Italiana di Riassicurazione (UNIORIAS) Swiss Re Italia SPA
The Copenhagen Reinsurance Company Limited	The Copenhagen Reinsurance Company Ltd A/S Det Kjoebenhavnske Reassurance-Compagni
The Travelers Indemnity Company	Calvert Fire Insurance Company
Tokio Marine & Nichido Fire Insurance Co, Limited	The Nichido Fire & Marine Insurance Company Limited

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
Tri-State Insurance Company Of Minnesota	Tri-State Mutual Insurance Company Tri-State Insurance Company Of Minnesota Berkley Corporation
Unionamerica Insurance Company Limited	Unionamerica Insurance Company Limited St Paul Travellers Insurance Company Limited St Paul Fire & Marine Insurance Company (UK) Limited St Paul International Insurance Company Limited St Katherine Insurance Company Limited St Katherine Insurance Company Plc St Paul Reinsurance Company Limited (Oberon Underwriters Limited) Mercury Reinsurance Company (UK) Limited San Francisco Insurance Company (UK) Limited The Insurance Corporation Of Singapore (UK) Limited and The Nippon Fire & Marine Insurance Company (UK) Limited
UNIQA Versicherungen AG (in respect of its participation in the BVF Pool)	Versicherungsanstalt der österreichischen Bundesländer AG
Veritas Mutual Non-Life Insurance Company	Aterforsakringsaktiebolaget Veritas
WARTA Insurance and Reinsurance Company SA (on its own behalf and in respect of its participation in the BVF Pool)	Warta Towarzystwo Ubezpieczeń i Reasekuracji Spółka Akcyjna Towarzystwo Ubezpieczeń i Reasekuracji "WARTA" Spółka Akcyjna
WASA International Forsakringsaktiebolag (WASA International Insurance Co Limited)	Svenska Veritas Forsakringsaktiebolag Forsakringsaktiebolaget Svenska Veritas Forsakrings-Aktiebolaget Securitas
Western National Mutual Insurance Company (Formerly Farmers Home Mutual Insurance Company)	Farmers Home Mutual Insurance Company

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
Wustenrot & Wurttembergische AG (on its own behalf and in respect of its participation in the BVF Pool)	Wurttembergische Feuerversicherung Aktiengesellschaft

IMPORTANT NOTICE TO SCHEME CREDITORS

This document has been prepared in connection with proposed schemes of arrangement (the **Scheme**) pursuant to Part 26 of the Companies Act 2006 between each of the Scheme Companies and their respective Scheme Creditors (as defined in the Scheme). The Scheme Companies are listed on pages 2 to 10 of this document.

The Scheme proposed by each Scheme Company is in law each a separate Scheme of Arrangement. Since all the Schemes have identical terms for convenience their provisions have been set out in a single document referred to as "the Scheme".

Unless otherwise indicated, the statements, opinions and information contained in this document are made as at the date of this document and reflect the circumstances existing and the information of which the Scheme Companies were aware at that time.

Nothing in this document shall constitute any admission of fact or liability on the part of any of the Scheme Companies or any other person with respect to any asset to which it may be entitled or any claim against it. No estimate of the amount of any claim against a Scheme Company provided to it or taken into account for the purposes of voting on the Scheme shall be binding on the Scheme Companies or any other party for the purposes of the Scheme or for any other purpose.

None of the Scheme Companies has authorised any person to make any representations concerning the Scheme which are inconsistent with the statements contained in this document. If any such representations are made, they may not be relied upon as they have not been authorised by the Scheme Companies.

Part I of this document is the Explanatory Statement which contains a summary of the main provisions of the Scheme. Part II contains the Scheme.

None of the contents of this document is intended to constitute legal, tax, financial or other professional advice for Scheme Creditors. Scheme Creditors should take advice from their own professional advisers before taking any action in connection with the Scheme.

The same defined terms have been used in both the Scheme and the Explanatory Statements. These terms begin with a capital letter. A list of those defined terms is shown on pages 41 to 49.

TABLE OF CONTENTS

	Page
SCHEME COMPANIES' PRESENT AND RELEVANT FORMER NAMES	2
IMPORTANT NOTICE TO SCHEME CREDITORS	11
CONTACT INFORMATION	13
KEY DATES AND EXPECTED TIMETABLE	14
PART 1: EXPLANATORY STATEMENT	15
Letter from Reinsurance Solutions Limited	18
History of the E W Payne Pools and description of the Scheme Business	26
How does the Scheme work? A detailed explanation	30
PART 2: THE E W PAYNE POOLS SCHEME	39
APPENDICES	
A Curricula Vitae of the Scheme Advisers and the Scheme Adjudicators	82
B List of documents available for inspection	86
C Notice of the Scheme Meetings	87
D Example Claim Form	89
E Solvent Pool Participants of the E W Payne Pools that are not proposing a Scheme	100
F Example Voting Form and guidance notes for completion of the Voting Form and attending the Scheme Meetings	103
G Illustrative example of the number of Pool Participants in Excess of Loss Pool No 1 and each Pool Participant's percentage share of the risks being written by that Pool in 1980, 1983 and 1985	119

CONTACT INFORMATION

Scheme Manager	Scheme Advisers
<p>Reinsurance Solutions Limited Mayland House Mayland Road Essex CM8 2UP United Kingdom</p> <p>Contacts Brian Evans and David Bowen</p> <p>General +44 (0)1376 506 210</p> <p>Direct Brian Evans +44 (0)1376 506 423 David Bowen +44 (0)1376 506 374</p> <p>Fax +44 (0)1376 506 601</p> <p>Email Brian W Evans@guycarp.com David C Bowen@guycarp.com</p>	<p>Mike Walker and John Wardrop KPMG LLP 8 Salisbury Square London EC4Y 8BB United Kingdom</p> <p>Contacts James Bolton and Neil Sutton</p> <p>General +44 (0)20 7311 1000</p> <p>Direct James Bolton +44 (0)20 7694 1856 Neil Sutton +44 (0)20 7694 3485</p> <p>Fax +44 (0)20 7694 3126</p> <p>Email james.bolton@kpmg.co.uk neil.sutton@kpmg.co.uk</p>
Legal Adviser	Scheme Adjudicators
<p>Edwards Angell Palmer & Dodge UK LLP One Fetter Lane London EC4A 1JB United Kingdom</p> <p>Contacts Vivien Tyrell and Nick Stern</p> <p>General +44 (0)20 7583 4055</p> <p>Direct Vivien Tyrell +44 (0)20 7556 4451 Nick Stern +44 (0)20 7556 4533</p> <p>Fax +44 (0)20 7353 7377</p> <p>Email vtyrell@eapdlaw.com nstern@eapdlaw.com</p>	<p>William Bower WJ Bower Consultancy Limited 70 Prince George Avenue London N14 4SP United Kingdom</p> <p>Ian Marshall Chiltington International Limited 1-4 Bury Street London, EC3A 5AW United Kingdom</p> <p>Philip Heitlinger PRO Insurance Solutions Limited One Great Tower Street London EC3R 5AA United Kingdom</p>

KEY DATES

30 June 2007	Ascertainment Date - the date as at which Scheme Liabilities will be valued
30 June 2008	Final date for the return of Scheme Creditors' Voting Form and Proxy Form
4 July 2008	Meetings of the Scheme Creditors to vote on the Schemes
17 July 2008	Court hearing in London seeking sanction of the Schemes
18 July 2008	Effective Date of the Schemes
16 December 2008	Bar Date, the date by which Scheme Claims must be submitted

The dates given above for the Court hearing to sanction the Scheme the Effective Date of the Scheme and the Bar Date are the planned dates for such stages and may be subject to change. The Scheme Companies will bring the exact dates to the attention of Scheme Creditors by advertising, by posting them on the Scheme Website and by sending Scheme Creditors notification to their known addresses or, where possible by e-mail.

SCHEME WEBSITE: www.ewpaynepools.com

PART 1

EXPLANATORY STATEMENT

(in compliance with Section 897 of the Companies Act 2006)

for the

THE E W PAYNE POOLS SCHEME

BETWEEN

THE SCHEME COMPANIES

(Listed on pages 2 to 10 of this document)

AND THEIR RESPECTIVE

SCHEME CREDITORS

CONCERNING BUSINESS UNDERWRITTEN AND/OR ADMINISTERED
BY REINSURANCE SOLUTIONS LIMITED ON BEHALF OF THE
SCHEME COMPANIES IN RESPECT OF

THE EXCESS OF LOSS POOL NO 1 (1960 to 1985),

THE EXCESS OF LOSS POOL NO 2 (1974 to 1982),

THE EXCESS OF LOSS POOL NO 3 (1983) AND

THE 'X' ACCOUNT POOL (1961 to 1968)

DETAILED CONTENTS

	Page
LETTER FROM REINSURANCE SOLUTIONS LIMITED	18
What is a scheme of arrangement?	19
Who will be affected?	19
Why has a scheme been proposed?	20
How does the Scheme work?	20
What are the advantages of the Scheme for Scheme Creditors?	22
What are the disadvantages of the Scheme for Scheme Creditors?	23
What should Scheme Creditors do now?	24
Recommendations in respect of the Scheme	24
HISTORY OF THE E W PAYNE POOLS AND DESCRIPTION OF THE SCHEME BUSINESS	26
The London Subscription Market	26
The operation of the E W Payne Pools	26
Details of each of the four E W Payne Pools	27
Participation on the E W Payne Pools	28
The Schemes	29
Further Information	29
HOW DOES THE SCHEME WORK? – A DETAILED EXPLANATION	30
1 Overview	30
2 Application of the Scheme	30
3 Effect of the Scheme and stay of Proceedings	30
4 Distribution of Claim Forms	31
5 The Claim Form	31

6	Return of Claim Forms and the Bar Date	32
7	Agreement of Claim Forms	33
8	Dispute Resolution Procedure	33
9	Valuation Statements	34
10	Currency conversion	35
11	Lloyd's Syndicates	35
12	Managing general agents line-slip holders managers of underwriting pools	36
13	Payment of Net Established Liabilities	36
14	Cessation of normal course payments	36
15	Effect of payments	36
16	Reversion to run-off	36
17	The Scheme Manager	37
18	The Scheme Advisers	37
19	Extension of time limits	37
20	Completion of the Schemes	38
21	Governing law and jurisdiction	38

REINSURANCE SOLUTIONS

Brian Evans
Vice President

Reinsurance Solutions Limited
Mayland House Mayland Road
Wilham Essex, CM8 2UP
020 7357 1000 Fax 020 7357 2164

Dear Scheme Creditor

We administer the run-off of the E W Payne Pools business on behalf of the Scheme Companies and are writing this letter on their behalf

The Scheme Companies listed on pages 2 to 10 of this document each participated on one or more of the four E W Payne Pools which operated between 1960 and 1985. Since 1985, all four of these Pools have been in run-off. The purpose of the proposed Scheme is to bring the run-off of the Pools, so far as is possible, to an early end.

The purpose of this letter and the Explanatory Statement, of which it forms a part, is to provide

- 1 a summary of the terms of the Scheme,
- 2 an explanation of why the Scheme has been proposed, and
- 3 an explanation of the main advantages and disadvantages to Scheme Creditors of the proposal

The Explanatory Statement is intended to assist Scheme Creditors in reaching their decision whether to vote for or against the proposed Scheme at the forthcoming meetings specially convened to vote on the Scheme.

Pages 30 to 38 of the Explanatory Statement provide a more detailed summary of the provisions of the Scheme. The Scheme itself is set out at pages 39 to 80. The Explanatory Statement is intended merely as a guide and you should not rely on it in place of reading the specific provisions of the Scheme.



WHAT IS A SCHEME OF ARRANGEMENT?

A scheme of arrangement such as that proposed here is a compromise or arrangement between a company and its creditors (or any class of them). It is governed by Part 26 of the Companies Act 2006 which provides that a scheme does not become legally binding on a company and its creditors (or any class of them), until

- 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 at a specially convened meeting held with the permission of the court
- 2 the court subsequently makes an order sanctioning the scheme, and
- 3 a copy of the sanction order is delivered to the English Registrar of Companies for registration

Once effective, the Scheme will bind the Scheme Companies and all their respective Scheme Creditors irrespective of whether such Scheme Creditors were notified of the Scheme and/or whether they voted at the Scheme Meetings

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 but, in summary, is restricted to those companies which have, or which may have in the future, a claim against any one of the Scheme Companies in relation to Reinsurance Contracts written by one or more of the Scheme Companies through their participation on the E W Payne Pools.

The Scheme covers only Scheme Business written by the Scheme Companies. Scheme Business is defined in the Scheme, but in summary is restricted to Reinsurance Contracts underwritten by a Scheme Company through its participation on the E W Payne Pools. The Scheme does not apply to business written by the Scheme Companies outside the E W Payne Pools.

A list of the Scheme Companies is shown at pages 2 to 10. Not all Pool Participants are proposing a Scheme. This is because they are insolvent (Pool Participants that are in an insolvency procedure are not proposing Schemes) are in the process of implementing their own schemes for all of their business (including Scheme Business) or they have decided not to propose the Scheme. A list of the known solvent companies that participated on the E W Payne Pools that are not proposing a Scheme is shown in Appendix E (page 100).

Scheme Creditors requiring assistance in identifying their involvements with the E W Payne Pools and establishing which of the Scheme Companies underwrote their policies are requested to contact the Scheme Manager. The Scheme Manager will respond to such requests by providing the Scheme Creditors with the relevant schedules detailing the participation by each of the Scheme Companies on each of the Pools by class of business for each underwriting year for which the Scheme Creditor purchased reinsurance from the Pools.

WHY HAS A SCHEME BEEN PROPOSED?

The E W Payne Pools have now been in run-off for over 20 years. In the normal course it is estimated that it would take at least a further 20 years to run-off the liabilities that comprise the Scheme Business. The Scheme Companies consider it is in their interests and in the interests of Scheme Creditors to try and finalise their liabilities arising out of the E W Payne Pools in a much shorter time frame than in a normal run-off. In this way, the costs of continuing the administration of the run-off will be curtailed and the labour intensive process requiring creditors to submit numerous claims in respect of very small amounts of reinsurance cover will also be avoided. Scheme Creditors will receive a one time payment representing all their Agreed Paid Losses, Non-Agreed Paid Losses, Outstanding Loss Claims and IBNR Claims as valued under the terms of the Scheme.

HOW DOES THE SCHEME WORK?

Despite the large number of Scheme Companies, the structure and contents of the Scheme are relatively simple and straightforward.

Shortly after the Scheme becomes effective, Scheme Creditors will be sent a Claim Form advising them of their Agreed Paid Losses, their Non-Agreed Paid Losses and their Outstanding Loss Claims against each of the Scheme Companies.

The value of the Claims on the Claim Form will be derived from the records held by each Scheme Company and by the Scheme Manager. Although each Scheme Company is implementing its own Scheme, for ease of administration and to save costs, all the Schemes will be administered centrally by the Scheme Manager as if they were a single Scheme. As a result, Scheme Creditors will receive only one Claim Form – summarising their Scheme Claims against all the Scheme Companies – irrespective of how many Schemes in which that Scheme Creditor is participating.

The calculation of IBNR under the Schemes has been kept as transparent and economical as possible. A complicated estimation methodology has deliberately been avoided. Instead, each Scheme Creditor's IBNR will be calculated as loadings based on its Outstanding Loss Claims.

Different loadings will apply to different types of business. A loading percentage of 200% will be applied to Outstanding Loss Claims derived from Asbestos Losses, a loading percentage of 75% will be applied to Outstanding Loss Claims derived from Pollution Losses and a loading percentage of 25% will be applied to Outstanding Loss Claims derived from Other Losses. These loadings have been chosen as they are at a commercially acceptable level for both Scheme Creditors and the Scheme Companies.

Following the application of the above loading percentages, a Discount Rate of 25% will be applied to all Outstanding Loss Claims and IBNR Claims on the Claim Form to take account of the net present value of those Scheme Claims. Additionally, a Discount Rate of 5% will be applied to Non-Agreed Paid Losses to take account of the net present value of those Scheme Claims.

Scheme Creditors will be asked to review their Claim Forms to agree their Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims. If Scheme Creditors have any questions about the information on their Claim Forms they may contact either the Scheme Advisers or the Scheme Manager for assistance. Contact details of both appear on page 13 of this document.

If there are additional Scheme Claims not set out on their Claim Form, or Scheme Claims which Scheme Creditors believe ought to be classified as Agreed Paid Losses or Non-Agreed Paid Losses rather than Outstanding Loss Claims, Scheme Creditors will be asked to amend their Claim Form accordingly. No amendment may be made to the IBNR Loading Percentages or Discount Rates. The amended Claim Form must be returned to the Scheme Manager on or before the Bar Date, the final date for receipt of this form. Any Scheme Creditor that does not return its Claim Form by the Bar Date will have its claim valued on the basis of the amounts set out on the unamended Claim Form. Any Scheme Creditor that is not sent a Claim Form and does not submit a Claim Form prior to the Bar Date, will have its Net Established Liability valued at zero in the Scheme.

The Scheme Manager will seek to agree any amendments made by a Scheme Creditor to its Claim Form. If agreement does not prove to be possible, such claims will become Disputed Claims and will be referred to the Scheme Adjudicator for a binding decision to resolve the dispute.

Following the agreement or adjudication of the values on a Claim Form, Scheme Creditors will be sent a Valuation Statement which is an account showing how much is payable to a Scheme Creditor under the Scheme. This is a Scheme Creditor's Net Established Liability. The Valuation Statement will set out a Scheme Creditor's Net Established Liabilities against all the Scheme Companies.

The E W Payne Pools did not centrally purchase external reinsurance. As a result, the Scheme does not provide for a Scheme Creditor's agreed or adjudicated claims against a Scheme Company to be off-set against amounts owed by that Scheme Creditor to the Scheme Company. A payment mechanism will operate for amounts owed under the Scheme between the Scheme Companies to ensure that such amounts are netted off.

Scheme Creditors will receive only one payment rather than a payment from each Scheme Company.

If the total value of all the agreed and adjudicated claims against a Scheme Company (being the sum of all amounts set out on the Valuation Statements sent to Scheme Creditors in respect of that Scheme Company) is

(i) equal to or greater than 30% of or

(ii) is equal to or greater than US\$250,000 of

the predicted total value for those Scheme Claims (as shown on the Claim Forms originally sent to Scheme Creditors), the Scheme Company will have the option to exercise the reversion to run-off provision in the Scheme. Once the provision is triggered the Scheme Company has three options:

- 1 to revert to run-off in respect of all the Scheme Claims against that Scheme Company,
- 2 to revert to run-off in respect of those Scheme Creditors whose Established Liability, as set out on their Valuation Statements, is

(i) equal to or greater than 30% of, or

(ii) is equal to or greater than US\$250,000 of

the value of their Scheme Claims as set out on the Claim Forms initially sent to them by the Scheme Company – if a Scheme Company were to choose this option, all its other Scheme Creditors would be offered the choice of having their contracts run-off rather than be subject to valuation under the Scheme, or

- 3 to continue with the Scheme

WHAT ARE THE ADVANTAGES OF THE SCHEME FOR SCHEME CREDITORS?

There are the following potential benefits to Scheme Creditors of the Schemes becoming effective:

- 1 *Early payment* – The Schemes should enable Scheme Creditors to receive payment of their Established Liabilities sooner than if their claims were paid in the ordinary course of the run-off of the Scheme Companies
- 2 *Simplified claims agreement process* – The Schemes provide a simplified process for recovering all the Scheme Liabilities connected to the Scheme Business, including those which may not easily be evaluated, such as IBNR losses
- 3 *Certainty* – The Schemes should enable Scheme Creditors to achieve certainty and finality in relation to the Scheme Business
- 4 *Administrative cost savings* – Costs will be avoided that might otherwise be incurred by both the Scheme Companies and Scheme Creditors in dealing with claims as they arose in the normal course, in particular, the costs of debt collections against all the Scheme Companies

WHAT ARE THE DISADVANTAGES OF THE SCHEME FOR SCHEME CREDITORS?

There are the following potential disadvantages to Scheme Creditors of the Schemes becoming effective

- 1 *Bar Date for submission of Claim Forms* – If Scheme Creditors wish to amend their Claim Forms, they must do so and deliver their Claim Forms to the Scheme Manager by no later than the Bar Date. On the Scheme becoming effective, the Bar Date will be notified to Scheme Creditors and will be advertised. Failure to return Claim Forms by the Bar Date will mean that Scheme Creditors will not be permitted to amend the values on their Claim Forms and will have to accept the values put on their Scheme Claim by the Scheme Company as set out on those Claims Forms. **Missing the Bar Date will not prevent a Scheme Creditor being paid in full in respect of the values for its Agreed Paid Losses, Non Agreed Paid Losses, Outstanding Loss Claims and IBNR Claims inserted on the Claim Form by the Scheme Manager.** If a Scheme Creditor is not sent a Claim Form on the Scheme becoming effective (due to the Scheme Manager or the Scheme Company having no record of that Scheme Creditor having a Scheme Claim) and does not subsequently contact the Scheme Manager to obtain a Claim Form and then, prior to the Bar Date, return that Claim Form, its Net Established Liability will be valued at zero.
- 2 *Replacement of cover with a value that may be less than a Scheme Creditor would receive in the normal course of run-off* – Under the Scheme, a Scheme Creditor's

cover under the Reinsurance Contracts in respect of a Scheme Liability is exchanged for the payment set out in the relevant Valuation Statement. As part of this process, the Scheme puts a present value on future claims. As a result a Scheme Creditor may receive less than it would have received had the relevant Scheme Company's business been run-off in the normal course.

- 3 *Stay of Proceedings* – On the Scheme becoming effective, there is a prohibition on Scheme Creditors commencing or continuing Proceedings against Scheme Companies in relation to Scheme Claims. This means that existing rights to arbitrate or commence Proceedings are removed and replaced by the Dispute Resolution Procedure set out in the Scheme.
- 4 *Not all companies participating* - Not all the companies that participated on the E W Payne Pools are promoting schemes. As a result Scheme Creditors will still have to report and recover claims from the non-participating companies.

These are the main possible 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 Scheme Creditors should not view the above list of advantages and disadvantages as being exhaustive. Each Scheme Creditor is advised to make its own assessment of the Scheme and how it will affect its own interests.

WHAT SHOULD SCHEME CREDITORS DO NOW?

As each Scheme Company is implementing its own Scheme, a separate creditors' meeting is to be held for Scheme Company's Scheme to allow Scheme Creditors to vote on each Scheme. Scheme Creditors are entitled to attend and vote at the meeting for each Scheme Company against which the Scheme Creditor will have a Scheme Claim under the Scheme. The Scheme Meetings have been 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.

More details about attending and voting at the Scheme Meetings are set out at Appendix F at pages 103 to 118. Due to the large number of Scheme Companies, it is proposed that each of the Scheme Meetings will take place concurrently.

RECOMMENDATIONS IN RESPECT OF THE SCHEME

The Scheme Manager and each of the Scheme Companies consider that the Schemes will offer Scheme Creditors the most effective and economical method for determining and paying

Scheme Claims in the shortest practicable time All Scheme Creditors are encouraged to vote in favour of the Scheme

Yours faithfully



Reinsurance Solutions Limited

Reinsurance Solutions Limited An appointed representative of Marsh Ltd which is authorised and regulated by the Financial Services Authority Registered office 1 Tower Place West Tower Place London EC3R 5BU Registered in England no 1199219



MARSH MERCER KROLL
GUY CARPENTER OLIVER WYMAN

HISTORY OF THE E W PAYNE POOLS AND DESCRIPTION OF THE SCHEME BUSINESS

E W Payne was widely known in London and throughout the international insurance community as a specialist reinsurance broker. The company was founded in 1919 by Ernest William Payne and became part of the Sedgwick Group in 1980. On 1 January 1998 it changed its name to Sedgwick Limited. In 1985, the E W Payne Pools went into run-off and the run-off is now being administered by Reinsurance Solutions Limited. There were over 160 participants in the E W Payne Pools described below. Reinsurance Solutions Limited's ultimate holding company is Marsh & McLennan Companies, Inc.

THE LONDON SUBSCRIPTION MARKET

As part of its operations, E W Payne placed clients' risks with reinsurers in the London subscription market. The London subscription market is that section of the commercial insurance and reinsurance market in London in which a single risk is underwritten by a number of insurance or reinsurance companies by subscribing percentage lines to the risk on a several, not joint, basis. The method of placing risks typically requires a broker to act as intermediary between the reinsured and the reinsurers (or insureds and insurers). A broker generally acts as the agent for the reinsured in negotiations in the reinsurance market. A risk was typically placed by the broker preparing and presenting a document setting out a shorthand version of the reinsurance contract (known as the slip) to each of the reinsurance companies. The contract had to be entered into for the placing to be made. Typically, each reinsurer providing cover, i.e. each subscribing reinsurer, would signify its agreement by applying its stamp and initial to the slip. Heading the slip and usually taking the largest percentage share of the risk was the lead underwriter, the rest of the reinsurers being known as the following market. The lead underwriter is usually responsible for making decisions relating to claims on the cover and the following market usually follows such decision. Once the risks were placed in the case of the E W Payne Pools, E W Payne would manage the relevant contracts of reinsurance on behalf of its clients by recovering amounts due in respect of their claims and transmitting such amounts to them net of all necessary deductions.

THE OPERATION OF THE E W PAYNE POOLS

The E W Payne Pools operated in the London subscription market and were designed to provide the pool participants with a spread of risks across what was known as E W Payne's United Kingdom Excess of Loss Account. The E W Payne Pools were a cover arrangement to "declare" a spread of business to reinsurers. In other words, the reinsurers who were participating in the E W Payne Pools (i.e. the Pool Participants) provided reinsurance cover to E W Payne's United Kingdom Excess of Loss Account in pre-agreed shares established in accordance with the steps described below. E W Payne did not fix the terms of any of the business declared to Pool Participants. Each declaration was led and rated by a lead underwriter before a declaration was made to the requisite E W Payne Pool. The E W Payne

Pools were designed to accept business where E W Payne was involved in broking the rest of the same risks to other reinsurers on the slip. In accepting the risk for the E W Payne Pools, E W Payne was doing so as agent for each of the Pool Participants and not as agent for the reinsured. It was common for the portion of the risk underwritten by the E W Payne Pools to be small.

In order to establish the shares in which the Pool Participants would hold the risk on any given year or any given type of business agreed, E W Payne would canvass various companies to see if they wished to participate in the E W Payne Pools for that year. Each participant of the E W Payne Pools entered into a separate coverholder agreement with E W Payne. As such, a participant would not know the identity of the other participants in the relevant E W Payne Pool. Under each coverholder agreement, each participant would authorise E W Payne to accept certain classes of risks, for example, "Fire and Miscellaneous Non-Marine", "General Whole Account" or "Marine" up to a specified maximum limit, on its behalf without the need for further approval. The Pool Participant's proportion of such limit would be set out in the agreement and would commonly be a very small percentage of the risk both in absolute terms and in comparison with the portion of the risk accepted by the other reinsurers on the slip. The Pool Participant could not be liable for greater than its proportion of the limit. The coverholder agreement remained valid until termination by either party. In subsequent years in which the coverholder agreement remained valid, the participant and E W Payne would sometimes agree different maximum limits and the Pool Participant's proportion of the limit would sometimes change.

The E W Payne Pools wrote London market reinsurance business from 1960 to 1985. No direct business was written by the E W Payne Pools.

DETAILS OF EACH OF THE FOUR E W PAYNE POOLS

The E W Payne Pools consist of the following four separate pools:

Excess of Loss Pool No 1

This operated between 1960 and 1985. It had on average 100 participants and wrote the following ten classes of business: (i) Fire and Allied Perils, (ii) General, (iii) Third Party, (iv) Construction and Erection risks, (v) Personal Accident Excess of Loss, (vi) Personal Accident Fatais, (vii) Aviation General Whole Account Excess of Loss, (viii) Motor, (ix) Marine, and (x) Miscellaneous (a) Non-marine, (b) Aviation. For the period 1975 to 1985 the categories were as follows: (i) & (ii) Fire & Miscellaneous Non Marine, (iii) Third Party, (iv) Marine, (v) Personal Accident, (vi) Aviation.

Excess of Loss Pool No 2

This operated between 1974 and 1982. It had on average 20 participants and wrote the

following four classes of business (i) Fire and Miscellaneous and General Whole Account, (ii) Third Party, Construction and Erection Risks (iii) Marine and (iv) Aviation

Excess of Loss Pool No 3

This operated in 1983 only. It had eight participants and wrote the following four classes of business (i) Fire and Miscellaneous and General Whole Account, (ii) Third Party, Construction and Erection Risks, (iii) Marine, and (iv) Aviation

"X" Account Pool

This operated between 1961 and 1968. It had six participants and wrote 10 classes of business. For the years 1961-1967, the following classes of business were written (i) General, (ii) Fire, (iii) Riots, (iv) Docks, (v) Stop Loss, (vi) Third Party, (vii) Personal Accident, (viii) Professional Indemnity, (ix) Aviation, and (x) Miscellaneous. For 1968 categories (i), (ii), (vi), (viii), (ix) and Marine were written.

PARTICIPATION ON THE E W PAYNE POOLS

The make-up of the E W Payne Pools would vary from year to year. The Pool Participants and their proportions of the risks written would vary. Each Pool Participant's share of the risk being assumed by the relevant E W Payne Pool would be determined by the number of members in that Pool in a particular year and by reference to the limit set out in its coverholder agreement with E W Payne for that particular year. Each risk was underwritten, dependent on the class of business, by all the participants participating in the relevant E W Payne Pool at the time the risk was written.

The E W Payne Pools have approximately 84 cedants with open claims attaching, Equitas representing one cedant for all Lloyd's syndicates. When the E W Payne Pools reinsured a cedant, the pool stamp would appear on the Brokers part 'B' slip. The Pool Participants' details would not appear on the E W Payne Pool stamp. However, the cedant would have been provided with a cover note setting out the share of the risk assumed by each participant of the E W Payne Pools. The cedant would therefore have been aware of all the Pool Participants in the relevant E W Payne Pool that were underwriting the risk.

Accordingly, given the fact that the E W Payne Pools commonly wrote small percentages of business on different contracts over different years which would be shared amongst a large number of Pool Participants year by year, each Pool Participant's share of the business written by the E W Payne Pool was typically extremely small. There were on average 100 Participants in Excess of Loss Pool No 1 per underwriting year which would commonly share a small percentage of the risk written by that Pool. Excess of Loss Pools Nos 2 and 3 and the "X" Account did not have as many Pool Participants as Excess of Loss Pool No 1. However, when written alongside Pool 1, these Pools generally took smaller shares of the risks than the

No 1 Pool, which resulted in each of those Pool Participants also having a small share of the risk written by those Pools. An example of the number of Participants in Excess of Loss Pool No 1 and each Participant's percentage share of the risks being written by that Pool in 1980, 1983 and 1985 is set out in Appendix G.

Further, Pool Participants in the E W Payne Pools did not front for each other when they wrote the risk. Fronting occurs where one participant in a pool accepts a larger proportion of the risk than would normally be the case (i.e. in accordance with the normal pool percentage shares) in its own name and then reinsures either the whole of that risk or part of it with other members of the pool. Given that none of the E W Payne Pools' Participants fronted for each other, the gross liabilities of each of the Pools would remain with each of the Pools' Participants in the relevant Pools at the time the risks were written and in the percentage shares which they accepted.

In pool arrangements, external reinsurance is also often arranged on behalf of the pool members. However, no external reinsurance was purchased centrally for the E W Payne Pools.

THE SCHEMES

If you entered into one or more Reinsurance Contracts with any of the above E W Payne Pools in any of the following years:

Excess of Loss Pool No 1	1960 to 1985 inclusive
Excess of Loss Pool No 2	1974 to 1982 inclusive
Excess of Loss Pool No 3	1983
"X" Account Pool	1961 to 1968 inclusive

any unpaid Agreed Paid Losses, Non-agreed Paid Losses, Outstanding Losses and IBNR arising on those Reinsurance Contracts will be subject to the determination process under the Scheme.

FURTHER INFORMATION

Scheme Creditors requiring assistance in identifying their involvements with the E W Payne Pools and establishing which of the Scheme Companies underwrote their policies are requested to contact the Scheme Manager. The Scheme Manager will respond to such requests by providing the Scheme Creditors with the relevant schedules detailing the participation by each of the Scheme Companies on each of the Pools by class of business for each underwriting year for which the Scheme Creditor purchased reinsurance from the Pools.

HOW DOES THE SCHEME WORK? A DETAILED EXPLANATION

1 Overview

The purpose of the Scheme is to bring the run-off of Scheme Liabilities to an earlier close than in the normal course. The Scheme establishes a method for the valuation and early payment in full of all Scheme Liabilities.

Although set out in one document, the Schemes are in law separate schemes of arrangement for each Scheme Company. The Schemes proposed by each Scheme Company are identical.

All references to clauses in this explanation of how the Scheme works are to the Scheme shown at pages 39 to 80.

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 term "Scheme Liability" is defined in the Scheme, but in summary it means any liability of a Scheme Company arising on or in connection to a Reinsurance Contract underwritten by that Scheme Company through its participation in the E W Payne Pools. All other liabilities of the Scheme Companies will be unaffected by the Scheme.

3 Effect of the Scheme and stay of Proceedings

If the Scheme becomes effective for a Scheme Company, it will bind all Scheme Creditors of that Scheme Company.

Once the Scheme is effective, it provides that Scheme Creditors will not be permitted to commence or continue any Proceedings against the Scheme Companies to establish the existence or amount of any Scheme Claim. Any Scheme Claim which cannot be resolved by agreement between the Scheme Manager and a Scheme Creditor will be determined by the Dispute Resolution Procedure provided for by the Scheme.

Similarly, unless a Scheme Company has failed to make a payment which it is obliged to make under the Scheme, a Scheme Creditor is prohibited from taking any Proceedings against the Scheme Company for the purpose of enforcing payment of a Scheme Claim.

If, despite these prohibitions, a Scheme Creditor does pursue Proceedings against a Scheme Company and obtains money or property as a result, this is to be treated as an advance payment under the Scheme. The Scheme Creditor's entitlement to payment under the Scheme will be reduced or extinguished accordingly. Any amounts

recovered or costs in excess of that entitlement must be repaid to the Scheme Company

The Scheme will not affect a Scheme Creditor's right to enforce any Letter of Credit or other Security provided it is done in accordance with the terms on which the Letter of Credit or the Security was established. Where there is Security provided by one of the Scheme Companies which is surplus to what is required to meet the purpose for which it is provided, a Scheme Creditor may be authorised to utilise the Security by way of payment of some or all of its Net Established Liability, in which case it will be assumed that it will do so.

4 Distribution of Claim Forms

As soon as reasonably practicable after the Effective Date, the Scheme Manager will advertise notice of the Effective Date and the Bar Date in the same publications that were used to advertise notice of the Scheme Meetings. Notices will also be sent to Scheme Creditors and be placed on the Scheme Website.

Within 21 days of the Effective Date, the Scheme Manager will send to every known Scheme Creditor, for whom it has what it believes to be a valid address and/or email address, notice that the Scheme has become effective together with details of the Bar Date. At the same time the Scheme Creditor will also be sent a Claim Form to claim in the Scheme.

5 The Claim Form

To assist Scheme Creditors in making their Scheme Claim, their Claim Form, as prepared by the Scheme Manager, will include details of a Scheme Creditor's Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims for each Reinsurance Contract, as recorded on the Scheme Manager's systems as at the Effective Date. If Scheme Creditors require more details about the values given on the Claim Form, for instance, allocating the claims between the Reinsurance Contracts written by the Scheme Companies, they may request such information from the Scheme Manager.

The value of a Scheme Creditor's IBNR Claim will also be set out on the Claim Form. To avoid using a complicated estimation methodology with all its associated costs to both Scheme Companies and Scheme Creditors, the Scheme provides that the value of a Scheme Creditor's IBNR Claim will be calculated by reference to its undiscounted Outstanding Loss Claims. Loading Percentages of 200% will be applied to Outstanding Loss Claims relating to Asbestos Losses, 75% will be applied to Outstanding Loss Claims relating to Pollution Losses and 25% will be applied to Outstanding Loss Claims relating to other types of loss.

After the application of the above Loading Percentages a Discount Rate of 25% will be applied to all Outstanding Loss Claims and IBNR Claims on the Claim Form to take account of the net present value of those claims. A lower Discount Rate of 5% will be applied to Non-Agreed Paid Losses.

6 Return of Claim Forms and the Bar Date

The Bar Date is a critical part of the Scheme process as it sets a point in time - one minute before midnight in the UK on the first Business Day falling 150 days after the Scheme has become effective - by which Scheme Claims must be submitted by Scheme Creditors and received by the Scheme Manager. Claim Forms must be submitted either by post or by e-mail.

At least 28 days before the Bar Date the Scheme Manager will send a reminder of the impending Bar Date to Scheme Creditors to whom Claim Forms have been sent and will also advertise notice of the Bar Date in the publications used to advertise notice of the Scheme Meetings. Scheme Creditors which have not provided an e-mail address will be notified by Post.

If a Scheme Creditor submits more than one Claim Form (either in paper form or attached to an email in electronic form), the last Claim Form to be submitted will be taken as being its Claim Form and the information on any prior Claim Form will not be taken into account.

If, at any point before the Bar Date, a Scheme Creditor would like the Scheme Manager to start processing its Claim Form, it can ask for this work to be carried out. This may enable payment to be processed sooner. Even if this work is being carried out prior to the Bar Date, the Scheme Manager will, on request, allow further submissions up to the Bar Date.

If a Scheme Creditor does not amend and return its Claim Form by the Bar Date, the values on the Claim Form as prepared by the Scheme Manager shall be automatically deemed to be the Scheme Creditor's Established Liability. The Scheme Creditor will lose its entitlement to assert any additional Scheme Claims or amend the information on its Claim Form in such circumstances.

As a result, if a Scheme Creditor does not wish to make any amendments to the information on the Claim Form as prepared by the Scheme Manager, it does not need to return its Claim Form by the Bar Date. However, submitting the Claim Form sooner, by way of confirmation, may speed up payment of Scheme Creditors' Net Established Liabilities.

If a Scheme Creditor does wish to amend the information on its Claim Form, such amendment must be supported by evidence. Such supporting evidence must be supplied with the Claim Form in order to substantiate any amendment entered onto the Claim Forms. As it may not be possible for supporting evidence to be submitted electronically, the Scheme Manager will accept supporting evidence received up to seven days after the Bar Date so long as the Claim Form itself is received by the Bar Date. The Claim Forms are accompanied by detailed guidance notes and instructions, which give information as to the type of evidence which may be required to support an amendment to a Claim Form. Please note no amendment will be accepted to the IBNR Loading Percentages or the Discount Rates.

Where a Scheme Creditor has itself implemented a scheme of arrangement in which the bar date in that scheme precedes the Ascertainment Date, such Scheme Creditor will have only either Agreed Paid Losses or Non-Agreed Paid Losses in the Scheme.

7 Agreement of Claim Forms

Once a Scheme Creditor submits its completed Claim Form to the Scheme Manager, any alterations and new information on it will be reviewed by the Scheme Manager. If the Scheme Manager agrees with the changes submitted on the Claim Form (or if no changes have been made to the Claim Form) it will inform the Scheme Creditor as soon as reasonably practicable after the Bar Date by sending a Valuation Statement setting out in writing its agreement to the values on the Claim Form. These values will then become binding and will become what is termed in the Scheme as an Established Liability. If the Scheme Manager does not agree with the amended values submitted on the Claim Form, it will contact the Scheme Creditor as soon as reasonably practicable after the Bar Date and thereafter try to reconcile the differences and seek to agree the Scheme Claim. The time allowed for this whole agreement process is up to 81 days from the Bar Date. If agreement cannot be reached, then outstanding disputes will be directed to the Dispute Resolution Procedure.

8 Dispute Resolution Procedure

If a Disputed Claim is referred to the Dispute Resolution Procedure, the Scheme Creditor will have 14 days to choose one of the following three candidates to be appointed as the Scheme Adjudicator to deal with that Disputed Claim:

- (i) Bill Bower,
- (ii) Ian Marshall, or
- (iii) Philip Heitlinger

If the Scheme Creditor does not choose one of the candidates within the 14 day time period the Scheme Manager shall choose one of the above three candidates to be appointed as the Scheme Adjudicator to deal with the Disputed Claim

All submissions and documents provided for adjudication must be in English or translated into English. The Scheme Creditor and Scheme Company in question are entitled to make written submissions in support of their views to the Scheme Adjudicator within 14 days of the dispute being referred to him. A Scheme Adjudicator may also request further supporting evidence from the Scheme Creditor and/or any Scheme Company. The Scheme Creditor and/or Scheme Company must provide such evidence within 14 days. The Scheme Adjudicator will base his decision on the supporting evidence available to him at the end of these periods, and is entitled to consult with professional advisers and to use his general knowledge and experience of the reinsurance market in coming to his decision.

The Scheme Adjudicator will inform the Scheme Manager and the Scheme Creditor in writing of his determination in relation to a disputed matter within a maximum of 60 days of the matter being referred to him.

Except in cases of Manifest Error a Scheme Adjudicator's decision is final and binding (except where the law does not permit this, for instance in cases of fraud).

The duties and functions of a Scheme Adjudicator are set out in clauses 5.1 and 5.2 of the Scheme.

9 Valuation Statements

A Valuation Statement will be sent to each Scheme Company after the agreement or adjudication of a Scheme Creditor's Scheme Claim.

The Valuation Statement will set out the total value of a Scheme Creditor's Established Liability against the Scheme Company.

The Valuation Statement will also show other balances including

- payments made by or to a Scheme Creditor in respect of its Established Liability prior to the date of the Valuation Statement,
- any deductions following a costs award by the Scheme Adjudicator, such awards can only be made in exceptional circumstances,
- the amount of any Scheme Claims which have been satisfied by the application of Security Interests since the Ascertainment Date and the amount of any Security Interests to be deducted from the Scheme Creditor's Established Liability,

- the amount of any advance payment made to the Scheme Creditor between the Ascertainment Date and the Effective Date by the Scheme Company in respect of what is determined in the Scheme to be an Established Liability such amounts are to be deducted from the total of a Scheme Creditor's Established Liability
- amounts treated as having been for the purpose of Clause 2.3 of the Scheme obtained by a Scheme Creditor in breach of the Scheme, and
- commutations (and/or other settlements) up to the date of the Valuation Statements being sent to Scheme Creditors

The amount shown on a Valuation Statement after the adjustments described above will be the Scheme Creditor's **Net Established Liability**. A Valuation Statement becomes binding upon the Scheme Creditor unless disputed within 28 days of the date of the Valuation Statement. A Valuation Statement can only be disputed if it contains a clear typographical or mathematical error which is apparent on its face or an error in the transposition of binding information to it. These kinds of error are referred to as **Manifest Errors**.

Scheme Creditors will receive a statement aggregating all of their Net Established Liabilities from their participations on any of the Scheme Companies' Schemes (a **Combined Valuation Statement**). The aggregation of amounts in respect of different Scheme Companies on a Combined Valuation Statement may involve the setting off of amounts shown as due from a Scheme Creditor to Scheme Companies against amounts shown as due to that Scheme Creditor by other Scheme Companies.

10 Currency Conversion

Scheme Claims will be denominated in their original currencies. They will be converted, however, into US Dollars on the Valuation Statement using the Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last Business Day prior to the Ascertainment Date (i.e. 29 June 2007). Payment of Scheme Claims will be made in US Dollars.

11 Lloyd's Syndicates

The Scheme Company may treat the members of a Lloyd's Syndicate as if they were a single Scheme Creditor of the Scheme Company.

12 Managing general agents, line-slip holders, managers of underwriting pools

Where one entity such as a pool manager, managing agent, line-slip holder or holder of a broker cover authority or binding authority is authorised to act on behalf of a number of Scheme Creditors, the Scheme Manager may require it to allocate Scheme Claims between its principals. As an alternative, the Scheme Manager may treat that entity as if it were the principal creditor or debtor in place of its principals, unless notice is given that the entity has no authority to act on their behalf or that the principal does not wish its payments to be made to the agent

13 Payment of Net Established Liabilities

Payment of Net Established Liabilities will be made as soon as possible after a Valuation Statement becomes binding although not before all Scheme Creditors have received binding Valuation Statements. Payment will be by cheque or, if requested, by telegraphic transfer.

If a Scheme Company is a Scheme Creditor in respect of one or more of the Schemes being proposed by the other Scheme Companies, any amounts payable to it pursuant to those other Schemes will be off-set against the amounts it owes those other Scheme Companies which are Scheme Creditors under its own Scheme.

14 Cessation of normal course payments

The Scheme Companies shall be entitled not to pay or discharge Scheme Claims in the normal course of business from the Effective Date.

15 Effect of payments

Payment or deemed payment of a Net Established Liability will be in full and final settlement of all and any Scheme Liabilities and Net Established Liabilities of the relevant Scheme Creditor against a Scheme Company.

16 Reversion to run-off

If the total value of all the agreed and adjudicated Scheme Claims against a Scheme Company is equal to or greater than 30% or US\$250,000 higher than the predicted total value for those Scheme Claims (as shown on the Claim Forms originally sent to Scheme Creditors), the Scheme Company will have the option to exercise the reversion to run off provision in the Scheme. Once triggered the Scheme Company has three options:

- (a) revert to run-off in respect of all Reinsurance Contracts to which all the Net Established Liabilities against that Scheme Company relate,

- (b) revert to run-off in respect of those Reinsurance Contracts in respect of which Scheme Creditors whose Net Established Liabilities, as set out on their Valuation Statements are equal to or greater than 30% or US\$250 000 higher than the value of their Scheme Claims as set out on the Claim Forms initially sent to them by the Scheme Company – if the Scheme Company chooses this option, all its other Scheme Creditors will be offered the choice of having their Reinsurance Contracts also run-off rather than be terminated by the Scheme, or
- (c) continue with the terms of the Scheme

17 The Scheme Manager

The Scheme Manager will be Reinsurance Solutions Limited which has been handling the administration of the E W Payne Pools since they went into run-off. The Scheme Manager has responsibility for implementing the Scheme process, on behalf of the Scheme Companies. As there are 82 Scheme Companies, it is intended that the Scheme Manager will provide Scheme Creditors with a single point of contact, and the knowledge that it is dealing in a consistent way with the day-to-day running of the Scheme. The Scheme Manager is the agent of the Scheme Companies, acts in accordance with their instructions (Clause 4.2(a)) and has a duty to act in good faith.

The duties and functions of the Scheme Manager are set out in Clause 4.2. These duties and any liabilities of the Scheme Manager under the Scheme are limited by Clause 4.4.

18 The Scheme Advisers

The role of the Scheme Advisers is to advise the Scheme Manager on the proper implementation of the Scheme. The Scheme Manager has appointed Mike Walker and John Wardrop, both partners of KPMG LLP, as the Scheme Advisers.

The duties and functions of the Scheme Advisers are set out in Clause 4.1. These duties and any liabilities of the Scheme Advisers under the Scheme are limited by Clause 4.4.

19 Extension of time limits

Subject to the provisions of the Dispute Resolution Procedure (Clause 5 of the Scheme), the Scheme Manager may, after consultation with the Scheme Advisers and, at its absolute discretion, extend any of the time limits set by the Scheme, apart from the Bar Date, for any one or more of the Scheme Creditors (Clause 2.11(a)). The Bar Date, however, cannot be extended. This is because the Bar Date is critical to the whole process of commencing work to value Scheme Claims and to payment.

20 Completion of the Schemes

Each Scheme will be completed when the Scheme Manager places an entry on the Scheme Website announcing that the Scheme has been implemented in accordance with its terms. This certification will be given as soon as is practicable after all Net Established Liabilities of the Scheme Company have been paid. Following such certification, the Scheme Adjudicator, the Scheme Manager and the Scheme Advisers will be released from their obligations under the Scheme.

Once the Scheme has been declared completed, all Scheme Liabilities will be deemed to have been paid and Scheme Creditors will have no further rights under the Scheme or in respect of Scheme Claims.

If one of the Scheme Companies becomes subject to an Insolvency Event during the period of the Scheme, the Scheme will continue so far as the law permits. If any liquidator, provisional liquidator, administrator or supervisor of the Scheme Company chooses not to continue with the implementation of the Scheme, the Scheme will continue in the case of other Scheme Companies' Schemes.

21 Governing law and jurisdiction

The Schemes will be governed by and construed in accordance with the laws of England. The Court is given exclusive jurisdiction to hear and determine any disputes which arise out of the Scheme or any associated document or out of any action taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme (Clause 7.2).

PART 2

THE E W PAYNE POOLS SCHEME

**A PROPOSAL IN RELATION TO SCHEMES OF
ARRANGEMENT PURSUANT TO PART 26
OF THE COMPANIES ACT 2006**

BETWEEN

THE SCHEME COMPANIES

(Listed on pages 2 to 10 of this document)

AND THEIR RESPECTIVE

SCHEME CREDITORS

**CONCERNING BUSINESS UNDERWRITTEN AND/OR ADMINISTERED
BY REINSURANCE SOLUTIONS LIMITED ON BEHALF OF THE
SCHEME COMPANIES IN RESPECT OF**

THE EXCESS OF LOSS POOL NO 1 (1960 to 1985),

THE EXCESS OF LOSS POOL NO 2 (1974 to 1982),

THE EXCESS OF LOSS POOL NO 3 (1983) AND

THE 'X' ACCOUNT POOL (1961 to 1968)

THE SCHEME CONTENTS

Clause		Page
1	PRELIMINARY	41
2	GENERAL PROVISIONS	51
3	ASCERTAINMENT AND PAYMENT OF ESTABLISHED LIABILITIES	56
4	THE SCHEME ADVISERS AND THE SCHEME MANAGER	65
5	THE SCHEME ADJUDICATOR AND DISPUTE RESOLUTION PROCEDURE	69
6	DURATION OF THE SCHEME	75
7	OTHER PROVISIONS	77

1 PRELIMINARY

1.1 Definitions

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

1985 Act	the Companies Act 1985 as amended and in force at the Effective Date
Agent	any person other than a broker who is authorised whether actually or ostensibly to act on behalf of any Scheme Creditor
Agreed Claim	a Scheme Claim that has been agreed by the Scheme Company and the Scheme Creditor in accordance with Clause 3.5 of the Scheme.
Agreed Paid Losses	losses which were settled by the Scheme Creditor and were agreed with the Scheme Company before the Effective Date
Asbestos Losses	any Liability of a Scheme Creditor for personal injury which is alleged to have been caused in whole or in part by the mining, manufacture, sale, distribution, use, installation or removal, or handling or exposure to asbestos, asbestos products, asbestos fibres or asbestos dust in respect of which a Scheme Creditor is covered under a Reinsurance Contract,
Ascertainment Date	30 June 2007,
Bar Date	the deadline for submitting completed Claim Forms being one minute before midnight in the UK on the first Business Day falling 150 days after (and not including) the Effective Date,
Business Day	any day between 9am and 5.30pm, other than Saturday, Sunday, or any other day on which banks are not open for normal banking business in the City of London,
Claim Form	the claim form to be sent to Scheme Creditors in

	accordance with Clause 3 4 of the Scheme
Companies Act	the Companies Act 2006 as amended and in force at the Effective Date,
Court	the High Court of Justice of England and Wales,
Court Order	the Order of the Court sanctioning the Scheme,
Discount Rates	the percentage reductions set out in Clause 3 3 which will be applied to all Non-Agreed Paid Losses, Outstanding Loss Claims and IBNR Claims on the Claim Form to take account of the net present value of those claims,
Dispute Resolution Procedure	the procedure for resolving a Disputed Claim as set out in Clause 5 of the Scheme,
Disputed Claim	a disputed Scheme Liability which has been referred for adjudication in accordance with Clauses 3 5(c) and 3 5(d) of the Scheme,
Effective Date	for each Scheme Company the date on which the office copy of the Court Order is delivered to the Registrar of Companies for registration,
Electronic Equipment	a fax machine or computer,
Electronic Form	by fax or by email in pdf or tif format,
Established Liability	a Scheme Liability that has been agreed or determined under Clauses 3 5(a), 3 5(b), 3.5(c) and Clause 5 of the Scheme,
Explanatory Statement	the statement prepared in accordance with section 897 of the Companies Act explaining the effect of the Scheme to Scheme Creditors;
E W Payne	E W Payne & Co Limited, as more particularly explained in the <i>History Of The E W Payne Pools And Description Of The Scheme Business</i> section of the Explanatory Statement,
E W Payne Pools	the Excess of Loss Pool No 1, Excess of Loss Pool No 2, Excess of Loss Pool No 3 and the 'X' Account

Pool, all operated by E W Payne

Excess of Loss Pool No 1	one of the E W Payne Pools operating from 1960 to 1985 inclusive
Excess of Loss Pool No 2	one of the E W Payne Pools operating from 1974 to 1982 inclusive.
Excess of Loss Pool No 3	one of the E W Payne Pools operating in 1983 only
IBNR	incurred but not reported losses, namely losses which as at the Ascertainment Date have been incurred but have not been reported to the Scheme Creditor giving rise to a Scheme Claim,
IBNR Claim	claims against or Liabilities of a Scheme Creditor in respect of IBNR arising under Reinsurance Contracts giving rise to a Scheme Claim,
IBNR Loading Percentages	the percentages applied to a Scheme Creditor's Outstanding Loss Claims derived from Asbestos Losses, Pollution Losses and Other Losses under Clause 3 2,
Individual Settlement Payment	a payment made in accordance with Clause 3 7(b),
Insolvency Act	The Insolvency Act 1986 as amended and in force as at the effective date,
Insolvency Event	<ul style="list-style-type: none">(a) an order of the Court to wind up the Scheme Company compulsorily pursuant to the Insolvency Act,(b) the commencement of a creditors' voluntary liquidation in accordance with the provisions of the Insolvency Act in respect of the Scheme Company,(c) the appointment of an administrator, receiver or administrative receiver of the Scheme Company in accordance with the provisions of the Insolvency Act,

- (d) the appointment of a provisional liquidator of the Scheme Company in accordance with the provisions of the Insolvency Act.
- (e) a determination by the Scheme Company that the value of its assets is less than the value of its discounted Liabilities or
- (f) any Proceedings analogous to those described in (a) to (e) above in any other jurisdiction concerning the Scheme Company,

Letter of Credit

any valid letter of credit issued to or for the benefit of a Scheme Creditor in respect of a Reinsurance Contract,

Liability

any obligation or liability of a person whether it is present, future, prospective or contingent, whether its amount is fixed or unliquidated, whether or not it involves the payment of money, which arises at common law, in equity, by contract, by statute (in England and Wales or in any other jurisdiction) or in any other manner whatsoever provided that such expression does not include any obligation or liability which is barred by statute or is otherwise unenforceable as at the Effective Date For the avoidance of doubt, where any obligation or liability under a contract or policy is void or, being voidable, has been duly avoided, no obligation or liability shall arise in respect of such obligation or liability,

Lloyd's Syndicate

a group of underwriting members of Lloyd's to which a number is assigned on behalf of the Council of Lloyd's in respect of an underwriting year,

Manifest Error

a clear typographical or mathematical error in the Valuation Statement or in the information attached to the Valuation Statement which, on the face of it, is an obvious error,

Mentally Disordered

mentally disordered means, in relation to an individual, where he is a patient within the meaning of Part X (s145(1)) of the Mental Health Act 1983 or

Part 23 (s329(1)) of the Mental Health (Care and Treatment) (Scotland) Act 2003 as amended and in force at the Effective Date, 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

Net Established Liability	the final balance following the accumulation of the amounts referred to in Clauses 3 6(a)(i) to 3 6(a)(v) as set out on a Scheme Creditor's Valuation Statement.
Net Established Liability Date	the date on which any particular Scheme Liability becomes a Net Established Liability.
Non-Agreed Paid Losses /Accruals	losses which have been settled by a Scheme Creditor and submitted to the Scheme Company but which have not yet become Agreed Paid Losses, this includes Accruals which are losses which have been settled by a Scheme Creditor, which have not been agreed by the Scheme Manager.
Other Losses	any Liability of a Scheme Creditor for losses arising under Reinsurance Contracts which are not Asbestos Losses or Pollution Losses,
Outstanding Loss Claims	claims against or Liabilities of a Scheme Creditor in respect of losses arising under Reinsurance Contracts which have been notified but not yet settled by the Scheme Creditor giving rise to a Scheme Claim.
Pollution Losses	any Liability of a Scheme Creditor for losses arising under Reinsurance Contracts which are alleged to have been caused in whole or in part by the emission, discharge, dispersal release or escape of any solid, liquid, gaseous or thermal contaminant, irritant or pollutant,
Pool Participant	any of the companies that participated on the E W Payne Pools,

Post	despatch by hand pre-paid first class post air mail or courier service.
Proceedings	any action, step or other legal proceeding in any jurisdiction or forum, including, without limitation, any demand arbitration, alternative dispute resolution procedure, judicial review, adjudication execution seizure, forfeiture, re-entry, lien, enforcement of judgment or enforcement of security,
Property	all forms of property including money goods, things in action, land and any and every description of property wherever situated together with obligations and every description of interest, whether present or future, vested or contingent, arising out of, or incidental to, property,
Proxy Form	the form approved by the Court for the appointment of proxies for the purposes of voting at the Scheme Meetings,
Registrar of Companies	the registrar or other officer responsible for registering companies in England and Wales in accordance with the Companies Act,
Reinsurance Contract	a contract or policy of reinsurance or retrocession of any kind whatsoever entered into by or on behalf of one or more of the Scheme Companies with a Scheme Creditor,
Reversion to Run-Off Event	an event occurring in accordance with Clause 6 3(a),
Reversion to Run-Off Option	one or more of the two options to revert to run-off set out in Clause 6 3(b)(i) and (ii),
Scheme	all or any of the schemes of arrangement pursuant to Part 26 of the Companies Act proposed in relation to all or any of the Scheme Companies as set out in this document or as may be modified in accordance with Clause 1 5,
Scheme Adjudicators	the persons named in Clause 5 1(c) or any other

person or persons subsequently appointed as Scheme Adjudicator.

Scheme Adjudicator Decision	a notice served in accordance with Clause 5 2(a)
Scheme Adjudicator Notice	a notice served in accordance with Clause 5 2(b)
Scheme Advisers	Mike Walker and John Wardrop both partners of KPMG LLP of 8 Salisbury Square, London EC4Y 8BB, or any other person or persons subsequently appointed as Scheme Advisers.
Scheme Business	the business of the E W Payne Pools.
Scheme Claim	any Liability of a Scheme Company to a Scheme Creditor arising out of Scheme Business
Scheme Company	any company listed on pages 2 to 10 of the Explanatory Statement.
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 Debt	a Liability which is or may become payable to the Scheme Company,
Scheme Expenses	<p>(a) all costs, charges, expenses and disbursements reasonably incurred by the Scheme Manager on behalf of the Scheme Companies in connection with the negotiation and preparation of the Scheme, including the costs of holding the Scheme Meetings to consider and, if thought appropriate, approve the Scheme and the costs of obtaining the sanction of the Court to the Scheme,</p> <p>(b) all costs, charges, expenses and disbursements and other debts (but not including Scheme Liabilities) incurred by the Scheme Manager in the course of carrying out the Scheme and of complying with the provisions of the Companies Act and the</p>

1985 Act

- (c) insofar as they do not fall within (a) or (b) all costs, charges, expenses and disbursements incurred by, and the remuneration of the Scheme Manager, the Scheme Advisers and the Scheme Adjudicator to the extent that such costs, charges, expenses, disbursements and remuneration are referable to the implementation of the Scheme.
- (d) insofar as they do not fall within (a), (b) or (c), all costs charges, expenses and disbursements which the Scheme Companies are obliged to pay by reason of the obligations imposed on the Scheme Companies by the Scheme excluding Scheme Liabilities, and
- (e) notwithstanding that the Scheme shall have terminated, the costs of placing all notices required by the Scheme and the costs of the Scheme Adjudicator in conducting Scheme-related work or the Scheme Advisers in advising on Scheme-related work after any such termination or reversion to run-off,

Scheme Liability	any Liability arising in relation to Scheme Business to which a Scheme Company is subject as at the Ascertainment Date,
Scheme Manager	Reinsurance Solutions Limited of Mayland House, Mayland Road, Witham, Essex CM8 2UP or any person or persons subsequently appointed as Scheme Manager,
Scheme Meeting	the meeting of Scheme Creditors held pursuant to an order of the Court to consider and vote on the Scheme,
Scheme Website	www.ewpaynepools.com ,
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 a Reinsurance Contract or in relation to Proceedings concerning a Reinsurance Contract,

Termination Event	<p>in relation to a company or a limited liability partnership, if it becomes subject to an Insolvency Event or, in relation to an individual if he</p> <ul style="list-style-type: none">(a) dies,(b) is convicted of an indictable offence(c) resigns his appointment by notice(d) becomes bankrupt,(e) is disqualified from acting as a director of a company under the Company Directors Disqualification Act 1986 of Great Britain, or(f) becomes Mentally Disordered,
Total Net Established Liability	an amount equal to the total of a Scheme Creditor's Net Established Liability under each Scheme,
Total Settlement Payment	a payment made in accordance with Clause 3 7(b),
US Dollars or USD or US\$	United States dollars, or other lawful currency, for the time being of the United States of America,
Valuation Statement	a statement to be prepared in accordance with Clause 3.6 of the Scheme,
Voting Form	the form approved by the Court for registering votes for the purposes of voting at the Scheme Meetings, and
"X" Account Pool	one of the E W Payne Pools operating from 1961 to 1968 inclusive

1 2 Interpretation

In the Scheme

- (a) references to Parts, Clauses and Schedules are references to the Parts, Clauses and Schedules of the Scheme,
- (b) references to a person include an individual, firm, company, corporation or unincorporated body of persons,
- (c) the singular includes the plural and vice versa and the masculine includes the feminine and vice versa, and
- (d) references to a statute or to a statutory provision or to a statutory instrument or provision of a statutory instrument include the same as subsequently re-enacted or consolidated from time to time

1 3 The Scheme Companies

The Scheme Companies listed on pages 2 to 10 of the Explanatory Statement

1 4 Participation in the Scheme

- (a) The Scheme Advisers, the Scheme Manager and the Scheme Adjudicator have each, as appropriate, consented to act in relation to and/or agreed to be bound by the Scheme
- (b) 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 the Scheme Companies or on their behalf to implement and to give effect to the Scheme

1 5 Modification of the Scheme

The Scheme Manager 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, provided that there is no material prejudice to Scheme Creditors

2 GENERAL PROVISIONS

2.1 Application and purposes of the Scheme

- (a) The Scheme shall apply only to Scheme Creditors and only in relation to Scheme Liabilities. All other Liabilities of the Scheme Company shall be unaffected by the provisions of the Scheme.
- (b) The purposes of the Scheme are
 - (i) to determine the Scheme Company's Established Liabilities to Scheme Creditors, and
 - (ii) to pay to each Scheme Creditor the amount of the Net Established Liability owing to it.

2.2 Effective Date

The Scheme shall come into effect on the Effective Date.

2.3 Enforcement of Scheme Liabilities

- (a) Following the Effective Date (and subject to Clause 2.12), the Company will not make payment to Scheme Creditors in respect of their Scheme Liabilities, other than their Net Established Liabilities, unless the Company reverts to run-off in accordance with Clause 6.3, in which case the Scheme shall terminate and the Company may resume payments to its Scheme Creditors in the ordinary course of business.
- (b) Without prejudice to Clause 5, no Scheme Creditor shall be entitled to commence or continue any Proceedings or other judicial, quasi-judicial or regulatory process whatsoever against the 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 the Scheme Company or its Property, (i) where the Scheme Company has failed to perform any obligation to make payment of a Net Established Liability to a Scheme Creditor or (ii) commenced with the written consent of the Scheme Manager.
- (c) Without prejudice to all other rights and remedies available to the Scheme Company, if after the Effective Date any Scheme Creditor takes any action which is prohibited by Clause 2.3(b) it shall be treated as having received an advance payment on account of its Scheme Liabilities equal to the amount or gross value of any money, Property benefit or advantage obtained by it at the expense of the Scheme Company as a result of such action, and the extent to

which it is entitled to receive any payment under the Scheme in respect of its Established Liability shall be determined accordingly

- (d) For the purposes of Clause 2 3(c) the gross value of any money Property benefit or advantage obtained as aforesaid shall be determined by the Scheme Company 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 Scheme Company as a consequence of the action prohibited by Clause 2 3(b)

2 4 Security Interests and Letters of Credit

- (a) Nothing in the Scheme shall preclude a Scheme Creditor from obtaining payment under a Security Interest or Letter of Credit in accordance with its terms and those of the relevant Reinsurance Contract to satisfy any Scheme Liability in respect of which such Security Interest or Letter of Credit was created or issued
- (b) Nothing in the Scheme shall affect the rights of the Scheme Company against any person in respect of any enforcement of any Security Interest or Letter of Credit created or issued in respect of the Scheme Company, including but not limited to, any improper or excessive enforcement or drawdown
- (c) Where a Scheme Creditor has the benefit of a Security Interest or Letter of Credit in respect of all or part of its Established Liability, as a precondition of receiving payment under the Scheme, the Scheme Creditor shall be required to take such steps as the Scheme Company may, in its sole discretion, require to release, discharge, cancel and account for the relevant Security Interest or Letters of Credit Without prejudice to the generality of the foregoing, where the security in question is a Letter of Credit, the Scheme Creditor shall be required for the purposes of this sub-clause to (a) return to the Scheme Company the relevant original Letter of Credit, or (b) in the sole event that the relevant original Letter of Credit has been misplaced, destroyed or lost by the Scheme Creditor execute a release agreement in relation to the relevant Letter of Credit, prior to receiving payment under Clause 3 7
- (d) If a Scheme Creditor recovers any sums under any Security Interest or Letter of Credit after the Bar Date
 - (i) those sums shall be deducted from its Established Liability in respect of any Reinsurance Contract to which the Security Interest relates in calculating such Established Liability, and

- (ii) it shall hold any such sums that exceed its Established Liability in respect of any Reinsurance Contract to which the Security Interest relates, on trust for the Scheme Company and shall immediately pay them to the Scheme Company without set-off deduction retention, abatement or counterclaim Interest will accrue on the debt represented by the excess over the Established Liability from the date on which the value is obtained by the Scheme Creditor, at a rate of 2 per cent above the highest base rate applied by The Bank of England The Scheme Creditor may not apply the excess to any other Liabilities of the Scheme Company unless it is entitled to do so by the contract in connection with which or under which the Security Interest has been granted

2.5 Foreign currency conversions

In determining any set-off, counterclaim or Security Interest or amount available under a Letter of Credit 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 amount of set-off, counterclaim, Security Interest or Letter of Credit amount shall be converted into US Dollars as at the Net Established Liability Date, being the date on which the set-off counterclaim or Security Interest or Letter of Credit amount is determined The rate of any currency conversion under this Clause 2.5 shall be the Spot Exchange Rate for the particular currency taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the Net Established Liability Date

2.6 Broker funding

Claims against the Scheme Company by brokers or Agents 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 reinsurer or retrocessionaire in payment of or towards premiums due from the Scheme Company to that reinsurer or retrocessionaire,

shall not be admitted as Scheme Liabilities unless either

- (a) the said Scheme Creditor, reinsurer or retrocessionaire shall have assigned to the relevant broker or Agent in writing its claim against the Scheme Company and given written notice of that assignment to the Scheme Company Where any such assignment takes place after the Effective Date the relevant Scheme

Creditor, reinsurer or retrocessionaire shall give notice of it by Post to the Scheme Company, or

- (b) the payment was made pursuant to a pre-existing contractual, statutory or other legal obligation of the broker or Agent to or at the request of the Scheme Company

2 7 Treatment of Lloyd's Syndicates

The Scheme Company may treat the members of a Lloyd's Syndicate which has a Scheme Liability as if they were a single Scheme Creditor of the Scheme Company in respect of that Scheme Liability and the members of a Lloyd's Syndicate which owes money to the Scheme Company as a single debtor of the Scheme Company in respect of the sum due, provided that

- (a) all years of account have been closed by means of reinsurance to close into a later year such that the rights and liabilities of the members of the syndicate in such closing year will become instead the rights and liabilities of the members of the successor syndicate or syndicates in such later year, and
- (b) the Scheme Liability in question is that arising from such later year

2 8 Treatment of assignees

Claims against the Scheme Company by an assignee of a Scheme Creditor shall not be admitted as Scheme Liabilities unless the assignee received an assignment of the Scheme Creditor's Claim in a form which the Scheme Manager considers to be acceptable

2 9 Managers of Underwriting Pools, line-slip holding and managers' agents

- (a) The Scheme Manager shall be entitled to require any manager of an underwriting pool, managing general agent, holder of a line-slip, holder of a broker cover authority or binding authority to allocate Scheme Claims by reference to each relevant principal for which it is responsible. If the Scheme Manager does not receive sufficient details of the Scheme Claims allocated to each such principal together with any necessary supporting evidence the Scheme Manager shall, for the avoidance of doubt, be entitled to apply the provisions of Clause 2 9(b). All Scheme Creditors affected by such allocation pursuant to this Clause 2 9(a) shall be bound by the allocation
- (b) The Scheme Manager shall as an alternative to Clause 2 9(a) have the power to treat those acting, or believed to be acting, on behalf of principals reinsured by the Scheme Company, including but not limited to, managers of underwriting

pools, managing general agents and the holders of line-slips, broker cover authorities or binding authorities, as if they were a principal creditor in place of their principals until such time as the Scheme Manager receives notice in a form satisfactory to it in writing from any such reinsured principal that the relevant party has no authority to act on their behalf, or that the relevant party's authority to act on their behalf has come to an end

- (c) In the event of doubt as to which of Clauses 2 9(a) and 2 9(b) shall apply to an agent or representative, the decision of the Scheme Manager in this respect shall so far as the law permits be final and binding

2 10 No release

Nothing in the Scheme shall be construed as resulting in any release, extinguishment, modification, compromise or waiver of any Liability owed by the Scheme Company but the amount of a Scheme Creditor's entitlement to payment under the Scheme in respect of a Scheme Liability (once the relevant Established Liability in respect of that Scheme Liability has been determined) shall constitute the Scheme Company's entire Liability to the Scheme Creditor concerned in respect of the relevant Scheme Liability

2 11 Time Limits

- (a) The Scheme Manager may after consultation with the Scheme Adviser and at its absolute discretion, extend any time period (except the Bar Date) referred to in the Scheme (save for any time period in Clause 5 which shall be extended at the sole discretion of the Scheme Adjudicator) The power to extend time periods under this Clause 2 11(a) may be exercised for any one or more Scheme Creditors or for all Scheme Creditors and time may be extended under this Clause 2 11(a) in respect of any one or more Scheme Liabilities
- (b) Time periods laid down by the Scheme shall be calculated by reference to elapsed days and not Business Days but in the event that a time period expires on a day which is not a Business Day, such period of time shall be deemed not to expire until close of business on the Business Day next following

2 12 Commutations, settlements and other agreements

The Scheme Company may in its absolute discretion, enter into contractual arrangements with a Scheme Creditor under which all or part of a Scheme Liability is discharged in full in consideration of a cash payment made by the Scheme Company

3 ASCERTAINMENT AND PAYMENT 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 in accordance with the terms of the Scheme

3.2 IBNR Loading Percentages

(a) The following multiples will be applied to a Scheme Creditor's Outstanding Loss Claims (prior to the application of the Discount Rate in Clause 3.3(b)) to calculate its IBNR Claims

- (i) a multiple of two will be applied to those Outstanding Loss Claims derived from Asbestos Losses (ie a 200% loading),
- (ii) a multiple of 0.75 will be applied to those Outstanding Loss Claims derived from Pollution Losses (ie a 75% loading), and
- (iii) a multiple of 0.25 will be applied to those Outstanding Loss Claims derived from Other Losses (ie a 25% loading)

(b) Where a Scheme Creditor believes it has an IBNR Claim but no Outstanding Loss Claims, the above IBNR Loading Percentages will not apply. Such Scheme Creditor's IBNR Claim will be valued in accordance with Clause 3.4(h).

3.3 Discount Rates

Under the Scheme, Discount Rates of

- (a) 5% will be applied to all Non-Agreed Paid Losses, and
- (b) 25% will be applied to all Outstanding Loss Claims (subsequent to the application of the IBNR Loading Percentages in Clause 3.2) and IBNR Claims

3.4 Claim Forms

- (a) Within 21 days after the Effective Date the Scheme Manager shall send notices by Post to each of the Scheme Creditors of whose address it is aware enclosing Claim Forms and informing them both that the Scheme is effective and of the Bar Date
- (b) The Scheme Manager shall within 21 days after the Effective Date

- (i) cause to be published in the same newspapers and publications in which the Scheme Meetings were advertised an advertisement (or should this not prove reasonably possible, in such other publications as it shall deem appropriate) and post on the Scheme Website a notice informing Scheme Creditors both that the Scheme is effective and of the Bar Date and calling for all Scheme Creditors to complete and return their Claim Forms, and
 - (ii) send to each relevant broker or Agent of whose address it is aware copies of the notice enclosing the Claim Forms referred to in Clause 3 4(a)
- (c) The Scheme Manager shall have no duty or obligation whatsoever to advise or to inform a Scheme Creditor whether on a Claim Form or otherwise of reserves made or Liabilities anticipated by the Scheme Company in respect of the Scheme Liabilities
- (d) The notices enclosing the Claim Forms referred to in Clause 3 4(a) above will 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 Manager's 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, the notice enclosing the Claim Form shall be sent to any and all brokers or Agents identifiable in the address records available to the Scheme Company as the Scheme Creditor's brokers or Agents
- (e) A pro forma version of the Claim Form is shown at Appendix D. Subject to Clause 3 10 each Claim Form will be personalised for each Scheme Creditor and will set out the value of that Scheme Creditor's Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims as derived from the Scheme Company's records. The Claim Form will also show the value of that Scheme Creditor's IBNR Claims as calculated in accordance with the IBNR Loading Percentages. On the Claim Form the Discount Rates will be applied to Scheme Creditor's Non-Agreed Paid Losses, Outstanding Loss Claims and IBNR Claims
- (f) On receipt of its personalised Claim Form, each Scheme Creditor is asked to complete its Claim Form in accordance with the instructions attached to them. Each Scheme Creditor is invited
 - (i) to review and agree the values of its Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims, and

- (ii) confirm that the IBNR Loading Percentages and Discount Rates have been applied correctly in accordance with Clauses 3.2 and 3.3

on the Claim Form

- (g) If a Scheme Creditor wishes to amend the values of its Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims as set out on its personalised Claim Form, such amendments must be made in accordance with instructions attached to the Claim Form. No changes may be made to the IBNR Loading Percentages or to the Discount Rates
- (h) Where a Scheme Creditor believes it has an IBNR Claim but no Outstanding Loss Claims, it must insert into its Claim Form the value of its IBNR Claim. The Scheme Manager will then seek to agree the fair value of such IBNR Claim. In the absence of such agreement, the provisions of Clauses 3.5(b) and (c) shall apply
- (i) Completed Claim Forms must be returned to the Scheme Manager at its address as set out on the Claim Form to arrive on or before the Bar Date. Documentation in support of any amendments made by a Scheme Creditor to its Claim Form must arrive by no later than seven days after the Bar Date
- (j) 28 days prior to the Bar Date, the Scheme Manager shall send Scheme Creditors by Post or by email a notice reminding Scheme Creditors of the forthcoming Bar Date
- (k) Each Scheme Creditor shall be entitled to submit a new or revised Claim Form in accordance with the instructions accompanying the Claim Form and to provide revised or further information in respect of its Scheme Liabilities, together with any relevant supporting documentation, to the Scheme Manager so as to reach the Scheme Manager at any time before the Bar Date
- (l) In the event that a Scheme Creditor fails to return a Claim Form to the Scheme Manager by the Bar Date, the values on that Claim Form will stand as that Scheme Creditor's Established Liability in the Scheme
- (m) Any Scheme Creditor that is not sent a Claim Form either in accordance with Clause 3.4(a) (or otherwise) and does not submit a Claim Form prior to the Bar Date, will have its Net Established Liability valued at zero in the Scheme

3.5 Determination of Established Liabilities

- (a) The Scheme Manager shall examine and attempt to agree the information on each Claim Form returned to it on time in accordance with Clause 3.4. If

- (i) a Scheme Creditor has not made any amendments to the values of a Scheme Creditor's Agreed Paid Losses Non-Agreed Paid Losses Outstanding Loss Claims and IBNR Claims (following the application, where appropriate of the Discount Rates) as set out on the Claim Form sent to that Scheme Creditor, or
- (ii) the Scheme Manager concurs with any amendments made to those values.

the Scheme Manager will as soon as reasonably practicable after the Bar Date, send the relevant Scheme Creditor a Valuation Statement setting out in writing its agreement of the values on the Claim Form Subject to Clause 3 6(c) the Scheme Manager, the Scheme Company and the relevant Scheme Creditor shall thereafter treat the completed Valuation Statement as valid and binding as to the matters referred to on it and no further amendments may be made to it The values on the Claim Form as agreed and as set out on the Valuation Statement shall become the relevant Scheme Creditor's Established Liability The Valuation Statement will set out the Scheme Creditor's Established Liability for all Scheme Companies for which it is a Scheme Creditor

- (b) If the Scheme Manager does not agree with the amendments made by a Scheme Creditor to its Claim Form it shall as soon as reasonably practicable following the Bar Date, notify the relevant Scheme Creditor in writing of those matters which are not agreed, the reasons for failing to agree such matters and any such additional information that the Scheme Manager may require The relevant Scheme Creditor shall provide such additional information within 28 days of such request being made The Scheme Manager will endeavour to agree the disputed matters and the relevant Established Liability within 60 days of the Bar Date and, in the event that the Established Liability is so agreed, the Scheme Company shall notify the Scheme Creditor of its agreement by Post by sending the Scheme Creditor a Valuation Statement The Valuation Statement will set out the Scheme Creditor's Established Liability For the avoidance of doubt if the Scheme Company does not respond within 60 days of the Bar Date, such lack of response shall not be construed as an agreement of the relevant Established Liability
- (c) If the disputed matters are not resolved between the relevant Scheme Creditor and the Scheme Manager within the 60 day deadline imposed by Clause 3 5(b) (or before the expiry of that deadline where the Scheme Manager concludes that agreement cannot be reached or if the Scheme Creditor does not provide the requested additional information within the 28 day period referred to in paragraph 3 5(b)), the Scheme Manager will send the Scheme Creditor a copy

of a Claim Form in relation to the relevant Scheme Creditor's claim 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 disputed matter to the Scheme Adjudicator. The relevant Scheme Creditor must respond to the Scheme Manager within 21 days of receipt of this communication confirming that the matter is to be referred to the Scheme Adjudicator. If such confirmation is received from the Scheme Creditor, the Scheme Manager shall send the relevant Scheme Creditor a Scheme Adjudication Decision in accordance with Clause 5.2(a) notifying the Scheme Creditor of the decision to refer the disputed matter to the Dispute Resolution Procedure set out at Clause 5 of the Scheme. If the Scheme Creditor does not respond to the communication from the Scheme Manager or responds by accepting the information and values on the Claim Form sent to it by the Scheme Manager pursuant to this sub-paragraph, this will be deemed to be determinative of the disputed matters and the claims as set out in the Claim Form referred to in this sub-paragraph, shall become the relevant Scheme Creditor's Established Liability. The Scheme Creditor will then be sent a Valuation Statement setting out its Established Liability.

- (d) Without prejudice to the provisions of Clause 3.5(c), the Scheme Manager may refer a Claim Form to the Scheme Adjudicator at any time the Scheme Manager believes (in its sole discretion) that it will be impossible or impracticable to reach agreement with the relevant Scheme Creditor.
- (e) The amount of any Established Liability determined or agreed under Clauses 3.5(a), 3.5(b), 3.5(c) or Clause 5 shall be final and binding on the relevant Scheme Creditor and the relevant Scheme Companies (in so far as the law allows and subject to the rights of the Scheme Company to elect that its business revert to run-off under Clause 6.3).
- (f) The amount in respect of which
 - (i) any Scheme Creditor votes at the Scheme Meeting, and/or
 - (ii) any determination by the chairman of the Scheme Meeting for decision on discrepancies between the information provided by the Scheme Creditors prior to the holding of the Scheme Meeting and the Scheme Manager's records for the purposes of voting at the Scheme Meeting,

shall not be binding on the Scheme Company, the Scheme Creditor, the Scheme Manager and/or the Scheme Adjudicator for any purposes other than voting.

3.6 Valuation Statements

- (a) A Scheme Creditor's Valuation Statement will set out
 - (i) the total of the Scheme Creditor's Established Liability,
 - (ii) the amount of any Scheme Claims which have been satisfied by the application of Security Interests since the Ascertainment Date and the amount of any Security Interests to be deducted from the Scheme Creditor's Established Liability,
 - (iii) the amount of any advance payment treated as having been received by the Scheme Creditor for the purposes of Clauses 2.3(c) and 2.3(d) which is to be deducted from the total of a Scheme Creditor's Established Liability,
 - (iv) the amount of any advance payment made to the Scheme Creditor between the Ascertainment Date and the Effective Date by the Scheme Company in respect of what is determined in the Scheme to be an Established Liability. such amounts are to be deducted from the total of a Scheme Creditor's Established Liability,
 - (v) the amount of any sums in respect of the Scheme Adjudicator's unpaid remuneration, costs and expenses pursuant to Clause 5.2(g)(ii) to be deducted from the Scheme Creditor's Established Liability, and
 - (vi) the final balance following the accumulation of the amounts referred to in Clauses 3.6(a)(i) to 3.6(a)(v) which shall be the Scheme Creditor's Net Established Liability. The Valuation Statement will set out the Scheme Creditor's Net Established Liability for all Scheme Companies for which it is a Scheme Creditor
- (b) Subject to Clause 3.6(c) the contents of a Scheme Creditor's Valuation Statement will, so far as the law permits, be final and binding on the Scheme Company and the Scheme Creditor
- (c) A Scheme Creditor may only dispute the contents of its Valuation Statement on the grounds of Manifest Error. A Scheme Creditor must inform the Scheme Manager in writing of the alleged Manifest Error within 28 days of the date of the Valuation Statement. The Scheme Manager will resolve the alleged Manifest Error within 14 days of being notified of it pursuant to this Clause and, where appropriate, send the Scheme Creditor a revised Valuation Statement. Such revised Valuation Statement, subject to this Clause 3.6(c), will

so far as the law permits be binding on the Scheme Company and the Scheme Creditor concerned

- (d) A Scheme Creditor will be provided with a combined Valuation Statement totalling its Net Established Liabilities for each Scheme for which it is a Scheme Creditor

3.7 Payment of Net Established Liabilities

- (a) Subject to Clause 2.12 payment shall be made under the Scheme only in respect of Net Established Liabilities
- (b) When all Scheme Claims under the Scheme have either been agreed in accordance with Clauses 3.5(a) 3.5(b) or 3.5(c) or, if a Scheme Claim has been directed to the Dispute Resolution Procedure under Clause 5 of the Scheme, such Disputed Claim has been resolved in accordance with Clause 5.2(h), the Scheme Company shall transfer sufficient funds to the Scheme Manager to pay all Net Established Liabilities determined under that Scheme Company's Scheme. Such payment is known as the **Total Settlement Payment**. The amount transferred to the Scheme Manager by a Scheme Company in respect of an individual Scheme Creditor's Net Established Liability is known as that Scheme Creditor's **Individual Settlement Payment**.
- (c) Subject to Clause 3.7(d), on receipt by the Scheme Manager of the Total Settlement Payment for each Scheme, the Scheme Manager shall, as soon as is practicable, effect payment in full to each Scheme Creditor of an amount equal to the total of that Scheme Creditor's Net Established Liability under each Scheme (known as that Scheme Creditor's **Total Net Established Liability**).
- (d) Prior to receiving a Scheme Creditor's Individual Settlement Payments from all relevant Scheme Companies (being each of the Scheme Companies that has a Net Established Liability payable to the Scheme Creditor), the Scheme Manager is permitted to make a preliminary payment to the Scheme Creditor of an amount equal to the total of only those Individual Settlement Payments in respect of that Scheme Creditor actually received by the Scheme Manager at that date. In those circumstances, the remainder of a Scheme Creditor's Total Net Established Liability will be paid, as soon as is practicable, to the Scheme Creditor on receipt of all the outstanding Scheme Creditor Individual Settlement Payments by the Scheme Manager.
- (e) All payments pursuant to the Scheme shall be made, in the absolute discretion of the Scheme Manager.

- (i) 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 Company) or, if no address for the Scheme Creditor is known to the Scheme Manager, to the last known address of the broker or Agent through which the relevant Reinsurance Contract was effected or entered into, or
 - (ii) 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
- (f) Any payment pursuant to Clause 3 7(e) 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 7(e)(ii) shall be deemed never to have been made and the Scheme Creditor's rights to such payment shall be extinguished
- (g) Payments made pursuant to this Clause 3 7 to
- (i) a Scheme Creditor or
 - (ii) a person actually or ostensibly authorised to act on behalf of the Scheme Creditor,

pursuant to Clause 3 7(e), Clause 3 7(f) or otherwise shall, for all purposes, constitute a valid discharge of the Scheme Creditor's entitlement to payment in respect of such Net Established Liability to the extent of such payment. For the purpose of this Clause 3 7, payment of any cheque by the bank on which it is drawn shall be in satisfaction of the 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 in satisfaction of the obligation to pay the amount transferred

3 8 Currency of payment

Any amount payable to a Scheme Creditor under the Scheme in respect of a Scheme Liability which was incurred in any currency other than US dollars shall be paid in US dollars converted using the Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last

Business Day prior to the Ascertainment Date (i.e. 29 June 2007) 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 US dollars, converted using the Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last Business Day prior to the Ascertainment Date (i.e. 29 June 2007)

3.9 Insolvent Scheme Creditors and dissolved Scheme Creditors

- (a) Where a Scheme Creditor is insolvent the Scheme Company may exercise any available rights of set-off it might have resulting from the insolvency
- (b) If a Scheme Creditor is a company which has been dissolved under the laws of the country or state of its incorporation by the Effective Date, such Scheme Creditor will not be entitled to make a Claim in the Scheme or receive any payment under the Scheme

3.10 Insufficient Data

Where the Scheme Manager has insufficient data to send a Scheme Creditor a fully personalised Claim Form in accordance with Clause 3.4, it shall send that Scheme Creditor a blank Claim Form (or a partially filled-out Claim Form) to allow the Scheme Creditor to fill in and/or complete the details of its Scheme Claim

4 THE SCHEME ADVISERS AND THE SCHEME MANAGER

4.1 The Scheme Advisers

- (a) There shall be one or more independent Scheme Adviser. The Scheme Advisers shall be Mike Walker and John Wardrop of KPMG LLP.
- (b) The office of a Scheme Adviser shall be vacated if a Termination Event occurs in relation to that Scheme Adviser.
- (c) A Scheme Adviser may resign his or its appointment and the Scheme Manager may terminate the Scheme Adviser's appointment at any time by giving no less than three months' notice in writing to all the Scheme Companies and to the Scheme Manager or such shorter period of notice as the Scheme Adviser and the Scheme Manager may agree in writing. Such resignation or termination shall only be effective if it relates to all of the Scheme Companies.
- (d) If the office of a Scheme Adviser is vacated in accordance with Clauses 4.1(b) or 4.1(c) the Scheme Manager shall be entitled to appoint a replacement Scheme Adviser provided that such replacement consents to act, is independent, has relevant experience to act and is not disqualified by virtue of any of the events listed at (b), (d), (e) and (f) of the definition of Termination Event.
- (e) Where more than one Scheme Adviser is appointed, the powers, rights, duties and functions of the Scheme Adviser under the Scheme may be performed and exercised jointly or severally and any act required or permitted to be done by the Scheme Advisers pursuant to the Scheme may be done by any one or more or all of them.
- (f) The Scheme Advisers shall provide such advice to the Scheme Managers as may reasonably be requested to facilitate the implementation of the Scheme, and shall have the powers, rights, duties and functions conferred upon them under the Scheme.
- (g) 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 Company in question relevant to the operation of the Scheme.

- (h) Nothing in the Scheme shall render the Scheme Advisers liable to or for any liabilities or other obligations of a Scheme Company
- (i) The Scheme Advisers may perform their duties and exercise their powers under the Scheme through agents and employees and any act or determination of such person on behalf of the Scheme Advisers shall be deemed to be an act or determination of the Scheme Advisers

4.2 The Scheme Manager

- (a) There shall be one or more Scheme Manager(s), who shall be appointed by the Scheme Companies, having the powers to manage and conduct the business and affairs of the Scheme Companies under the terms of the Scheme. The Scheme Manager will be Reinsurance Solutions Limited. The Scheme Manager shall have the powers specifically conferred on it by the Scheme, including the powers
 - (i) to have full access to all such information as the Scheme Manager may from time to time require in connection with the affairs of any Scheme Company relating to the Scheme Liabilities 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 any Scheme Company and relating to any Scheme Liability (and to disclose such information to any third party as the Scheme Manager sees fit),
 - (ii) to apply to the Court (where it has jurisdiction to determine such matters) for directions in relation to any particular matter arising under, or in the course of the operation of, the Scheme,
 - (iii) on behalf of the Scheme Companies, and in accordance with any guidelines provided by the Scheme Companies, to negotiate, compromise or agree Scheme Liabilities and/or claims of the Scheme Companies in that capacity against Scheme Creditors,
 - (iv) 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,
 - (v) to pay Scheme Expenses or make any other payment which is necessary or incidental to the performance of the Scheme Manager's or the Scheme Companies' functions,

- (vi) to exercise any other powers necessary for or incidental to the full and proper implementation of the Scheme and
- (vii) to do all other things incidental to the exercise of the foregoing powers
- (b) A Scheme Manager may resign its appointment and the Scheme Companies (as part of a majority by number of the Scheme Companies) may terminate the Scheme Manager's appointment at any time by giving no less than three months' notice in writing to all the Scheme Companies or Scheme Manager as the case may be or such shorter period of notice as the Scheme Manager and the Scheme Companies may agree in writing
- (c) The office of a Scheme Manager shall be vacated if a Termination Event occurs in relation to the Scheme Manager
- (d) If the office of a Scheme Manager is vacated or terminated in accordance with Clauses 4 2(b) or 4 2(c) the Scheme Company, in consultation with the Scheme Adviser and the other Scheme Companies, shall be entitled to appoint a replacement Scheme Manager or Scheme Managers which must be appointed to all of the Scheme Companies
- (e) A Scheme Manager shall not have authority or power to bind a Scheme Company save as set out in the Scheme
- (f) Nothing in the Scheme shall render the Scheme Manager liable to or for any liabilities or other obligations of a Scheme Company
- (g) The Scheme Manager may perform its duties and exercise its powers under the Scheme through agents and employees and any act or determination of such person on behalf of the Scheme Manager shall be deemed to be an act or determination of the Scheme Manager

4 3 Change of Scheme Adviser or Scheme Manager

In the event that, pursuant to Clause 4 1(b), Clause 4 1(c), Clause 4 2(b) and Clause 4 2(c) above, there is a change of Scheme Adviser or Scheme Manager, the Scheme Manager shall ensure that a notice alerting Scheme Creditors to such a change is inserted in the same newspapers and publications in which the notice referred to in Clause 3 4(b)(i) appeared (or should this not prove reasonably possible, in such other publications as it shall deem appropriate) and posted on the Scheme Website. Where it is the Scheme Adviser or Scheme Manager themselves vacating office, they will ensure that the necessary notices referred to in this Clause 4 3 are given before they vacate office.

4.4 Responsibility of Scheme Adviser or Scheme Manager

So far as the law permits no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith by the Scheme Adviser or the Scheme Manager pursuant to the Scheme

**5 THE SCHEME ADJUDICATOR AND DISPUTE RESOLUTION
PROCEDURE**

5.1 The Scheme Adjudicator

- (a) There shall be three independent Scheme Adjudicators having the powers, duties, functions, and rights conferred upon them by the Scheme. Each Scheme Adjudicator shall have power to determine all disputed matters referred to him by the Scheme Manager in accordance with the Clause 3 and shall resolve such disputed matters in accordance with the Dispute Resolution Procedure.
- (b) Each Scheme Adjudicator shall be an independent person who is duly qualified in the reasonable opinion of the Scheme Manager and Scheme Adviser to discharge the function of Scheme Adjudicator under the Scheme.
- (c) The Scheme Adjudicators shall be Philip Heitlinger, Ian Marshall and Bill Bower as more particularly described in Appendix A.
- (d) Where more than one Scheme Adjudicator is appointed under Clause 5.2, they may carry out their duties and functions under the Scheme either jointly or severally.
- (e) A Scheme Adjudicator shall vacate office if a Termination Event occurs in relation to the Scheme Adjudicator.
- (f) A Scheme Adjudicator may resign his appointment at any time by giving no less than three months' notice in writing to the Scheme Manager or by giving such shorter period of notice as the Scheme Adjudicator and the Scheme Manager may agree in writing. His resignation can only be effective if it relates to all the Scheme Companies.
- (g) Subject to Clause 5.1(i), a Scheme Adjudicator may be removed for good cause by the Scheme Manager. His removal must apply in the case of all the Scheme Companies.
- (h) Subject to Clause 5.1(i), if the office of a Scheme Adjudicator is vacated in accordance with Clauses 5.1(e), 5.1(f) or 5.1(g), the Scheme Manager shall be entitled to appoint a replacement Scheme Adjudicator provided that such replacement consents to act, is independent, has relevant experience to act and is not disqualified by virtue of the events listed at (b), (d), (e) and (f) of the definition of Termination Event and his appointment is subject to consultation with and no objection by the Financial Services Authority. The replacement

Scheme Adjudicator must be appointed in the case of all the Scheme Companies

- (i) A Scheme Adjudicator may be removed for good cause and/or a replacement Scheme Adjudicator appointed only if the Scheme Manager has circulated a notice to Scheme Creditors stating
 - (i) the reasons for the removal of the Scheme Adjudicator (if applicable), and
 - (ii) the name of a replacement Scheme Adjudicator (the identity of whom will have been decided after consultation with and no objections by the Financial Services Authority)

Subject to any reasonable objection of Scheme Creditors, the appointment of the replacement Scheme Adjudicator shall take effect on the expiry of thirty days of the service of such notice. If the Scheme Manager and any objecting Scheme Creditor cannot agree on the identity of the replacement Scheme Adjudicator within thirty days, the Scheme Manager shall request that the appointment of a suitably qualified Scheme Adjudicator be made by the President of the Institute of Actuaries of the United Kingdom for the time being, whose decision shall be final.

- (j) A Scheme Adjudicator shall act as an expert and not as an 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 3.5(c) or 3.5(d)

- (a) The Scheme Manager shall, as soon as practicable after a decision is taken to refer any matter to a Scheme Adjudicator under Clause 3.5(c) or 3.5(d), notify the relevant Scheme Creditor in writing of their decision. Such notice is known as the Scheme Adjudication Decision. The Scheme Creditor shall have 14 days from the date of the Scheme Adjudication Decision to choose by notifying the Scheme Manager in writing which of the individuals listed in Clause 5.1(c) (or any replacement appointed pursuant to Clause 5.1(h)) it wishes to appoint as the Scheme Adjudicator in respect of its Disputed Claim. If a Scheme Creditor does not appoint a Scheme Adjudicator within the 14 days from the date of the Scheme Adjudicator's Decision, the Scheme Manager shall appoint one of the individuals listed in Clause 5.1(c) (or any replacement appointed pursuant to Clause 5.1(h)) as the Scheme Adjudicator in respect of the Disputed Claim.

- (b) As soon as practicable after the appointment of the Scheme Adjudicator pursuant to Clause 5 2(a) the Scheme Manager shall refer the Disputed Claim to the Scheme Adjudicator by serving a Scheme Adjudicator Notice containing details of the Disputed Claims
- (c) The relevant Scheme Creditor may within 14 days of the date of the Scheme Adjudicator Notice, send written observations on the Scheme Adjudicator Notice in English only by Post or in Electronic Form to the Scheme Adjudicator and shall send a copy (with any enclosures) of such written observations by Post or in Electronic Form to the Scheme Manager
- (d) The Scheme Adjudicator shall consider the papers and documents before him and shall as soon as practicable, give notice in writing to the relevant party of whether
 - (i) he requires further documents, data or information from the Scheme Creditor and/or the Scheme Manager. In such event the relevant person(s) shall as soon as possible and in any event within 14 days after receipt of such request from the Scheme Adjudicator provide the Scheme Adjudicator with the said further documents, data or information in English 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
 - (ii) he requires the Scheme Creditor and/or the Scheme Manager and/or the affected Scheme Company 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
- (e) In the event that the Scheme Adjudicator requires any relevant person referred to under Clause 5 2(d)(ii) 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, at any time, to call for such evidence, documents, data and information as he may require
- (f) The Scheme Adjudicator shall be entitled to consult with such advisers, including but not limited to legal advisers, accountants, actuaries and insurance industry experts, as he may reasonably deem appropriate and shall (subject to Clause 5 2(g)) be entitled to be remunerated and to be reimbursed his reasonable costs and expenses (including the expenses of professional

advisers) in carrying out his duties under the Scheme by the Scheme Manager, save for where the Scheme Adjudicator is entitled to reimbursement by a third party in respect of such costs and expenses

- (g) 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 including without limitation the cost of any advisers referred to in Clause 5 2(f) as he shall think just. The Scheme Adjudicator shall be entitled, without prejudice to the generality of the foregoing, to order the parties to deposit such sum as the Scheme Adjudicator shall deem appropriate in respect of costs prior to commencement of the Dispute Resolution Procedure. In the exercise of his powers, the Scheme Adjudicator shall be entitled to
 - (i) direct that any or all of his remuneration, costs and expenses, including without limitation the cost of any advisers referred to in Clause 5 2(f) shall be paid by the Scheme Manager (save for where he is entitled to reimbursement by a third party in respect of such remuneration, costs and expenses) in accordance with the terms of the Scheme, or
 - (ii) direct that any or all of his remuneration costs and expenses, including without limitation the cost of any advisers referred to in Clause 5 2(f) or any costs incurred by the Scheme Manager in consequence of the unreasonable failure by a Scheme Creditor to submit adequate information to support a Claim Form returned in accordance with Clause 3 5 shall be paid by the Scheme Creditor in respect of whose Scheme Liability the dispute has arisen, in which case such amounts 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 the Scheme Manager shall pay such amount from its assets and it 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. If no amount is or becomes due to the Scheme Creditor, the Scheme Manager will be entitled to pursue the Scheme Creditor for payment and in that regard the Scheme Creditor shall be deemed to have acknowledged that the amount due is undisputed.
- (h) The Scheme Adjudicator shall, as soon as possible and in any event before the expiration of 30 days from the latest of the date on which a dispute was referred to him or seven days after the provision of further documents, data or

information pursuant to Clause 5 2(d)(i) or seven days after the conclusion of any appearance before him pursuant to Clause 5 2(d)(ii) (whichever shall be the later) but in any event no later than two calendar months from the date of the Scheme Adjudicator Notice originally referring the dispute to him, certify in writing sent by Post to the Scheme Manager and the relevant Scheme Creditor his determination in relation to that disputed matter and the Scheme Creditor's Established Liability. The relevant Scheme Creditor's Established Liability shall be deemed to have been determined on the date the certification referred to in this Clause 5 2(h) is sent to the affected Scheme Company, the Scheme Manager and such Scheme Creditor.

- (i) The decision of the Scheme Adjudicator on any dispute referred to him in accordance with the Scheme shall be final and binding on the affected Scheme Company and the relevant Scheme Creditors and there shall be no right to appeal from such decision except insofar as the law allows.
- (j) Subject to Clause 5 2(k), in the event that the Scheme Adjudicator or the Scheme Manager become aware that the Scheme Adjudicator has a conflict of interest in relation to any matter referred to him under Clause 5 2(b), the Scheme Adjudicator shall as soon as reasonably practicable thereafter inform the Scheme Adviser of any conflict of which he becomes aware and the Scheme Adviser shall, subject to Clause 5 2(k), nominate an alternate Scheme Adjudicator from the list of individuals set out at Clause 5 1(c) (or any replacement appointed pursuant to Clause 5 1(h)) for the sole purpose of adjudicating on the relevant matter and shall immediately give notice of such nomination to the Scheme Manager and the relevant Scheme Creditor. The Scheme Adjudicator's appointment shall continue during the appointment of any alternate and he shall continue to adjudicate on all other matters referred to him under Clauses 3 5(c) or 3 5(d) unless a conflict shall arise in respect of any of those matters in which event the provisions of this Clause 5 2(j) shall apply.
- (k) The Scheme Adjudicator may continue to act in spite of a conflict of interest if the Scheme Creditor in relation to whom the conflict arises and the Scheme Manager agree in writing to permit the Scheme Adjudicator to act and if the Scheme Adjudicator himself is willing to act notwithstanding such conflict. Any such waiver of a conflict will only be made after the Scheme Adjudicator, Scheme Creditor and the Scheme Manager have provided sufficiently detailed disclosure of the circumstances and the nature of the conflict to enable each of them to take an informed decision on whether the conflict may be waived without prejudicing or embarrassing any of the Scheme Adjudicator, Scheme Manager and/or the Scheme Creditor.

5.3 Change of Scheme Adjudicator

In the event that, pursuant to Clause 5.1(e), 5.1(f) or 5.1(g) above, there is a change of Scheme Adjudicator, the Scheme Manager shall post a notice alerting Scheme Creditors to such a change on the Scheme Website

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 by the Scheme Manager posting an entry on the Scheme Website announcing that all Scheme Liabilities have been adjudicated or otherwise determined and all Established Liabilities have been paid in full (or deemed to have been satisfied in full) in accordance with the terms of the Scheme in the case of all Scheme Companies. This entry shall be posted as soon as is practicable after all Net Established Liabilities have been paid in full (or deemed to have been satisfied in full) in the case of all Scheme Companies. Following such announcement the Scheme Adjudicators, the Scheme Manager (subject to Clause 6.2) and the Scheme Adviser shall be released from their obligations under the Scheme.

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 posted on the Scheme Website a notice stating that the Scheme has been finally implemented.

6.3 Reversion to run-off

- (a) If the total value of all the Established Liabilities against the Scheme Company (being the sum of all amounts set out on the Valuation Statements sent to Scheme Creditors in respect of that Company) is equal to or greater than 30% or US\$250,000 higher than the predicted total value for those Claims (as shown on the Claim Forms originally sent to Scheme Creditors with data as at the Ascertainment Date), a Reversion to Run-off Event will have occurred.
- (b) On the happening of a Reversion to Run-off Event, the Scheme Company in question will have the following three options:
 - (i) revert to run-off all the Reinsurance Contracts to which all Established Liabilities against the Scheme Company relate,
 - (ii) revert to run-off those Reinsurance Contracts in respect of which Scheme Creditors whose Established Liability, as set out on their Valuation Statements or as resolved under Dispute Resolution Procedure at Clause 5 of the Scheme, are equal to or greater than 30% or US\$250,000 (whichever is the lower) of the value of their claims as set out on the Claim Forms initially sent to them by the Scheme Company, provided that such

Scheme Company shall send notice to all its other Scheme Creditors offering also to revert all their Reinsurance Contracts to run-off or

- (iii) continue with the terms of the Scheme as if no Reversion to Run-off Event had occurred
- (c) In the event of the Scheme Company choosing to revert to run-off in accordance with Clause 6 3(b)(i) or (ii) (the **Reversion to Run-off Option**) it will notify Scheme Creditors in writing by Post and by placing a notice in the same publications referred to at Clause 3 4(b)(i) of that decision and how it affects the treatment of such Scheme Creditors claims
- (d) Scheme Creditors, whose Established Liabilities are not equal to greater than 30% or US\$250,000 higher than the value of their claims as set out in the Claim Forms, will have 14 days from the date of notice of a Reversion to Run-off Option under Clause 6 3(b)(ii), to either accept or reject such Reversion to Run-Off Option by written notice to the Scheme Manager. If no response is received by the Scheme Manager within the 14 day period, the Scheme Creditor's Reinsurance Contracts to which its Established Liability relates will not revert to run-off

7 OTHER PROVISIONS

7.1 Notices

- (a) Subject to Clauses 7.8(a) and 7.8(b) 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 Adviser may in addition be sent in Electronic Form to them on the day of posting
- (b) Notices to the Scheme Adviser shall be sent to KPMG, 8 Salisbury Square, London EC4Y 8BB, marked for the attention of Mike Walker/James Bolton. All notices to any other Scheme Adviser shall be sent to that Scheme Adviser's address at the date of the notice
- (c) Notices to the Scheme Manager shall be sent to Reinsurance Solutions Limited, Mayland House, Newland Street, Witham CM8 2UP, marked for the attention of Brian Evans
- (d) Any 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 Manager's records or to any other address being the last known address of the Scheme Creditor which the Scheme Manager may reasonably believe is appropriate
- (e) Subject to Clauses 7.8(a) and 7.8(b), notices sent by Post under this Clause 7.1 shall be deemed in the absence of evidence to the contrary to have been received at 12 noon (London time) on the fifth Business Day after despatch and references to the receipt by any party of any notice sent pursuant to the provisions of the Scheme shall be construed accordingly

7.2 Governing law and jurisdiction

- (a) Subject to Clause 7.2(b), 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
- (b) Subject to the terms of the Scheme and in particular Clauses 3 and 5 nothing in this Clause 7.2 shall affect the validity of other provisions determining

governing law and jurisdiction between the Scheme Company and any Scheme Creditor whether contained in any contract or otherwise

7.3 Insolvency of Scheme Company

If an Insolvency Event occurs in relation to any Scheme Company after the Effective Date and before the final implementation of that Scheme in accordance with Clause 6.1, the Scheme will continue so far as the law permits unless any liquidator, provisional liquidator, administrator or supervisor of that Scheme Company chooses not to continue with the implementation of the Scheme in relation to that Scheme Company. If such a decision is made the Scheme shall continue in the case of the other Scheme Companies. If the liquidator, provisional liquidator, administrator or supervisor so chooses that the Scheme shall have no effect, the Scheme Manager shall place a notice to this effect in those publications referred to in Clause 3.4(b)(i) and on the Scheme Website.

7.4 Scheme Creditors to co-operate

Scheme Creditors shall co-operate with and render such assistance as the Scheme Manager, the Scheme Adviser and/or the Scheme Adjudicator may reasonably require in connection with the Scheme 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 and shall provide such assistance as the Scheme Manager may reasonably require in connection with the recovery of any Property or the enforcement of obligations or liabilities which are or may become owed to the Scheme Company.

7.5 Responsibility

- (a) Clause 7.5(b) applies to the acts and liabilities of the Scheme Adviser, the Scheme Adjudicator and the Scheme Manager (and/or any of their employees, agents or advisers) in connection with the implementation and administration of the Scheme in accordance with its terms.
- (b) 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 7.5(a) 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, fraud or dishonesty.

7.6 Powers, rights, duties and functions

- (a) Any function or duty of or right or power conferred on the Scheme Company or its 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 the Scheme Adviser Scheme Adjudicator or Scheme Manager of the powers, rights, duties and functions conferred upon him under the Scheme shall not be exercised in that way except with the consent of the Scheme Adviser (in respect of the powers, rights duties and functions conferred upon the Scheme Adviser) or the consent of the Scheme Adjudicator (in respect of the powers, rights duties and functions conferred upon Scheme Adjudicator) or the consent of the Scheme Manager (in respect of the powers rights, duties and functions conferred upon the Scheme Manager) in each case which consent may be given either generally or in relation to particular cases provided however that nothing in this Clause 7 6(a) shall relieve the directors of the relevant Scheme Company from their duty to act in accordance with law, including but not limited to the Companies Act, the 1985 Act and the Insolvency Act
- (b) Without prejudice to the generality of the Scheme, in performing or exercising their powers rights, duties and functions under the Scheme, the Scheme Adviser, the Scheme Adjudicator and/or the Scheme Manager shall be entitled to be remunerated out of the Property of the Scheme Company for the performance and exercise of such powers, rights, duties and functions and to be indemnified for all costs expenses and liabilities properly incurred by them in connection therewith (subject, in the case of the Scheme Adjudicator to any direction made by him in accordance in with Clause 5 2(f)), save for where the Scheme Adviser the Scheme Manager and/or the Scheme Adjudicator are entitled to reimbursement by a third party in respect of such costs, expenses and liabilities

7 7 Indemnity

- (a) Subject to the Companies Act, the 1985 Act and to Clause 7 7(b), the Scheme Adviser, the Scheme Adjudicator and the Scheme Manager (in their capacities as such) (and/or any of their employees, agents or advisers) shall be entitled to an indemnity out of the Property of the Scheme Company against all actions, claims, Proceedings and demands brought or made against any or all of such 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

- (b) Without prejudice to the generality of Clause 7 7(a), 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 the Company
 - (i) 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 its part in relation to the operation of the Scheme in which judgment is given in its favour or in which it is acquitted, or
 - (ii) in connection with any application in any such Proceedings in which relief is granted to it 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 8 Electronic communications

- (g) Notwithstanding anything to the contrary in the Scheme, information concerning Scheme Liabilities (including any Claim Form or relevant accompanying information) and any other communication required to be or capable of being given or sent under the Scheme may, at the option of the Scheme Creditor concerned, be given or sent by the Scheme Manager, Scheme Adjudicator or Scheme Creditor in Electronic Form to the address specified for that purpose by that Scheme Creditor or the Scheme Manager or Scheme Adjudicator. References in the Scheme to "Post" and addresses shall therefore be construed accordingly
- (h) Any notice given in Electronic Form shall be deemed to have been received at the time of receipt recorded on the Electronic Equipment of the person to whom the notice is addressed provided that the same shall have been sent to the address specified for that purpose by the Scheme Manager, the relevant Scheme Creditor, Scheme Adjudicator or by such other person concerned. In relation to electronic communications "address" includes without limitation any email address used for the purposes of such communications

THIS PAGE IS INTENTIONALLY BLANK.

APPENDIX A

CURRICULA VITAE OF THE SCHEME ADVISERS AND THE SCHEME ADJUDICATORS

(1) THE SCHEME ADVISERS

Michael Steven Walker

Mike is a partner in and the head of the KPMG LLP Restructuring Insurance Solutions team in the UK. Mike joined KPMG in 1987 and worked for several years on general insolvency matters before specialising in insurance and reinsurance insolvency. Over the last 15 years he has been involved in some of the largest insurance insolvencies in the United Kingdom including English & American Insurance Company Limited, Sovereign Marine & General Insurance Company Limited and HIH Group of companies.

He is currently a Scheme Administrator of English & American Insurance Company Ltd and Sovereign Marine & General Insurance Company Ltd. Mike is currently a Scheme Adviser in relation to several solvent schemes including Lion City Run Off Pte Ltd, Pender Mutual Insurance Company Limited, Oslo Reinsurance Company (UK) Limited, Oslo Reinsurance Company ASA and a number of other London Market insurance companies including participants of the Willis Faber (Underwriting Management) Limited ("WFUM") Pool, as well as being the prospective Scheme Adviser to a number of schemes in development.

He has considerable experience of cross-border issues and has worked extensively in the United States, Bermuda, Japan and Australia. He has particular expertise in underwriting pools, cash collection, dispute resolution, commutation, schemes of arrangement and all aspects of insurance company run-off, both solvent and insolvent.

Mike is a licensed Insolvency Practitioner, a member of the Insolvency Practitioners' Association, an Affiliated Member of the Institute of Chartered Accountants in England & Wales and a member of the International Association of Insurance Receivers.

John Mitchell Wardrop

John is a partner in the Insurance Solutions team in the London office of KPMG LLP. He has specialised in insurance since 1988, and in run-off since 1993. John has extensive experience of the insurance industry including life assurance, the London market, brokers and loss adjusting. He has audited life, general, broking and loss adjusting companies as well as advising such companies in relation to corporate finance transactions. Over the past 12 years John has specialised in advising companies in run-off on various issues including exit strategies, and in taking formal insolvency appointments.

John is a Scheme Administrator of Anglo American Insurance Company Limited, Scheme Administrator of Sovereign Marine & General Insurance Company Limited, Provisional Liquidator of Trenwick Group Limited, Provisional Liquidator of La Salle Re Holdings Limited, and Joint Provisional Liquidator in the UK of HHH Casualty & General Insurance Limited, FAI General Insurance Company Limited, and other HHH group companies. John is currently Scheme Adviser in relation to several solvent schemes including Reliance National Insurance Company (Europe) Limited, The Seven Continents Insurance Company Limited, Lion City Private Run-Off Limited, Moorgate Insurance Company Limited, Oslo Reinsurance Company (UK) Limited, Oslo Reinsurance Company ASA and a number of other London Market insurance companies including participants of the Willis Faber (Underwriting Management) Limited ("WFUM") Pool.

John is a member of the Institute of Chartered Accountants of Scotland and is also a Licensed Insolvency Practitioner.

(2) THE SCHEME ADJUDICATORS

William Bower

William is a Fellow of the Chartered Insurance Institute and his most recent full time role was as Executive Director of Marlon Insurance Company Ltd and Marlon Management Services Ltd where he led the sale of the companies to the Enstar Group which finalised in August 2007. In addition he is a director of the Association of Run-off Companies Limited (ARC) and Met Re (UK) Company Ltd. He has over 35 years of experience in the international insurance and reinsurance markets holding board and senior management roles in UK retail, reinsurance and discontinued run off businesses.

His past major positions include director of Community Reinsurance Corporation Limited from 1994–1997, Head of UK for Cobalt Runoff Services Limited from 2000–2004, chairman and director of Aviation & General Insurance Co Ltd from 1996–2004, managing director of Gordian Runoff (UK) Insurance Co Ltd from 2001–2004, and director of St Helens Trust Limited, from 1994 – 2005.

William was also Head of General Insurance Runoff for Pearl Assurance Plc until January 2006 and jointly led with Prudential the successful strategy and execution of the St Helens Trust Solvent Scheme of Arrangement on behalf of Prudential, Pearl and others. Prior to this he led the sale of a number of insurance company disposals in the UK and Overseas, including Aviation and General, Community Re and Pearl General Insurance in the UK as well as various companies in Europe, Africa and South America.

William has recently acted as the independent vote adjudicator on the Global General and Reinsurance Company Limited, Great Lakes Reinsurance (UK) Plc and Winterthur Swiss

Insurance Company schemes of arrangement as well as the scheme claim adjudicator for the GLM Pool and CEAI S A schemes of arrangements

Ian Marshall

Ian is a partner in and Group Head of Consulting of Chiltington International based in London. He has specialised in insurance since 1979, commencing with three years spent in the Bermuda office of Ernst & Young, followed by six years in this firm's Los Angeles office. In these roles, he audited and consulted to non-life insurance and reinsurance companies, captive insurance companies, life reinsurance companies and insurance brokers.

Since joining Chiltington in 1987, Ian has had extensive experience in various countries (notably UK, USA, Australia, Canada, Bermuda, Germany, Japan, France and Argentina) of managing and advising reinsurance companies and Lloyds' syndicates in run-off, of acting as either a fact witness or expert witness in reinsurance accounting, loss spiralling and reinsurance claim investigations in a number of arbitrations and of carrying out reinsurance investigations. In 1997-8, he was part of the team which devised and implemented the first UK solvent scheme of arrangement for a reinsurance company (of which Ian was a director).

In more recent years, Ian has also acted as the independent expert in a Part VII transfer, been appointed as an arbitrator in a UK case and as the scheme adviser for a forthcoming solvent scheme of arrangement. He also directed the work for the first reinsurance portfolio transfer from Germany to the UK under EU Reinsurance Directive legislation and which took place in 2007.

Ian is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA), a Certified Public Accountant (USA), a Chartered Insurance Practitioner (ACII), a Practising Member of the Academy of Experts and a panel member of ARIAS (UK).

Philip Heitlinger

Philip Heitlinger is a graduate of Oxford University and has an Honours Degree in Modern Languages (French and German). He is a Fellow of the Chartered Insurance Institute. He has worked in the insurance/reinsurance industry since starting as a graduate trainee at Royal Insurance (UK) in 1978. He worked in UK Personal/Commercial Lines underwriting in London and as an assistant in the UK Head Office Underwriting department in Liverpool. In 1980 he joined an AIG subsidiary in Brussels as a Facultative Underwriter in the Liability/Accident Department. The business he wrote included excess public and products liability classes to cedants in the UK, France and Germany. In 1983 he joined the underwriting management team at English & American Group in London, where he held a number of management positions in the non-marine property/casualty underwriting department.

Philip was originally appointed Technical General Manager upon the establishment of PRO in 1993. He has served as client executive for a number of PRO's major clients such as Black Sea and Baltic (under a Scheme of Arrangement) the GLM pool AREAS (a French mutual with an international run-off portfolio) and the AGF/Mariner account. He also has responsibility for PRO's inward commutation activities in particular those involving cedant inspection of records and litigation. As such he has been involved in a number of projects that have resulted in considerable balance sheet savings for clients. He has been involved in a number of due diligence and commutation projects on behalf of Swiss Re and other clients in France and Germany. He is spearheading PRO's development activities in continental Europe.

Philip is a member of the company's Executive Management Board and of its Business Development Team. He is fluent (to native speaker standard) in both spoken and written French and German and during the course of his career spanning twenty seven years has been involved in audit visits and negotiations with most of the major insurers/reinsurers in France, Germany, Belgium and Switzerland.

APPENDIX B

LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

- 1 The document of which this Appendix forms part including the Explanatory Statement and the Scheme, and
- 2 The order of the English Court convening the Scheme Meetings

Copies of the above documents will be available for inspection by Scheme Creditors after the date hereof until the closure of the Scheme Meetings in London at the offices of Reinsurance Solutions Limited at Mayland House Mayland Road Essex CM8 2UP and at the offices of KPMG LLP at 8 Salisbury Square London EC4Y 8BB, during ordinary business hours from Monday to Friday (excluding public holidays)

APPENDIX C

NOTICE OF THE SCHEME MEETINGS

No 3397 of 2008

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

COMPANIES COURT

**IN THE MATTER OF AEGON SCHADEVERZEKERING NV AND THE
OTHER COMPANIES LISTED IN THE SCHEDULE TO THE APPLICATION
(ALL BEING MEMBERS OF THE E W PAYNE POOLS)**

and

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that by an order dated 1 May 2008 the High Court of Justice has directed that meetings (the **Creditors' Meetings**) of the Scheme Creditors (as defined in the Scheme) of certain companies that participated on the E W Payne Pools listed in Schedule A to this Notice (the **Companies**) be held on 4 July 2008 at KPMG LLP, 8 Salisbury Square London, EC4Y 8BB commencing at 10am

The purpose of the Creditors' Meetings will be to consider and, if thought fit, to approve (with or without modification) schemes of arrangement proposed to be made between the Companies and their Scheme Creditors pursuant to Part 26 of the Companies Act 2006 (the **Scheme**)

Downloadable files of the proposed Scheme Document, Explanatory Statement and Appendices are available on the Scheme website www.ewpaynepools.com If you require any further printed copies of these documents, please send your request to KPMG LLP or Edwards Angell Palmer & Dodge UK LLP at the addresses listed below, and a copy will be sent to you free of charge

Scheme Creditors may vote in person at the Creditors' Meetings or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place Voting forms and

Scheme Website: www.ewpaynepools.com

proxy forms for use at the Creditors' Meeting have been sent to all known Scheme Creditors together with this Notice

It is requested that proxies and voting forms be sent by Post to Reinsurance Solutions Limited at the address below as soon as possible to arrive no later than 4pm on 30 June 2008. A faxed copy (fax +44 (0)1376 506 601) will be accepted if legible provided that the original is received by no later than 4pm on 3 July 2008. If Scheme Creditors fail to submit their proxies and voting forms by 4pm on 30 June 2008 they may be handed to the Chairman of the Creditors' Meetings at the meeting.

The court has directed that Mr Richard Whatton of SOBC Limited or failing him, Mr Michael Walker of KPMG LLP be appointed to act as Chairman of the Creditors' Meetings and has directed the Chairman to report the result of the Creditors' Meetings to the Court.

Any Scheme Creditor that is unclear about or has any questions concerning the action he is required to take should contact KPMG or Reinsurance Solutions Limited.

In the event that the Scheme Creditors vote in favour of the Scheme it will be subject to the subsequent approval of the court.

Scheme Manager		Scheme Adviser		Legal Adviser	
Reinsurance Solutions Limited Mayland House Mayland Road Essex CM8 2UP United Kingdom		Mike Walker and John Wardrop KPMG LLP 8 Salisbury Square London EC4Y 8BB United Kingdom		Edwards Angell Palmer & Dodge UK LLP One Letter Lane London EC4A 1JB United Kingdom	
Contacts	Brian Evans & David Bowen	Contacts	James Bolton & Neil Sutton	Contacts	Vivien Tyrell & Nick Stern
General	+44 (0)1376 506 210	General	+44 (0)20 7311 1000	General	+44 (0)20 7583 4055
Direct	Brian Evans +44 (0)1376 506 423 David Bowen +44 (0)1376 506 374	Direct	James Bolton +44 (0)20 7694 1856 Neil Sutton +44 (0)20 7694 3485	Direct	Vivien Tyrell +44 (0)20 7556 4451 Nick Stern +44 (0)20 7556 4533
Fax	+44 (0)1376 506 601	Fax	+44 (0)20 7694 3126	Fax	+44 (0)20 7353 7377
Email	Brian W.Evans@guycarp.com David C.Bowen@guycarp.com	Email	james.bolton@kpmg.co.uk neil.sutton@kpmg.co.uk	Email	vtyrell@eapdlaw.com nstern@eapdlaw.com

Dated 1 May 2008

APPENDIX D

EXAMPLE CLAIM FORM

E W PAYNE POOLS SCHEME

CLAIM FORM

Scheme Creditor Name: [TO BE INSERTED]

This Claim Form is to be used by the above Scheme Creditor to submit a Scheme Claim in the Scheme of each Scheme Company of which it is a Scheme Creditor

PLEASE READ THE GENERAL INSTRUCTIONS AND NOTES PRIOR TO COMPLETING THIS FORM

SECTION A

To be signed by a duly authorised individual on behalf of the Scheme Creditor

A signature on this form shall constitute the giving of a warranty that the signatory has been duly authorised by the relevant Scheme Creditor to sign the form on their behalf.

Print name

Signed

Date

Position

SECTION B

Please see the accompanying notes for explanation of the footnotes in the table below.

[illegible]

Please see the accompanying notes for explanation of the footnotes in the table below.

[illegible]

GENERAL INSTRUCTIONS FOR THE COMPLETION OF THE CLAIM FORMS

OVERVIEW

In accordance with the Scheme, each Scheme Creditor has been sent a personalised Claim Form. It sets out what Reinsurance Solutions Limited considers to be a Scheme Creditor's Scheme Claims in relation to each Scheme Company. This is shown in Section B of the Claim Form. The Scheme Companies listed there are those for which Reinsurance Solutions Limited considers you to be a Scheme Creditor.

As explained in more detail below, if you disagree with the voting values in Section B, they can be amended in Section C.

Scheme Creditors need only fill in a single Claim Form in respect of all of the Schemes on which they are a Scheme Creditor.

Please note that capitalised words or phrases not defined in this form have the same meanings as their definitions in the Scheme Document.

Return of Claim Form

The Claim Form must be signed and returned to the Reinsurance Solutions Limited on or before the Bar Date by post, fax or email to

Reinsurance Solutions Limited Mayland House Mayland Road Essex CM8 2UP United Kingdom		General	+44 (0)1376 506 210
		Direct	Brian Evans +44 (0)1376 506 423 David Bowen +44 (0)1376 506 374
Ref Brian Evans & David Bowen		Fax	+44 (0)1376 506 601
		Email	Brian W Evans@guycarp.com David C Bowen@guycarp.com

Failure to submit your Claim Form in time for it to be received by Reinsurance Solutions Limited by the Bar Date will result in the Scheme Claims as prepared by Reinsurance Solutions Limited and as set out in Section B being automatically deemed to be the Scheme Creditor's Established Liability.

Where you have faxed or emailed your Claim Form, please also post the original to Reinsurance Solutions Limited within 7 days of submission by fax /email

NOTES FOR THE COMPLETION AND SUBMISSION OF CLAIM FORMS

SECTION A: SIGNING FORM

Section A represents the signing form

Please sign and date the form when you have completed the Claim Forms

Section A should be signed by an appropriately authorised person from within your organisation. In so doing he or she will be warranting that he or she has the appropriate authority.

NOTES FOR THE COMPLETION AND SUBMISSION OF CLAIM FORMS

SECTION B: SCHEME CLAIMS BY SCHEME COMPANY

Section B contains the values for the Scheme Creditor's Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims, as derived from Reinsurance Solutions Limited's records. It also contains the Scheme Creditor's IBNR Claims as calculated in accordance with the IBNR Loading Percentages and the Discount Rates to be applied

If you agree with the values in Section B, you need not complete Section C. If you would like to change any of the values in this section, you should fill out Section C.

The footnotes in Sections B and C of the Claim Form are explained below:

(1) Scheme Creditor:

The name of the relevant Scheme Creditor is shown here

(2) Scheme Companies

The Scheme Companies of which the company identified at note (1) is a Scheme Creditor

(3) Scheme Claim Amounts

Your Claim Form has been personalised to show what Reinsurance Solutions Limited considers to be your Scheme Claim in relation to each Scheme Company

Your total Scheme Claim amount is split into the following four categories

Agreed Paid Losses	These are losses which were settled by the Scheme Creditor and were agreed with the Scheme Company prior to the Scheme becoming effective
Non-Agreed Paid Losses/Accruals	These are losses which have been settled by a Scheme Creditor and submitted to the Scheme Company but which have not yet become Agreed Paid Losses, this includes Accruals which are losses which have been

	settled by a Scheme Creditor, which have not been agreed by Reinsurance Solutions Limited
Outstanding Loss Claims	These are claims against or Liabilities of a Scheme Creditor in respect of losses arising under Reinsurance Contracts which have been notified but not yet settled by the Scheme Creditor giving rise to a Scheme Claim
IBNR Claims	<p>These are claims against or Liabilities of a Scheme Creditor under Reinsurance Contracts in respect of incurred but not reported losses namely losses which as at 30 June 2007 have been incurred but have not been reported to the Scheme Creditor giving rise to a Scheme Claim</p> <p>To avoid using a complicated estimation methodology with all its associated costs to both Scheme Companies and Scheme Creditors the Scheme provides that the value of a Scheme Creditor's IBNR Claim will be calculated by reference to its undiscounted Outstanding Loss Claims Loading Percentages of 200% will be applied to Outstanding Loss Claims relating to Asbestos Losses, 75% will be applied to Outstanding Loss Claims relating to Pollution Losses and 25% will be applied to Outstanding Loss Claims relating to other types of loss</p>

The form also shows the amounts by which your Scheme Claims will be discounted under the terms of the Scheme These are as follows

Discount on Non-Agreed Paid Losses/Accruals	Under the Scheme a discount rate of 5% is applied to Scheme Creditors' Non-Agreed Paid Losses/Accruals
Discount on Outstanding Loss Claims and IBNR Claims	Under the Scheme a discount rate of 25% is applied to Scheme Creditors' Outstanding Loss Claims and IBNR Claims

If you do not wish to amend the values shown in Section B, please simply sign Section A and return the Claim Form as described above

To amend the values shown in Section B and thus the total value of your Scheme Claims in any of Schemes for which you are Scheme Creditor, please see the notes for Section C below

NOTES FOR THE COMPLETION AND SUBMISSION OF CLAIM FORMS

SECTION C: CLAIMS BY SCHEME COMPANY – AMENDING SCHEME CLAIMS

This section allows you to enter the value against each Scheme Company for Agreed Paid Losses, Non-agreed Paid Losses and Outstanding Loss Claims if do not agree with the values in Section B

If you agree with the values in Section B please do not fill in Section C

Amending the values

If you disagree with the values given to your Agreed Paid Losses, Non-Agreed Paid Losses or Outstanding Loss Claims, this section allows you to enter revised amounts

If you amend your Outstanding Loss Claims, you will need also to amend your IBNR Claims. This is because, under the Scheme, IBNR Claims are calculated as loadings based on your undiscounted Outstanding Loss Claims. Different loadings apply to different types of business. A Loading Percentage of 200% is to be applied to Outstanding Loss Claims derived from Asbestos Losses, a Loading Percentage of 75% is to be applied to Outstanding Loss Claims derived from Pollution Losses and a Loading Percentage of 25% is to be applied to Outstanding Loss Claims derived from Other Losses. Please use these Loading Percentages when calculating your IBNR Claims. Under the Scheme no amendment to the IBNR Loading Percentages is permitted. **If you are amending your Outstanding Loss Claims you must specify in your supporting documentation which of the three types of business described above the claims relate to.**

In addition, under the Scheme a Discount Rate of 5% is applied to Scheme Creditors' Non-Agreed Paid Losses/Accruals and a Discount Rate of 25% is applied to Scheme Creditors' Outstanding Loss Claims and IBNR Claims. If you amend your Non-Agreed Paid Losses/Accruals and/or your Outstanding Loss Claims and IBNR Claims, please apply these Discount Rates and place the value of the discounts in the space provided. Under the Scheme no amendment to the Discount Rates is permitted.

Where you believe you have an IBNR Claim but no Outstanding Loss Claims, you must insert into your Claim Form the value of your IBNR Claim

Supporting Documentation

Where additional policies and/or values have been added to the Claim Forms then these additions must be substantiated by the provision of appropriate supporting documentation. All documentation must be supplied to Reinsurance Solutions Limited by no later than seven days after the Bar Date. The Claim Form itself, however, must be received on or before the Bar Date.

The Scheme Manager will seek to agree any amendments made by a Scheme Creditor to its Claim Form. If agreement does not prove to be possible, such claims will become Disputed Claims and will be referred to the Scheme Adjudicator for a binding decision to resolve the dispute.

Failure to supply suitable supporting documents may result in your claim being rejected or receiving a lower value than you assert.

If you have amended values in Section C, please sign Section A and return the Claim Form as described above.

APPENDIX E

**SOLVENT POOL PARTICIPANTS OF THE E W PAYNE POOLS THAT ARE NOT
PROPOSING A SCHEME**

- 1 AG Fur Transport Ruckversicherung
- 2 Alea (on its own behalf and through its participation in the BVF Pool)
- 3 Allianz International Ins
- 4 American Employers Insurance Company
- 5 American Fire & Casualty Company
- 6 American Manufacturers Mutual Insurance Company
- 7 Atlantica Insurance Company Limited
- 8 Bishopsgate Insurance Limited
- 9 Cavell Insurance Company Limited
- 10 Central Reinsurance Corporation
- 11 Cirrus Re Company AS
- 12 Commercial Union Reinsurance Company
- 13 Community Reinsurance Corporation Limited
- 14 Delta Lloyd Non-Life Ins Group
- 15 Devonport Underwriting Agency Limited
- 16 Eisen Und Stahl Ruckversicherungs
- 17 Employers Mutual Of Wausau
- 18 Excess Insurance Group
- 19 Farmland Insurance Companies
- 20 General Star National Insurance Co
- 21 Hannover Ruckversicherungs-AG

- 22 Insurance Company Of North America
- 23 KX Reinsurance Company Limited
- 24 La Fondiaria (through its participation in the BVF Pool)
- 25 Lancer Insurance Company
- 26 Lawrence Re (La Fenice)
- 27 Mannheimer (through its participation in the BVF Pool)
- 28 Merit Insurance Company
- 29 Milbank Mutual Insurance Company
- 30 National Casualty Company Of America
- 31 National Casualty Company Of Detroit
- 32 Nationwide Mutual Insurance Company
- 33 Old Tower Run Off
- 34 Oslo Reinsurance Company ASA
- 35 Paris International Re
- 36 QBE European Operations (on its own behalf and through its participation in the BVF Pool)
- 37 Singapore Reinsurance Corporation
- 38 Solvent Participants of Hua Limited "Pool" Account
- 39 Solvent Participants of Tower Underwriting Management Limited Pool
- 40 Solvent Participants of Willis Faber Underwriting Management Limited Pool
- 41 Sompo Japan Insurance Inc
- 42 Swedish Club
- 43 Transamerica Insurance Company
- 44 Trygg-Hansa Insurance Company Limited
- 45 Universal Reinsurance Corp

- 46 Winterthur Swiss Insurance Company
- 47 World Auxiliary Insurance Corp Limited

APPENDIX F

EXAMPLE VOTING FORM AND GUIDANCE NOTES FOR COMPLETION OF THE VOTING FORM AND ATTENDING THE
SCHEME MEETINGS

EW PAYNE POOLS SCHEME

VOTING REGISTRATION AND PROXY

BEFORE COMPLETING THIS VOTING FORM PLEASE REFER TO THE DETAILED NOTES THAT
ACCOMPANY IT

SECTION A VOTING FORM AND REGISTRATION

I / We [*name and address of scheme creditor to be inserted by RSL*] (the name of the Scheme Creditor)⁽¹⁾
of

(the address of the Scheme Creditor)

being a Scheme Creditor of one or more of the Scheme Companies

Will / Will not be attending the meetings (Delete as applicable) ⁽²⁾

If you are not attending the Scheme Meetings, but still wish to cast your vote, then you must appoint a proxyholder to attend and vote on your behalf

I / We HEREBY APPOINT (Delete as applicable) ⁽³⁾

Either

(a) the Chairman of the Scheme Meetings, or

as my/our proxyholder to act for me/us at such of the Scheme Meetings as I am/we are entitled to attend for the purpose of considering and, if thought appropriate, agreeing (with or without modification) to the Schemes and at such Scheme Meetings, or any adjournment thereof, to vote on my/our behalf and in my/our name for or against the Schemes (with or without modification) as hereinafter indicated in Section B, C and D of this form, or as my/our proxyholder may elect

Furthermore I / we do hereby submit the attached Young Forms and supporting information for the purposes of voting in the proposed Schemes of Arrangement for the EW Payne Pools.

Signature of the duly authorised representative of the Scheme Creditor, enter the capacity in which you have signed the form (eg director, agent or attorney) below ⁽⁴⁾ A signature on this form shall constitute the giving of a warranty that the signatory has been duly authorised by the relevant Scheme Creditor to sign the form on their behalf

Position

Date _____

Now please complete
Section B, C and D

EW PAYNE POOLS SCHEME

SECTION B: VOTING FOR ALL SCHEME COMPANIES COMBINED

SCHEME VOTING AMOUNTS ⁽⁵⁾

	Agreed Paid Losses	Non-Agreed Paid Losses/Accruals	Outstanding Loss Claims (OL) (Undiscounted)	IBNR Claims (Undiscounted)	Value of Discount for Non-Agreed Paid Losses	Value of Discount for OL and IBNR Claims	Total
Total Claims per Reinsurance Solutions Limited's records							
Additional Values Added							
Net Total							
Balance (consolidated USD)							

Now please review Section C which shows a breakdown of the above values split by Scheme Company

IF YOU HAVE COMPLETED THIS SECTION AND AGREE WITH THE VALUES IN SECTION C, YOU DO NOT NEED TO COMPLETE SECTION D

If you wish to vote "FOR" all of the Schemes, enter a tick [✓] in the box marked "FOR" If you wish to vote "AGAINST" all of the Schemes, enter a tick in the box marked "AGAINST" If you wish to abstain from the Scheme vote for all of the Schemes, enter a tick in the box marked "ABSTENTION" If you wish to give your Proxyholder a discretion to vote for or against (or to abstain) at the meetings you should enter a tick in the box marked "PROXYHOLDER'S DISCRETION" If you enter a tick in the box marked "PROXYHOLDER'S DISCRETION" you must appoint a person other than the Chairman to be your Proxyholder, or this form of proxy will not operate as valid appointment of your proxy at the meetings

FOR all the Schemes ⁽⁶⁾	AGAINST all the Schemes ⁽⁷⁾	ABSTENTION ⁽⁸⁾	PROXYHOLDER'S DISCRETION ⁽⁹⁾ (where the Proxyholder is not the Chairman)
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION C: VOTING ON EACH SCHEME INDIVIDUALLY
EW Payne Pool Scheme

[illegible]

TOTAL

IF YOU HAVE COMPLETED THIS SECTION AND AGREE WITH THE VALUES YOU DO NOT NEED TO COMPLETE SECTION D
IF YOU WOULD LIKE TO CHANGE ANY OF THE NUMBERS PROVIDED IN THIS SECTION, PLEASE REFER TO SECTION D

SECTION D: AMENDING THE VOTING VALUES·

EW Payne Pool Scheme

[illegible]

TOTAL

COMPLETING AND RETURNING THE VOTING FORM

IMPORTANT INFORMATION

Please read this document very carefully and if you are in any doubt please contact Reinsurance Solutions Limited for clarification.

Overview

In law each Scheme Company is proposing a separate Scheme of Arrangement, although the terms of each Scheme are identical and are incorporated into a single document. A separate Scheme Meeting will be held to vote on each Scheme. For convenience however, all the Scheme Meetings will be held concurrently.

You are entitled to vote on a Scheme Company's Scheme if you are a Scheme Creditor of that company. "Scheme Creditor" is defined in the Scheme, but in summary you are a Scheme Creditor of a Scheme Company if you are a creditor of that company in respect of the business of the E W Payne Pools.

Each Scheme Creditor has been sent a personalised Voting Form. It sets out what Reinsurance Solutions Limited considers to be a Scheme Creditor's claims for voting purposes in relation to each Scheme Company. This is shown in Section C of the Voting Form. The Scheme Companies listed there are those for which Reinsurance Solutions Limited considers you to be a Scheme Creditor. As a result, these are the Schemes upon which you are entitled to vote.

As explained in more detail below, if you disagree with the voting values in Section C, they can be amended. All values on the Voting Form are for voting purposes only and do not bind either the Scheme Creditor or the Scheme Companies in relation to the Scheme Claims.

Scheme Creditors need to fill in a single Voting Form irrespective of how many Scheme Companies' Schemes they are voting on.

Summary of the Voting Form

The Voting Form is split into four sections, each with its own guidance notes. The guidance notes are numbered to correspond to the numbered sections or footnotes on the form.

The four sections of the Voting Form are as follows:

Section A: Voting Registration and Proxy Form - This section is where you check and confirm the details given of the Scheme Creditor. If you are not intending to attend the Scheme Meetings in person, but wish to vote, you must use the section provided to appoint a proxyholder.

Section B: Voting for or against all of the Schemes - This section allows you to vote for or against (or abstain or elect that your vote be left to your proxyholder's discretion) all of the Schemes combined upon which you are voting. In addition, this section will show, for summary purposes, what Reinsurance Solutions Limited considers to be your total claim for voting purposes against all the Scheme Companies for which you are a Scheme Creditor.

Section C: Voting for each Scheme individually - This shows a breakdown of what Reinsurance Solutions Limited considers to be your claims for voting purposes in relation to each Scheme Company for which you are a Scheme Creditor.

If you do not wish to vote for or against all the Schemes together, this Section allows you to vote on each Scheme separately.

Section D: Voting for each Scheme individually – amending the values - If you disagree with any of the values given to your claims for voting purposes in Section C, Section D can be used to enter revised values.

Returning the Voting Form

To vote at the Scheme Meetings, Voting Forms should be sent by post to Reinsurance Solutions Limited to arrive by no later than **4pm (BST) on 30 June 2008**. Reinsurance Solutions Limited's contact details are as follows:

Reinsurance Solutions Limited Mayland House Mayland Road	General	+44 (0)1376 506 210
	Direct	Brian Evans

Essex CM8 2UP United Kingdom	+44 (0)1376 506 423 David Bowen +44 (0)1376 506 374
Ref Brian Evans & David Bowen	Fax +44 (0)1376 506 601
	Email Brian W Evans@guycarp.com David C Bowen@guycarp.com

A copy sent by fax to Reinsurance Solutions Limited will be accepted if legible provided that the original is received by no later than 4pm (BST) on 3 July 2008. If Scheme Creditors fail to submit their proxies and voting forms by 4pm (BST) on 3 July 2008 they may be handed to the Chairman of the Scheme Meetings at the meetings

Additional notes

- (A) Any alteration to the Voting Form must be initialled by the person who signs it
- (B) To determine whether the requisite majority in value has been achieved at each Scheme Meeting, votes will be calculated following the Scheme Meeting for each Scheme Company according to the aggregate amount of claims specified on the Voting Forms for each Scheme Company subject to agreement or valuation
- (C) If you have any questions on this Voting Form please contact Brian Evans or David Bowen using the above contact details

SECTION A: VOTING REGISTRATION AND PROXY FORM

Notes

The numbered notes below relate to the footnotes in Section A of the Voting Registration and Proxy Form.

(1) Name of Scheme Creditor

Please confirm that the name and the address of the Scheme Creditor is correct. If you are the duly authorised representative of a number of Scheme Creditors, you must fill out a separate Voting Form for each Scheme Creditor.

(2) Are you attending the Scheme Meetings in person?

If you intend to attend the Scheme Meetings in person, delete the words 'Will not'. You do not need to appoint a proxyholder.

If you do not intend to attend the Scheme Meetings, delete the word 'Will'. You must now complete part (3).

(3) Appointing a proxyholder

To appoint a proxyholder to vote on your behalf at the Scheme Meetings please fill in this section. You may appoint as your proxyholder either (a) the Chairman of the Scheme Meetings or (b) another named individual.

Appointing the Chairman as your proxyholder

If you wish to appoint the Chairman as your proxyholder please leave part (b) blank. You must instruct the Chairman to vote either "For" "Against" or "Abstention" in the case of all the Schemes upon which you are voting. Do not mark "Proxyholder's Discretion" if you appoint the Chairman as your proxyholder otherwise your appointment of the Chairman as your proxyholder will be ineffective.

Appointing another named individual as your proxyholder

If you wish to appoint a person other than the Chairman as your proxyholder, delete the words "the Chairman of the Meetings" in part (a) and enter in block capitals in the space provided in part (b) the name of the person you wish to appoint as your proxyholder for the Scheme Meetings. If you choose to appoint a person other than the Chairman as your proxyholder that person must attend in person at the Scheme Meetings in order to vote on your behalf. He or she can be told by you how to vote in which case you must indicate this by ticking the appropriate box(es) in Sections B, C or D. Alternatively, you can allow your named proxyholder to exercise their discretion at the Scheme Meetings in which case the box described "Proxyholder's Discretion" should be ticked

(4) Duly authorised representative of the Scheme Creditor

If you are the duly authorised representative of the Scheme Creditor, enter the capacity in which you have signed the form (e.g. director, agent, attorney etc)

SECTION B: VOTING FOR ALL SCHEME COMPANIES COMBINED

Notes

This section of the Voting Form allows you to vote "For" or "Against" (or abstain or nominate your proxyholder to use his or her discretion when voting) in the case of all of the Schemes together. If you wish to vote on each Scheme separately please leave Section B blank and place your votes for each Scheme in either Sections C or D. This is explained in more detail below. **The numbered notes below relate to the footnotes in Section B of the Voting Registration and Proxy Form.**

(5) Scheme Voting Amounts

The value of your vote in each Scheme is the expected value of your Scheme Claim in that Scheme. Your voting form has been personalised to show what Reinsurance Solutions Limited considers to be your Scheme Claim for voting purposes in relation to each Scheme Company. A summary of your total voting amounts across all the Schemes (for which you are entitled to vote) is shown in this table. A breakdown of your voting amounts for each Scheme Company is shown in Section C.

Your total voting amount is split into the following four categories, which mirror the categories of claims in the Schemes

Agreed Paid Losses	These are losses which were settled by the Scheme Creditor and were agreed with the Scheme Company prior to the Scheme becoming effective
Non-Agreed Paid Losses/Accruals	These are losses which have been settled by a Scheme Creditor and submitted to the Scheme Company but which have not yet become Agreed Paid Losses, this includes Accruals which are losses which have been settled by a Scheme Creditor, which have not been agreed by Reinsurance Solutions Limited
Outstanding Loss Claims	These are claims against or Liabilities of a Scheme Creditor in respect of losses arising under Reinsurance Contracts which have been notified but not yet settled by the Scheme Creditor giving rise to a Scheme Claim
IBNR Claims	These are claims against or Liabilities of a Scheme Creditor under Reinsurance Contracts in respect of incurred but not reported losses, namely losses which as at 30 June 2007 (i.e. the Ascertainment Date) have been incurred but have not been reported to the Scheme Creditor giving rise to a Scheme Claim

	To avoid using a complicated estimation methodology with all its associated costs to both Scheme Companies and Scheme Creditors, the Scheme provides that the value of a Scheme Creditor's IBNR Claim will be calculated by reference to its undiscounted Outstanding Loss Claims Loading Percentages of 200% will be applied to Outstanding Loss Claims relating to Asbestos Losses. 75% will be applied to Outstanding Loss Claims relating to Pollution Losses and 25% will be applied to Outstanding Loss Claims relating to other types of loss
--	--

The form also shows the amounts by which your claims will be discounted under the terms of the Scheme. These are as follows

Discount on Non-Agreed Paid Losses/Accruals	Under the Scheme a discount rate of 5% is applied to Scheme Creditors' Non-Agreed Paid Losses/Accruals
Discount on Outstanding Loss Claims and IBNR Claims	Under the Scheme a discount rate of 25% is applied to Scheme Creditors' Outstanding Loss Claims and IBNR Claim

If you do not wish to amend the values shown in Section C, please insert in Section B the total value of your Scheme Claims (which will be the total of the "Total Claims per RSL's Records") into the box marked "Balance (consolidated USD)"

To amend the values shown in Section C and thus the total value of your Scheme Claims in all the Schemes for which you are Scheme Creditor, please see the notes for Section D below. The total of the amended values for each category of claim together with the associated discount amounts should be added into this table in the boxes marked "Additional Values Added/Subtracted". The net balance should be inserted the box marked "Balance (consolidated USD)".

(6) Voting for all the Schemes

In order to submit a vote "For" all of the Schemes where you are a Scheme Creditor, please enter a tick [✓] within this box

(7) Voting against all the Schemes

In order to submit a vote "Against" all of the Schemes where you are a Scheme Creditor, please enter a tick [✓] within this box

(8) Abstention

If you wish to abstain from the Scheme Vote please enter a tick [✓] within this box

(9) Proxyholder's Discretion

Where you have nominated a proxyholder to be present at the Scheme Meetings and you wish them to decide how to vote on the day of the Scheme Meetings, please enter a tick [✓] within this box. Evidence of authority (e.g. deed of assignment or letter of authorisation) in a form acceptable to the Chairman will be required.

Please note that if you have selected the Chairman as your proxyholder you must not enter a tick in this box, rather you must enter a tick in either the "For", "Against" or "Abstention" boxes.

SECTION C: VOTING ON EACH SCHEME INDIVIDUALLY

Notes

Section C allows you to vote For, Against, Abstain from or select Proxyholder's Discretion for each Scheme upon which you are voting

It shows the values of your Agreed Paid Losses, Non-Agreed Paid Losses, Outstanding Loss Claims, IBNR Claims, the amount to be discounted from your Non-Agreed Paid Losses and the amount to be discounted from your Outstanding Loss Claims and IBNR Claims in respect of each of the Scheme Companies of which you are a Scheme Creditor. The values of your Agreed Paid Losses, Non-Agreed Paid Losses, Outstanding Loss Claims are derived from Reinsurance Solutions Limited's records. The values of your IBNR Claims and discount amounts are calculated using the terms of the proposed Scheme.

All values on the Voting Form are entered in US Dollars. Where necessary, amounts in other currencies have been converted into USD using the Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last Business Day prior to the Ascertainment Date (i.e. 29 June 2007). This date has been chosen for currency conversion purposes rather than the Ascertainment Date itself because the Ascertainment Date fell on a Saturday. Where a liability was incurred in a currency replaced by the Euro, it has been converted into Euros at the fixed rate of exchange in operation for that currency as at the date it was so replaced and has been converted into US dollars using the Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last Business Day prior to the Ascertainment Date (i.e. 29 June 2007). The main relevant exchange rates are shown below (they are the relevant Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last Business Day prior to the Ascertainment Date (i.e. 29 June 2007)).

GBP£1 / US\$0.4984

CAN\$1 / US\$1.0639

If you require more details about the values given on your Voting Form for instance, allocating the claims between the Reinsurance Contracts written by the Scheme Companies, you may request such information from Reinsurance Solutions Limited (see contact details on pages 2 and 3 of these Notes).

If you do not agree with any of the values in Section C, please complete Section D as appropriate.

SECTION D: AMENDING THE VOTING VALUES

If you disagree with the values given to your Agreed Paid Losses, Non-Agreed Paid Losses or Outstanding Loss Claims, this section allows you to enter revised amounts

Amending the values

If you amend your Outstanding Loss Claims, you may also need to amend your IBNR Claims. Under the Scheme, IBNR Claims are calculated as loadings based on your undiscounted Outstanding Loss Claims. Different loadings apply to different types of business. A Loading Percentage of 200% is to be applied to Outstanding Loss Claims derived from Asbestos Losses, a Loading Percentage of 75% is to be applied to Outstanding Loss Claims derived from Pollution Losses and a Loading Percentage of 25% is to be applied to Outstanding Loss Claims derived from Other Losses. You are recommended to use these Loading Percentages when calculating your IBNR Claims for voting purposes.

In addition, under the Scheme a discount rate of 5% is applied to Scheme Creditors' Non-Agreed Paid Losses/Accruals and a discount rate of 25% is applied to Scheme Creditors' Outstanding Loss Claims and IBNR Claims. If you amend your Non-Agreed Paid Losses/Accruals and/or your Outstanding Loss Claims and IBNR Claims, we recommend that you apply these discount rates and place the value of the discounts in the space provided.

Where you believe you have an IBNR Claim but no Outstanding Loss Claims, you must insert into your voting form the value of your IBNR Claim.

Please insert the difference between your revised amounts and the amounts given in Section C in respect of your claim into the summary table in Section B of the Voting Form.

Supporting Documentation

Where you have revised or amended your Voting Form, such changes must be substantiated by the provision of appropriate supporting documentation. **Failure to supply suitable supporting documents may result in your vote being rejected or receiving a lower value than you assert.**

Scheme Creditors who cast their vote on the day of the Scheme Meetings can provide supporting documentation on the day.

Reinsurance Solutions Limited will seek to agree the amended value of your votes by reference to the records held by Reinsurance Solutions Limited and any supporting documentation which you supply. If agreement cannot be reached, the Chairman of the Scheme Meetings will determine what he considers to be a fair and reasonable value for voting purposes. In the event of a dispute, the Chairman's decision will be final and binding, subject to any right of appeal in law. Where possible, the Chairman will notify you of his decision on the valuation of your claim for voting purposes before the Scheme Meetings.

The Chairman of the Meetings has absolute discretion and the power to reject a vote or determine what he considers to be a fair and reasonable assessment of the Scheme Creditor's vote value.

Where a vote is rejected or valued at a different amount than originally asserted, you will be notified of this decision as soon as possible and in any event prior to the Court hearing to sanction the Schemes. This rejection or revision of value will be reported to the Court at the sanction hearing and should you wish to object you may do so at that hearing.

The date and place of the sanction hearing will be made available on the Scheme Website.

Voting on amended values

If you have entered revised voting amounts in Section D for a Scheme Company's Scheme, you can place your vote on that Scheme ("For", "Against", "Abstention" or "Proxyholder's discretion") either

- (a) by entering your vote in Section B for all the Schemes Companies' Schemes for which you are a Scheme Creditor, or
- (b) by entering your votes in Section D for those Scheme Companies for which you have entered revised voting amounts and by entering your votes in Section C for the other Scheme Companies for which you are a Scheme Creditor.

APPENDIX G

ILLUSTRATIVE EXAMPLE OF THE NUMBER OF POOL PARTICIPANTS IN EXCESS OF LOSS POOL NO 1 AND EACH POOL PARTICIPANT'S PERCENTAGE SHARE OF THE RISKS BEING WRITTEN BY THAT POOL IN 1980, 1983 AND 1985

A/C NO	Name	1980			1983			1985		
		Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3	Cat 4	Cat 5
AF002P	Sjoforskrings Aktie/Alpha	0 3500	0 3500	0 3500						
AF003Q	Alte Leipziger Ruck	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF004R	Ancon Insurance				1 0000					
AF005S	Generali	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000
AF006T	Assubel Accidents Et Dommages	0 1000	0 1000	0 1000						
AF008V	Auro General Mutual/Tapiola				0 3000	0 3000	0 3000			
AF010P	Bermuda Fire & Marine	1 4544	1 4544	1 4544						
AF011Q	Bermuda London Underwriting Ag	0 6700	0 6700	0 6700	1 0000	1 0000	1 0000			
AF016V	CNA Re of London Ltd	0 7500			0 7500					
AF017W	Community Reinsurance Corp				0 7500		1 2500			
AF019Y	Copenhagen Reinsurance Co				1 0000	1 0000	1 0000			
AF021S	Dai-Tokyo Fire & Marine	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF025W	Devonport Underwriting Ag Ltd				1 0000					
AF0290	Eagle Star Group	0 3000			0 4000					
AF031U	El Paso Insurance Co							0 6660	0 6660	
AF033W	Excess Insurance Group	1 0000			1 0000			1 0000	1 0000	
AF034X	Finnish Industrial & General	0 2500			0 2500					
AF035Y	Finnish Marine				0 5000	0 5000	0 5000			
AF036Z	Folksam International				1 5000	1 5000	1 5000			
AF0370	G E Oatley Underwriting Ag	2 0000			2 5000	2 5000	2 5000	2 5000	2 5000	2 5000
AF0392	Gjensidige Forsikring				1 0000	1 0000	1 0000			
AF040V	Hannover Ruck/Eisen Stahl	1 0000	1 0000	1 0000						
AF041W	Haugesunds Sjofors				0 5000	0 5000	0 5000			
AF044Z	Hua Limited	1 5000	2 5000	2 5000						

AF/NO	Name	1980			1983			1985		
		Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3	Cat 4	Cat 5
AF0483	Jordbrukets/Agnia				0 3000	0 3000	0 3000			
AF0494	Keskinainen Hameen Vak				0 5000	0 5000	0 5000			
AF052Z	Kraft Insurance Co Ltd							1 3340	1 3340	
AF0552	Louisville Insurance Co							0 6660	0 6660	
AF0563	Mentor Ins Ltd	0 3760	0 3760	0 3760						
AF058A	Mutual Reinsurance Company Ltd	0 9412	0 9412	0 9412						
AF0610	Nichido Fire & Marine Ins Co	0 2500	0 2500	0 2500	0 2500	0 2500	0 2500	1 3340	1 3340	3 3330
AF067B	Oberon Underwriters Ltd/St Pauls	1 0000			1 0000	1 0000				
AF069D	Pohja Keskinainen/Tapiola				1 0000	1 0000	1 0000			
AF0701	Pohjola Insurance Company Ltd				0 3000	0 3000	0 3000			
AF0712	Polaris Assurance As				0 5000	0 5000	0 5000			
AF074A	Provinzial Feuer	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF075B	Ridgewell Fox & Partners	5 0000	5 0000	5 0000	5 0000	5 0000	5 0000			
AF077D	Keskinainen Vakuutus/Sampo				1 0000	1 0000	1 0000			
AF079F	Samvirke General Insurance				0 5000	0 5000	0 5000			
AF0803	Saskatchewan Govmt Ins	1 0000	1 0000	1 0000	1 0000	1 0000	1 0000			
AF087F	Sparkassen-Versicherungs	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF088G	Sphere Drake	3 0000	1 0000	3 0000				3 0000	3 0000	
AF088G	Sphere Drake		6 0000							
AF090A	Stockholm Reinsurance Co Ltd				1 0000	1 0000	1 0000			
AF094E	Mitsui Marine & Fire Ins Compnay Ltd	0 5000	0 5000	0 5000	1 0000	1 0000	1 0000			
AF098I	Transamerica Insurance Co	3 6360	3 6360	3 6360						
AF101R	Uni Forsikring				1 0000	1 0000	1 0000			
AF102S	Union Suisse Compagnie	0 5000	0 5000	0 5000	0 7500	0 7500	0 7500			
AF103T	Unionamerica Insurance Company Ltd	1 5000	1 5000	1 5000	1 5000	1 5000	1 5000			
AF105V	Unione Italiana Di Riass	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF107X	Vastuu Jalleenvakuutusos				0 5000	0 5000	0 5000			
AF108Y	Victoria Ruckversicherungs	3 0000	3 0000	3 0000	3 0000	3 0000	3 0000			
AF110S	Walbrook Insurance Company Ltd	3 7740	3 7740	3 7740				4 0000	4 0000	3 3330
AF114W	Winterthur Swiss Insurance Co	1 8184	1 8184	1 8184						

A/C NO	Name	1980			1983			1985		
		Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3	Cat 4	Cat 5
AF116Y	Württembergische Feuer	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF1191	British National Insurance Company Ltd	2 5000	4 0000	2 5000						
AF1453	Groupe Des Assurances	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF1533	La Providence/Axa Re	0 3000	0 3000	0 3000	0 3000	0 3000	0 3000			
AF156B	Singapore Reinsurance Corp	0 5000	0 5000	0 5000						
AF157C	Sumitomo Marine & Fire Ins	1 0000	1 0000	1 0000	1 0000	1 0000	1 0000			
AFA5GS	Atlantic Mutual per W F U M	0 0400			0 0400					
AFA6CQ	Allianz Mutual per W F U M	0 0480			0 0500					
AFD25P	Devonport - Municipal General				0 1500					
AFD26Q	Devonport - Devonport Insurance				0 4500					
AFD27R	Devonport - Wausau Insurance				0 4000					
AFH01T	Heddington Ins				1 0000					
AFS1A1	Sovereign 'B' per W F U M	0 2000								
AFS4NP	Sovereign per W F U M	0 1920			0 3650					
AFS671	Storebrand (uk) per W F U M	0 0800			0 0950					
AFT0B3	Taisho (uk) per W F U M	0 1760			0 1800					
AFT0C4	Tokio (uk) per W F U M	0 2640			0 2700					
YAF06Z	Farmers Mutual Hail Ins				0 5000	0 5000	0 5000			
YAF20X	Farmers Home Mutual				1 0000	1 0000	1 0000			
YAI24F	Inland Insurance Company				0 2500	0 2500	0 2500			
YAM050	General Star Insurance Company				0 5000	0 5000	0 5000			
YAP02U	Public Service Mutual				5 0000	5 0000	5 0000			
YAT07G	Travelers Indemnity Company				2 5000	2 5000	2 5000			
YAU01D	Universal Reinsurance				1 0000	1 0000	1 0000			
YBA11L	American Employers Insurance Co	2 0000	2 0000	2 0000						
YBB01M	Bellefonte Insurance Company	0 7500	0 7500	0 7500						
YBF063	Farmers Mutual Hail Insurance of Iowa	0 5000	0 5000	0 5000						
YBF201	Farmers Home Mutual Insurance Company	1 0000	1 0000	1 0000						
YBI071	Instituto De Resseguros Do Brasil	1 0000	1 0000	1 0000						
YBI24J	Inland Insurance Company	0 2500	0 2500	0 2500						

A/C NO	Name	1980			1983			1985		
		Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3	Cat 4	Cat 5
YBM05S	Monarch Insurance Company of Ohio	0 5000	0 5000	0 5000						
YBP02Y	Public Service Mutual Insurance Company	5 0000	5 0000	5 0000						
YDA58D	Aura Keskinainen Vak/Tapiola	0 3000	0 3000	0 3000						
YDC48H	Copenhagen Reinsurance Company	1 0000	1 0000	1 0000						
YDD16C	Kobenhavnske Assurance/Hafnia	0 7500	0 7500	0 7500						
YDF12E	Fennia & Industrial Re/Industrial Mutual	0 5000	0 5000	0 5000						
YDF36M	Folksam International Insurance	1 5000	1 5000	1 5000						
YDF37N	Finska Sjöförsäkringsaktiebolaget/Finnish Marine	0 5000	0 5000	0 5000						
YDG17M	Gjensidige Norsk Forsikring	1 0000	1 0000	1 0000						
YDH27R	Trygg Hansa	0 7500	0 7500	0 7500						
YDH35R	Haugesunds Sjø As/Storebrand	0 5000	0 5000	0 5000						
YDI020	Agria Ins/Jordbrukets	0 3000	0 3000	0 3000						
YDK14V	Hameen Vakuutus Mutual	0 5000	0 5000	0 5000						
YDN39I	Norges Brankasse/Storebrand	1 0000	1 0000	1 0000						
YDN40B	Norsk Forsikring As/Storebrand	0 2500	0 2500	0 2500						
YDO07D	Industrial Mutual Insurance Co	1 0000	1 0000	1 0000						
YDO08E	Omesidiga/Finnish Marine	0 2500	0 2500	0 2500						
YDP15G	Phojola Insurance Company	0 3000	0 3000	0 3000						
YDP48P	Pohja/Tapiola	1 0000	1 0000	1 0000						
YDP49Q	Polaris Norsk Forsikring/Storebrand	0 5000	0 5000	0 5000						
YDS52U	Sampo International Ins Co	1 0000	1 0000	1 0000						
YDS53V	Samvirke General Ins Co	0 5000	0 5000	0 5000						
YDS57Z	Stockholm Reinsurance	1 0000	1 0000	1 0000						
YDS580	Sveriges Angfartigs Assurans/The Swedish Club	0 5000	0 5000	0 5000						
YDT40T	Top International	0 2000	0 2000	0 2000						
YDU19Z	Ursa/Industrial Mutual	1 5000	1 5000	1 5000						
YDV07Y	Aterforsäkringsaktiebolaget Vastuu	0 5000	0 5000	0 5000						
YDV08Z	Aterforsäkringsaktiebolaget Vertias	1 0000	1 0000	1 0000						
	TOTAL	74.0700	74.2700	68.7700	52 6000	44 4500	44.7000	15 0000	15 0000	9 6660

Note

Each year E W Payne would set out the aggregate limits for each category of business on each of the Pools. This would be the total amount of exposure E W Payne proposed would be assumed by each Pool for each category of business during the coming year. Pool Participants would then be asked to set down what percentage share of those aggregate limits they were each prepared to accept. The above table shows for the E W Payne Excess of Loss Pool No 1, each individual Pool Participant's percentage shares of the total aggregate limits for each category of business for 1980, 1983 and 1985. As can be seen from the above table, in none of those years did E W Payne obtain 100% of the aggregate limits. For instance, for Category 3 in 1983, the total Pool placement was 52.60%. This meant that E W Payne was able to place a maximum of 52.60% of its proposed 100% aggregate limits for Category 3 business during the course of 1983.

With each declaration made by the Pool during the year the aggregate limit would be eroded. For example, if the following three declarations were made under Category 3 of the 1983 year of account, the aggregate amount included from these three declarations would be USD175,000 for 100%, of which the Pool Participants took their proportionate shares -

- A) GBP200,000 or USD400,000 each and every loss excess of GBP50,000 or USD100,000 each and every loss Hereon 20%
- B) GBP250,000 or USD500,000 each and every loss excess of GBP250,000 or USD500,000 each and every loss Hereon 10%
- C) GBP150,000 or USD300,000 each and every loss excess of GBP150,000 or USD300,000 each and every loss Hereon 15%

If the Category 3 aggregate limit for the entire Pool was, for example in 1983, USD7,500,000 then the facility would have been eroded by USD175,000 leaving the facility with a total of USD7,325,000 (provided no other declarations had been made at that point).

From the above table it can be seen that the total Pool placement for 1983 under Category 3 was 52.60%. The individual Pool Participants' percentage shares combine together to make up that total Pool placement. Where part-declarations were accepted (the Pool generally wrote part declarations of risks to provide Participants with a wide spread of risks) the Pool percentage information expressed to the reinsured by the broker in their cover note, was presented in a different percentage format albeit ending in the same result. In example "A" the broker cover note would have advised the reinsured that the net Pool percentage line was 10.52% (Hereon 20% of 52.60% being the Pool placement as per the above list). The

attachment would have shown the Pool Participants' lines increasing from being part of 52.60% to being part of 100% (ie it would show each Pool Participant's share of the 10.52% line)

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT**

MR JUSTICE DAVID RICHARDS

**IN THE MATTER OF AEGON SCHADEVERZEKERING NV AND THE OTHER COMPANIES
LISTED ON THE SCHEDULE TO THE APPLICATION (All BEING MEMBERS OF THE EW
PAYNE POOLS)**

AND

IN THE MATTER OF THE COMPANIES ACT 2006

APPENDIX B

THE E W PAYNE POOLS SCHEME

**A PROPOSAL IN RELATION TO SCHEMES OF
ARRANGEMENT PURSUANT TO PART 26 OF THE
COMPANIES ACT 2006**

BETWEEN

THE SCHEME COMPANIES

(Listed on pages 2 to 10 of this document)

AND THEIR RESPECTIVE

SCHEME CREDITORS

**CONCERNING BUSINESS UNDERWRITTEN AND/OR ADMINISTERED
BY REINSURANCE SOLUTIONS LIMITED ON BEHALF OF THE
SCHEME COMPANIES IN RESPECT OF**

THE EXCESS OF LOSS POOL NO 1 (1960 to 1985),

THE EXCESS OF LOSS POOL NO 2 (1974 to 1982),

THE EXCESS OF LOSS POOL NO 3 (1983) AND

THE 'X' ACCOUNT POOL (1961 to 1968)

**WITH MODIFICATIONS AFFECTING THE SCHEME CREDITORS OF UNIONAMERICA
INSURANCE COMPANY LIMITED AND EAGLE STAR INSURANCE COMPANY LIMITED ONLY**

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IT CONTAINS EXTENSIVE AND DETAILED INFORMATION AND SHOULD BE READ IN ITS ENTIRETY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER WITHOUT DELAY. A COPY OF THIS DOCUMENT HAS BEEN SENT TO THOSE EXISTING BROKERS BELIEVED TO HAVE PLACED BUSINESS WITH OR ON BEHALF OF ANY OF THE SCHEME COMPANIES. BROKERS, OTHER AGENTS AND INTERMEDIARIES ARE REQUESTED TO BRING THE CONTENTS OF THIS DOCUMENT TO THE ATTENTION OF CLIENTS WHO HAVE OR MAY HAVE, SCHEME CLAIMS AGAINST ANY OF THE SCHEME COMPANIES.

Scheme Website: www.ewpaynepools.com

SCHEME COMPANIES' PRESENT NAMES AND RELEVANT FORMER NAMES

Pool Participant	Former names used when underwriting on the E.W. Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
ACN 000 141 051 Limited	National & General Insurance Company Limited
AEGON Schadeverzekering NV	Compagnie van Assuradeuren NV NEZAM N V
Affiliated F M Insurance Company	Affiliated F M Insurance Company
Aioi Insurance Company Limited (on its own behalf and in respect of its participation in the BVF Pool)	Dai Tokyo Fire & Marine Insurance Company Limited
Allianz Belgium SA	AGF Belgium SA Assubel-Vie SA Assubel Accidents & Dommages SA, ex Caisse Nationale Belge d'Assurances SA
Allianz Suisse Insurance Company (on its own behalf and in respect of its participation in the BVF Pool)	Allianz Suisse Insurance Company Elvia Insurance Company Helvetia Accident Swiss Insurance Company General of Berne Insurance Company
Alma Insurance Company Limited	Aura General Mutual Insurance Company (Keskinainen Vakuutusyhtio Aura) Tapiola General Mutual Insurance Company Pohja General Mutual Insurance Company (Keskinainen Vahinkovakuutusyhtio Pohja, Omsesidiga Skadefosakring Pohja, Pohja Keskinainen)
Alte Leipziger Versicherung AG	Alte Leipziger Ruckversicherung AG
American Casualty Company of Reading	American Casualty Company of Reading
American International Reinsurance Company	American International Reinsurance Company
American States Insurance Company	American Union Reinsurance Company
Argonaut Insurance Company	Shamrock Insurance Company Limited
Arran Insurance Company Limited	Ancon Insurance Company (UK) Limited
Assicurazioni Generali S p A UK Branch	Assicurazioni Generali S p A UK Branch
Återförsäkringsaktiebolaget Stockholm (Stockholm Reinsurance Company Limited)	Stockholm Reinsurance Company Limited

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
Axa Belgium SA	Royal Belge Incendie Reassurance SA
Axa Insurance UK Plc	Forsikringsaksjeselskapet Polaris-Norske Sjo Forsikringsaktieselskabet Nordlyset
Axa Re	Ancienne Mutuelle La Paix (Paris) La Providence La Providence IARD
Baloise Insurance Company Limited	Baloise Fire Insurance Co Limited Baloise Marine Insurance Co Limited
Bothnia International Insurance Company Limited (on its own behalf and in respect of its participation in the BVF Pool)	Aterforsakringsaktiebolaget Vastuu Finska Sjöforsakrings Industriforsikring Keskinainen Vakuutusyhtio Sampo Patria Reinsurance Company Limited Pohjola Insurance Company Limited Sampo International Insurance Company Vastuu Jalleenvakuutusosakeyhtio
Carolina Casualty Insurance Company	Insurance Company of the South
Codan Insurance Limited	Dansk Søassurance (Dansk Søassurance) Hafnia Ins Co Ltd Hafnia Reassurance (Hafnia Re) Den Kjøbenhavnske Sø-Assurance-Forening (Copenhagen Søassurance) Forsikringsselskabet Haand 1 Haand (later Hafnia Haand-1-Haand) Dansk Søassurance A/S (Dansk Søassurance/Danish Marine Insurance Co Ltd) Forsikringsselskabet Hafnia Sø –og Industri, Forsikringsselskabet Hafnia A/S (Hafnia Insurance Ltd) Hafnia Reassurance A/S Forenede Assurandører Aktieselskab, Fjerde Søforsikrings Selskab A/S

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
	A/S Forsikringsselskabet Codan Codan Arbejdsskadeforsikring A/S Codan Insurance Ltd
Commerce and Industry Insurance Company	Commerce and Industry Insurance Company
Companhia De Seguros Fidelidade - Mundial SA	Companhia de Seguros Fidelidade, SA Fidelidade Grupo Segurador
CX Reinsurance Company Limited	CNA Reinsurance Company Limited CNA International Reinsurance Company Limited CNA Reinsurance of London Limited Continental Casualty Limited
Eagle Star Insurance Company Limited	Eagle Star Group Eagle Star (Swann and Everett Underwriting Agency) Eagle Star Reinsurance Company Limited
Factory Mutual Insurance Company	Allendale Mutual Insurance Company MFB Mutual Insurance Company (Manufacturers Mutual Insurance Company, Firemens Mutual Insurance Company, Blackstone Mutual Insurance Company) Arkwright Mutual Insurance Company Arkwright-Boston Mutual Insurance Company Philadelphia Manufacturers Mutual Insurance Company (PMMI) Mutual Boiler & Machinery Insurance Company Protection Mutual Insurance Company
Farmers Mutual Hail Insurance Company of Iowa	Farmers Mutual Hail Insurance Company Of Iowa
Federated Mutual Insurance Company	Federated Mutual Insurance Company
Fieldmill Insurance Company Limited (with regard to its participation in the Hillcot Underwriting Pool which was formerly known as the Toa Re Underwriting Pool, the Toa Re-Oatley Underwriting Pool and the GE	Harleysville Insurance Company (UK) Limited

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
Oatley (Underwriting Agencies) Limited Pool)	
Florists' Mutual Insurance Company	Florists' Mutual Insurance Company
Gan Assurances IARD	Groupe des Assurances Nationales Assurances Nationales
Generali Assurances Generales	Union Suisse Compagnie Generale D'Assurances
Generali Versicherung AG (in respect of its participation in the BVF Pool)	Thuringia Versicherung AG Thuringia Generali Versicherung AG
Gjensidige Forsikring, Norway	Gjensidige Forsikring Gjensidige Norsk Skadeforsikring Trondhjems Forsikringsselskab
GLOBALE Ruckversicherungs-AG	Gerling-Konzern GLOBALE Versicherungs-Aktiengesellschaft Gerling-Konzern Ruckversicherungs-Aktiengesellschaft Gerling Globale Ruckversicherungs-Aktiengesellschaft
Hamburger Internationale Rueckversicherung AG	Hamburg-Bremer Rueckversicherungs-AG
Harper Insurance Limited	Harper Versicherungs AG (Harper Insurance Limited) Turegum Versicherungsgesellschaft (Turegum Insurance Company)
Hillcot Re Limited (with regard to its participation in the Hillcot Underwriting Pool which was formerly known as the Toa Re Underwriting Pool, the Toa Re-Oatley Underwriting Pool and the GE Oatley (Underwriting Agencies) Limited Pool)	The Toa-Re Insurance Company (UK) Limited Chevanstell Limited Tryg-Baltica International (UK) Limited Colonia Baltica Insurance Limited Colonia Insurance Company (UK) Limited Oslo Reinsurance Company (UK) Limited Norden Insurance Company (UK) Limited
Inland Insurance Company	Inland Insurance Company
IRB-Brasil Resseguros S A	Instituto de Resseguros do Brasil

Pool Participant	Former names used when underwriting on the E W Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
Lansforsakringar Sak Forsakringsaktiebolag (publ) (Lansforsakringar Non-Life Insurance Company (publ))	Jordbrukets Forsakringsbolaget, Omsesidigt
Longmynd Insurance Company Limited (with regard to its participation in the Hillcot Underwriting Pool which was formerly known as the Toa Re Underwriting Pool, the Toa Re-Oatley Underwriting Pool and the GE Oatley (Underwriting Agencies) Limited Pool)	Security Insurance Company (UK) Limited
Markel International Insurance Company Limited	Intercontinental Reinsurance Company Limited Terra Nova Insurance Company Limited
Milwaukee Insurance Company	Milwaukee Union Mutual Insurance Company
Minster Insurance Company Limited	Groupama Insurance Company Limited GAN Insurance Company Limited GAN Minster Insurance Company Limited
Mitsui Sumitomo Insurance Company Limited	The Sumitomo Marine & Fire Insurance Company Limited Mitsui Marine & Fire Insurance Co Ltd Taisho Marine & Fire Insurance Co Ltd
Munchener Ruckversicherungs-Gesellschaft (Munich Reinsurance Company) (on its own behalf and on behalf of Reale Riassicurazioni S P A's participation in the BVF Pool)	Victoria Ruckversicherungs A G Reale Riassicurazioni S P A
Niedersachsen Versicherungs-AG	Niedersachsen Versicherungs-AG
Nipponkoa Insurance Co, Ltd	The Nippon Fire & Marine Insurance Co, Ltd
North Star Mutual Insurance Company	North Star Mutual Insurance Company
NRG Victory Reinsurance Limited	Victory Insurance Company Limited The Victory Reinsurance Company Limited
Oberosterreichische Versicherung Aktiengesellschaft	Oberosterreichische Landes-Brandschaden-Versicherungsanstalt Wechselseitige Oberosterreichische Landes-Brandschaden-Versicherungsanstalt Wechselseitige Oberosterreichische Versicherungsanstalt

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
	Oberösterreichische Wechselseitige Versicherungsanstalt Oberösterreichische Vermögensverwaltungs-Aktiengesellschaft
Phoenix Insurance Company	Phoenix Insurance Company
Pohjantahti Mutual Insurance Company	Keskinäinen Hameen Vakuutusyhtiö Hameen Vakuutus Mutual Insurance Company
Provinzial Rheinland Holding	Provinzial-Feuerversicherungsanstalt der Rheinprovinz
Public Service Mutual Insurance Company	Public Service Mutual Insurance Company
R+V Versicherung AG (in respect of its participation in the BVF Pool)	Rhein-Main Rückversicherungs-Gesellschaft AG
REAAL Schadeverzekeringen N V (formerly Hooze Huys Schadeverzekeringen N V)	Hooze Huys Schadeverzekeringen N V
RiverStone Insurance (UK) Limited	Riverstone Insurance (UK) Limited Riverstone Management Limited (formerly known as Sphere Drake Underwriting Limited and Sphere Drake Underwriting Management Limited) Colonia Insurance Company (UK) Limited Dai Tokyo Insurance Company (UK) Limited Drake Insurance Company Limited Employers Of Wausau Insurance Company (UK) Limited Norden Insurance Company (UK) Limited Sampo Insurance Company (UK) Limited Sentry (UK) Insurance Company Limited Sentry Indemnity Company Sphere Drake Insurance Plc Sphere Insurance Company Limited Vesta (UK) Insurance Company Limited Solar Underwriting Agencies Ltd Iron Trades Mutual Insurance Company Limited Koa Insurance Company (UK)

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
	Limited Sterling Insurance Company Limited
Saskatchewan Government Insurance	Saskatchewan Government Insurance Office
SCOR Global P&C, acting on behalf of Magdeburger Ruckversicherungs-Actien-Gesellschaft and La Vittoria Riassicurazioni S P A (in respect of their participation in the BVF Pool)	La Vittoria Riassicurazioni S P A Magdeburger Ruckversicherungs-Actien-Gesellschaft Deutsche Continental Ruckversicherungs AG
Scor Ruckversicherung (Deutschland) AG	Agrippina Ruckversicherungs-Aktiengesellschaft
Sentry Insurance a Mutual Company	Hardware Mutual Casualty Company
Sirius International Insurance Corporation (publ)	Sirius International Insurance Corporation Sirius Insurance Company Limited Swedish Atlas Reinsurance Company Limited Atlas Insurance Company Limited
Sparebank 1 Skadeforsikring AS	Forsikringsaktieselskapet Samvirke Samvirke Skadeforsikring AS
SV SparkassenVersicherung Holding AG	Sparkassenversicherung Allgemeine Versicherung AG Zentraleuropaeische Versicherung AG
Stronghold Insurance Company Limited	Stronghold Insurance Company Limited
Swiss Reinsurance America Corporation	Buffalo Insurance Company Underwriters Reinsurance Company Swiss Re Underwriters Agency Inc
Swiss Reinsurance Company	Swiss Reinsurance Company
Swiss Reinsurance Company Rappresentenza per L'Italia	Unione Italiana di Riassicurazione (UNIORIAS) Swiss Re Italia SPA
The Copenhagen Reinsurance Company Limited	The Copenhagen Reinsurance Company Ltd A/S Det Kjoebenhavnske Reassurance-Compagni
The Travelers Indemnity Company, only in its capacity as successor in interest to certain Calvert Fire Insurance Company liabilities	Calvert Fire Insurance Company

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
Tokio Marine & Nichido Fire Insurance Co. Limited	The Nichido Fire & Marine Insurance Company Limited
Tri-State Insurance Company Of Minnesota	Tri-State Mutual Insurance Company Tri-State Insurance Company Of Minnesota Berkley Corporation
Unionamerica Insurance Company Limited	Unionamerica Insurance Company Limited St Paul Travellers Insurance Company Limited St Paul Fire & Marine Insurance Company (UK) Limited St Paul International Insurance Company Limited St Katherine Insurance Company Limited St Katherine Insurance Company Plc St Paul Reinsurance Company Limited (Oberon Underwriters Limited) Mercury Reinsurance Company (UK) Limited San Francisco Insurance Company (UK) Limited The Insurance Corporation Of Singapore (UK) Limited and The Nippon Fire & Marine Insurance Company (UK) Limited
UNIQA Versicherungen AG (in respect of its participation in the BVF Pool)	Versicherungsanstalt der österreichischen Bundesländer AG
Veritas Mutual Non-Life Insurance Company	Aterforsakringsaktiebolaget Veritas
WARTA Insurance and Reinsurance Company SA (on its own behalf and in respect of its participation in the BVF Pool)	Warta Towarzystwo Ubezpieczeń i Reasekuracji Spółka Akcyjna Towarzystwo Ubezpieczeń i Reasekuracji "WARTA" Spółka Akcyjna
WASA International Forsakringsaktiebolag (WASA International Insurance Co Limited)	Svenska Veritas Forsakringsaktiebolag Forsakringsaktiebolaget Svenska Veritas Forsakrings-Aktiebolaget Securitas
Western National Mutual Insurance Company (Formerly Farmers Home Mutual Insurance Company)	Farmers Home Mutual Insurance Company

Pool Participant	Former names used when underwriting on the EW Payne Pools and the names of companies from which Scheme Liabilities have been transferred into the Pool Participant
Wustenrot & Wurttembergische AG (on its own behalf and in respect of its participation in the BVF Pool)	Wurttembergische Feuerversicherung Aktiengesellschaft

IMPORTANT NOTICE TO SCHEME CREDITORS

This document has been prepared in connection with proposed schemes of arrangement (the **Scheme**) pursuant to Part 26 of the Companies Act 2006 between each of the Scheme Companies and their respective Scheme Creditors (as defined in the Scheme) The Scheme Companies are listed on pages 2 to 10 of this document

The Scheme proposed by each Scheme Company is in law each a separate Scheme of Arrangement Since all the Schemes have identical terms, for convenience, their provisions have been set out in a single document referred to as "the Scheme"

Unless otherwise indicated, the statements, opinions and information contained in this document are made as at the date of this document and reflect the circumstances existing and the information of which the Scheme Companies were aware at that time

Nothing in this document shall constitute any admission of fact or liability on the part of any of the Scheme Companies or any other person with respect to any asset to which it may be entitled or any claim against it No estimate of the amount of any claim against a Scheme Company provided to it or taken into account for the purposes of voting on the Scheme shall be binding on the Scheme Companies or any other party for the purposes of the Scheme or for any other purpose

None of the Scheme Companies has authorised any person to make any representations concerning the Scheme which are inconsistent with the statements contained in this document If any such representations are made, they may not be relied upon as they have not been authorised by the Scheme Companies

Part I of this document is the Explanatory Statement which contains a summary of the main provisions of the Scheme Part II contains the Scheme

None of the contents of this document is intended to constitute legal, tax, financial or other professional advice for Scheme Creditors Scheme Creditors should take advice from their own professional advisers before taking any action in connection with the Scheme

The same defined terms have been used in both the Scheme and the Explanatory Statements. These terms begin with a capital letter. A list of those defined terms is shown on pages 41 to 49.

TABLE OF CONTENTS

	Page
SCHEME COMPANIES' PRESENT AND RELEVANT FORMER NAMES	2
IMPORTANT NOTICE TO SCHEME CREDITORS	11
CONTACT INFORMATION	13
KEY DATES AND EXPECTED TIMETABLE	14
PART 1: EXPLANATORY STATEMENT	15
Letter from Reinsurance Solutions Limited	18
History of the E W Payne Pools and description of the Scheme Business	26
How does the Scheme work? A detailed explanation	30
PART 2: THE E W PAYNE POOLS SCHEME	39
APPENDICES	
A Curricula Vitae of the Scheme Advisers and the Scheme Adjudicators	83
B List of documents available for inspection	87
C Notice of the Scheme Meetings	88
D Example Claim Form	90
E Solvent Pool Participants of the E W Payne Pools that are not proposing a Scheme	101
F Example Voting Form and guidance notes for completion of the Voting Form and attending the Scheme Meetings	104
G Illustrative example of the number of Pool Participants in Excess of Loss Pool No 1 and each Pool Participant's percentage share of the risks being written by that Pool in 1980, 1983 and 1985	120

CONTACT INFORMATION

Scheme Manager	Scheme Advisers
<p>Reinsurance Solutions Limited Mayland House Mayland Road Essex CM8 2UP United Kingdom</p> <p>Contacts Brian Evans and David Bowen</p> <p>General +44 (0)1376 506 210</p> <p>Direct Brian Evans +44 (0)1376 506 423 David Bowen +44 (0)1376 506 374</p> <p>Fax +44 (0)1376 506 601</p> <p>Email Brian W Evans@guycarp.com David C Bowen@guycarp.com</p>	<p>Mike Walker and John Wardrop KPMG LLP 8 Salisbury Square London EC4Y 8BB United Kingdom</p> <p>Contacts James Bolton and Neil Sutton</p> <p>General +44 (0)20 7311 1000</p> <p>Direct line James Bolton +44 (0)20 7694 1856 Neil Sutton +44 (0)20 7694 3485</p> <p>Fax +44 (0)20 7694 3126</p> <p>Email james.bolton@kpmg.co.uk neil.sutton@kpmg.co.uk</p>
Legal Adviser	Scheme Adjudicators
<p>Edwards Angell Palmer & Dodge UK LLP One Fetter Lane London EC4A 1JB United Kingdom</p> <p>Contacts Vivien Tyrell and Nick Stern</p> <p>General +44 (0)20 7583 4055</p> <p>Direct Vivien Tyrell +44 (0)20 7556 4451 Nick Stern +44 (0)20 7556 4533</p> <p>Fax +44 (0)20 7353 7377</p> <p>Email vtyrell@eapdlaw.com nstern@eapdlaw.com</p>	<p>William Bower WJ Bower Consultancy Limited 70 Prince George Avenue London, N14 4SP United Kingdom</p> <p>Ian Marshall Chiltington International Limited 1-4 Bury Street London, EC3A 5AW United Kingdom</p> <p>Philip Heitlinger PRO Insurance Solutions Limited One Great Tower Street London EC3R 5AA United Kingdom</p>

KEY DATES

30 June 2007	Ascertainment Date - the date as at which Scheme Liabilities will be valued
30 June 2008	Final date for the return of Scheme Creditors' Voting Form and Proxy Form
4 July 2008	Meetings of the Scheme Creditors to vote on the Schemes
17 July 2008	Court hearing in London seeking sanction of the Schemes
18 July 2008	Effective Date of the Schemes
16 December 2008	Bar Date, the date by which Scheme Claims must be submitted

The dates given above for the Court hearing to sanction the Scheme, the Effective Date of the Scheme and the Bar Date are the planned dates for such stages and may be subject to change. The Scheme Companies will bring the exact dates to the attention of Scheme Creditors by advertising, by posting them on the Scheme Website and by sending Scheme Creditors notification to their known addresses or, where possible, by e-mail.

SCHEME WEBSITE: www.ewpaynepools.com

PART 1

EXPLANATORY STATEMENT

(in compliance with Section 897 of the Companies Act 2006)

for the

THE E W PAYNE POOLS SCHEME

BETWEEN

THE SCHEME COMPANIES

(Listed on pages 2 to 10 of this document)

AND THEIR RESPECTIVE

SCHEME CREDITORS

CONCERNING BUSINESS UNDERWRITTEN AND/OR ADMINISTERED
BY REINSURANCE SOLUTIONS LIMITED ON BEHALF OF THE
SCHEME COMPANIES IN RESPECT OF

THE EXCESS OF LOSS POOL NO 1 (1960 to 1985),

THE EXCESS OF LOSS POOL NO 2 (1974 to 1982),

THE EXCESS OF LOSS POOL NO 3 (1983) AND

THE 'X' ACCOUNT POOL (1961 to 1968)

Scheme Website: www.ewpaynepools.com

DETAILED CONTENTS

	Page
LETTER FROM REINSURANCE SOLUTIONS LIMITED	18
What is a scheme of arrangement?	19
Who will be affected?	19
Why has a scheme been proposed?	20
How does the Scheme work?	20
What are the advantages of the Scheme for Scheme Creditors?	22
What are the disadvantages of the Scheme for Scheme Creditors?	23
What should Scheme Creditors do now?	24
Recommendations in respect of the Scheme	24
HISTORY OF THE E W PAYNE POOLS AND DESCRIPTION OF THE SCHEME BUSINESS	26
The London Subscription Market	26
The operation of the E W Payne Pools	26
Details of each of the four E W Payne Pools	27
Participation on the E W Payne Pools	28
The Schemes	29
Further Information	29
HOW DOES THE SCHEME WORK? – A DETAILED EXPLANATION	30
1 Overview	30
2 Application of the Scheme	30
3 Effect of the Scheme and stay of Proceedings	30
4 Distribution of Claim Forms	31
5 The Claim Form	31

6	Return of Claim Forms and the Bar Date	32
7	Agreement of Claim Forms	33
8	Dispute Resolution Procedure	33
9	Valuation Statements	34
10	Currency conversion	35
11	Lloyd's Syndicates	35
12	Managing general agents, line-slip holders, managers of underwriting pools	36
13	Payment of Net Established Liabilities	36
14	Cessation of normal course payments	36
15	Effect of payments	36
16	Reversion to run-off	36
17	The Scheme Manager	37
18	The Scheme Advisers	37
19	Extension of time limits	37
20	Completion of the Schemes	38
21	Governing law and jurisdiction	38

REINSURANCE SOLUTIONS

Brian Evans
Vice President

Reinsurance Solutions Limited
Mayland House Mayland Road
Witham Essex CM8 2UP
020 7357 1000 Fax 020 7357 2164

Dear Scheme Creditor

We administer the run-off of the E W Payne Pools business on behalf of the Scheme Companies and are writing this letter on their behalf

The Scheme Companies listed on pages 2 to 10 of this document each participated on one or more of the four E W Payne Pools which operated between 1960 and 1985. Since 1985, all four of these Pools have been in run-off. The purpose of the proposed Scheme is to bring the run-off of the Pools, so far as is possible, to an early end.

The purpose of this letter and the Explanatory Statement, of which it forms a part, is to provide

- 1 a summary of the terms of the Scheme,
- 2 an explanation of why the Scheme has been proposed, and
- 3 an explanation of the main advantages and disadvantages to Scheme Creditors of the proposal

The Explanatory Statement is intended to assist Scheme Creditors in reaching their decision whether to vote for or against the proposed Scheme at the forthcoming meetings specially convened to vote on the Scheme.

Pages 30 to 38 of the Explanatory Statement provide a more detailed summary of the provisions of the Scheme. The Scheme itself is set out at pages 39 to 80. The Explanatory Statement is intended merely as a guide and you should not rely on it in place of reading the specific provisions of the Scheme.

WHAT IS A SCHEME OF ARRANGEMENT?

A scheme of arrangement, such as that proposed here is a compromise or arrangement between a company and its creditors (or any class of them). It is governed by Part 26 of the Companies Act 2006 which provides that a scheme does not become legally binding on a company and its creditors (or any class of them), until

- 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 at a specially convened meeting held with the permission of the court,
- 2 the court subsequently makes an order sanctioning the scheme, and
- 3 a copy of the sanction order is delivered to the English Registrar of Companies for registration

Once effective, the Scheme will bind the Scheme Companies and all their respective Scheme Creditors irrespective of whether such Scheme Creditors were notified of the Scheme and/or whether they voted at the Scheme Meetings.

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 but in summary, is restricted to those companies which have, or which may have in the future, a claim against any one of the Scheme Companies in relation to Reinsurance Contracts written by one or more of the Scheme Companies through their participation on the E W Payne Pools.

The Scheme covers only Scheme Business written by the Scheme Companies. Scheme Business is defined in the Scheme, but in summary is restricted to Reinsurance Contracts underwritten by a Scheme Company through its participation on the E W Payne Pools. The Scheme does not apply to business written by the Scheme Companies outside the E W Payne Pools.

A list of the Scheme Companies is shown at pages 2 to 10. Not all Pool Participants are proposing a Scheme. This is because they are insolvent (Pool Participants that are in an insolvency procedure are not proposing Schemes), are in the process of implementing their own schemes for all of their business (including Scheme Business) or they have decided not to propose the Scheme. A list of the known solvent companies that participated on the E W Payne Pools that are not proposing a Scheme is shown in Appendix E (page 100).

Scheme Creditors requiring assistance in identifying their involvements with the E W Payne Pools and establishing which of the Scheme Companies underwrote their policies are requested to contact the Scheme Manager. The Scheme Manager will respond to such requests by providing the Scheme Creditors with the relevant schedules detailing the participation by each of the Scheme Companies on each of the Pools by class of business for each underwriting year for which the Scheme Creditor purchased reinsurance from the Pools.

WHY HAS A SCHEME BEEN PROPOSED?

The E W Payne Pools have now been in run-off for over 20 years. In the normal course it is estimated that it would take at least a further 20 years to run-off the liabilities that comprise the Scheme Business. The Scheme Companies consider it is in their interests and in the interests of Scheme Creditors to try and finalise their liabilities arising out of the E W Payne Pools in a much shorter time frame than in a normal run-off. In this way, the costs of continuing the administration of the run-off will be curtailed and the labour intensive process requiring creditors to submit numerous claims in respect of very small amounts of reinsurance cover will also be avoided. Scheme Creditors will receive a one time payment representing all their Agreed Paid Losses, Non-Agreed Paid Losses, Outstanding Loss Claims and IBNR Claims as valued under the terms of the Scheme.

HOW DOES THE SCHEME WORK?

Despite the large number of Scheme Companies, the structure and contents of the Scheme are relatively simple and straightforward.

Shortly after the Scheme becomes effective, Scheme Creditors will be sent a Claim Form advising them of their Agreed Paid Losses, their Non-Agreed Paid Losses and their Outstanding Loss Claims against each of the Scheme Companies.

The value of the Claims on the Claim Form will be derived from the records held by each Scheme Company and by the Scheme Manager. Although each Scheme Company is implementing its own Scheme, for ease of administration and to save costs, all the Schemes will be administered centrally by the Scheme Manager as if they were a single Scheme. As a result, Scheme Creditors will receive only one Claim Form – summarising their Scheme Claims against all the Scheme Companies – irrespective of how many Schemes in which that Scheme Creditor is participating.

The calculation of IBNR under the Schemes has been kept as transparent and economical as possible. A complicated estimation methodology has deliberately been avoided. Instead, each Scheme Creditor's IBNR will be calculated as loadings based on its Outstanding Loss Claims.

Different loadings will apply to different types of business. A loading percentage of 200% will be applied to Outstanding Loss Claims derived from Asbestos Losses, a loading percentage of 75% will be applied to Outstanding Loss Claims derived from Pollution Losses and a loading percentage of 25% will be applied to Outstanding Loss Claims derived from Other Losses. These loadings have been chosen as they are at a commercially acceptable level for both Scheme Creditors and the Scheme Companies.

Following the application of the above loading percentages, a Discount Rate of 25% will be applied to all Outstanding Loss Claims and IBNR Claims on the Claim Form to take account of the net present value of those Scheme Claims. Additionally, a Discount Rate of 5% will be applied to Non-Agreed Paid Losses to take account of the net present value of those Scheme Claims.

Scheme Creditors will be asked to review their Claim Forms to agree their Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims. If Scheme Creditors have any questions about the information on their Claim Forms they may contact either the Scheme Advisers or the Scheme Manager for assistance. Contact details of both appear on page 13 of this document.

If there are additional Scheme Claims not set out on their Claim Form, or Scheme Claims which Scheme Creditors believe ought to be classified as Agreed Paid Losses or Non-Agreed Paid Losses rather than Outstanding Loss Claims, Scheme Creditors will be asked to amend their Claim Form accordingly. No amendment may be made to the IBNR Loading Percentages or Discount Rates. The amended Claim Form must be returned to the Scheme Manager on or before the Bar Date, the final date for receipt of this form. Any Scheme Creditor that does not return its Claim Form by the Bar Date will have its claim valued on the basis of the amounts set out on the unamended Claim Form. Any Scheme Creditor that is not sent a Claim Form and does not submit a Claim Form prior to the Bar Date, will have its Net Established Liability valued at zero in the Scheme.

The Scheme Manager will seek to agree any amendments made by a Scheme Creditor to its Claim Form. If agreement does not prove to be possible, such claims will become Disputed Claims and will be referred to the Scheme Adjudicator for a binding decision to resolve the dispute.

Following the agreement or adjudication of the values on a Claim Form, Scheme Creditors will be sent a Valuation Statement which is an account showing how much is payable to a Scheme Creditor under the Scheme. This is a Scheme Creditor's Net Established Liability. The Valuation Statement will set out a Scheme Creditor's Net Established Liabilities against all the Scheme Companies.

The E W Payne Pools did not centrally purchase external reinsurance. As a result, the Scheme does not provide for a Scheme Creditor's agreed or adjudicated claims against a Scheme Company to be off-set against amounts owed by that Scheme Creditor to the Scheme Company. A payment mechanism will operate for amounts owed under the Scheme between the Scheme Companies to ensure that such amounts are netted off.

Scheme Creditors will receive only one payment rather than a payment from each Scheme Company.

If the total value of all the agreed and adjudicated claims against a Scheme Company (being the sum of all amounts set out on the Valuation Statements sent to Scheme Creditors in respect of that Scheme Company) is

(i) equal to or greater than 30% of or

(ii) is equal to or greater than US\$250,000 of

the predicted total value for those Scheme Claims (as shown on the Claim Forms originally sent to Scheme Creditors), the Scheme Company will have the option to exercise the reversion to run-off provision in the Scheme. Once the provision is triggered the Scheme Company has three options:

- 1 to revert to run-off in respect of all the Scheme Claims against that Scheme Company,
- 2 to revert to run-off in respect of those Scheme Creditors whose Established Liability, as set out on their Valuation Statements, is

(i) equal to or greater than 30% of, or

(ii) is equal to or greater than US\$250,000 of

the value of their Scheme Claims as set out on the Claim Forms initially sent to them by the Scheme Company – if a Scheme Company were to choose this option, all its other Scheme Creditors would be offered the choice of having their contracts run-off rather than be subject to valuation under the Scheme, or

- 3 to continue with the Scheme

WHAT ARE THE ADVANTAGES OF THE SCHEME FOR SCHEME CREDITORS?

There are the following potential benefits to Scheme Creditors of the Schemes becoming effective:

- 1 *Early payment* – The Schemes should enable Scheme Creditors to receive payment of their Established Liabilities sooner than if their claims were paid in the ordinary course of the run-off of the Scheme Companies
- 2 *Simplified claims agreement process* – The Schemes provide a simplified process for recovering all the Scheme Liabilities connected to the Scheme Business, including those which may not easily be evaluated, such as IBNR losses
- 3 *Certainty* – The Schemes should enable Scheme Creditors to achieve certainty and finality in relation to the Scheme Business
- 4 *Administrative cost savings* – Costs will be avoided that might otherwise be incurred by both the Scheme Companies and Scheme Creditors in dealing with claims as they arose in the normal course, in particular, the costs of debt collections against all the Scheme Companies

WHAT ARE THE DISADVANTAGES OF THE SCHEME FOR SCHEME CREDITORS?

There are the following potential disadvantages to Scheme Creditors of the Schemes becoming effective

- 1 *Bar Date for submission of Claim Forms* – If Scheme Creditors wish to amend their Claim Forms, they must do so and deliver their Claim Forms to the Scheme Manager by no later than the Bar Date. On the Scheme becoming effective, the Bar Date will be notified to Scheme Creditors and will be advertised. Failure to return Claim Forms by the Bar Date will mean that Scheme Creditors will not be permitted to amend the values on their Claim Forms and will have to accept the values put on their Scheme Claim by the Scheme Company as set out on those Claims Forms. **Missing the Bar Date will not prevent a Scheme Creditor being paid in full in respect of the values for its Agreed Paid Losses, Non Agreed Paid Losses, Outstanding Loss Claims and IBNR Claims inserted on the Claim Form by the Scheme Manager.** If a Scheme Creditor is not sent a Claim Form on the Scheme becoming effective (due to the Scheme Manager or the Scheme Company having no record of that Scheme Creditor having a Scheme Claim) and does not subsequently contact the Scheme Manager to obtain a Claim Form and then, prior to the Bar Date, return that Claim Form, its Net Established Liability will be valued at zero.
- 2 *Replacement of cover with a value that may be less than a Scheme Creditor would receive in the normal course of run-off* – Under the Scheme, a Scheme Creditor's

cover under the Reinsurance Contracts in respect of a Scheme Liability is exchanged for the payment set out in the relevant Valuation Statement. As part of this process, the Scheme puts a present value on future claims. As a result a Scheme Creditor may receive less than it would have received had the relevant Scheme Company's business been run-off in the normal course.

- 3 *Stay of Proceedings* – On the Scheme becoming effective, there is a prohibition on Scheme Creditors commencing or continuing Proceedings against Scheme Companies in relation to Scheme Claims. This means that existing rights to arbitrate or commence Proceedings are removed and replaced by the Dispute Resolution Procedure set out in the Scheme.
- 4 *Not all companies participating* - Not all the companies that participated on the E W Payne Pools are promoting schemes. As a result Scheme Creditors will still have to report and recover claims from the non-participating companies.

These are the main possible 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 Scheme Creditors should not view the above list of advantages and disadvantages as being exhaustive. Each Scheme Creditor is advised to make its own assessment of the Scheme and how it will affect its own interests.

WHAT SHOULD SCHEME CREDITORS DO NOW?

As each Scheme Company is implementing its own Scheme, a separate creditors' meeting is to be held for Scheme Company' Scheme to allow Scheme Creditors to vote on each Scheme. Scheme Creditors are entitled to attend and vote at the meeting for each Scheme Company against which the Scheme Creditor will have a Scheme Claim under the Scheme. The Scheme Meetings have been 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.

More details about attending and voting at the Scheme Meetings are set out at Appendix F at pages 103 to 118. Due to the large number of Scheme Companies, it is proposed that each of the Scheme Meetings will take place concurrently.

RECOMMENDATIONS IN RESPECT OF THE SCHEME

The Scheme Manager and each of the Scheme Companies consider that the Schemes will offer Scheme Creditors the most effective and economical method for determining and paying

Scheme Claims in the shortest practicable time All Scheme Creditors are encouraged to vote in favour of the Scheme

Yours faithfully



Reinsurance Solutions Limited

HISTORY OF THE E W PAYNE POOLS AND DESCRIPTION OF THE SCHEME BUSINESS

E W Payne was widely known in London and throughout the international insurance community as a specialist reinsurance broker. The company was founded in 1919 by Ernest William Payne and became part of the Sedgwick Group in 1980. On 1 January 1998, it changed its name to Sedgwick Limited. In 1985 the E W Payne Pools went into run-off and the run-off is now being administered by Reinsurance Solutions Limited. There were over 160 participants in the E W Payne Pools described below. Reinsurance Solutions Limited's ultimate holding company is Marsh & McLennan Companies, Inc.

THE LONDON SUBSCRIPTION MARKET

As part of its operations, E W Payne placed clients' risks with reinsurers in the London subscription market. The London subscription market is that section of the commercial insurance and reinsurance market in London in which a single risk is underwritten by a number of insurance or reinsurance companies, by subscribing percentage lines to the risk on a several, not joint, basis. The method of placing risks typically requires a broker to act as intermediary between the reinsured and the reinsurers (or insureds and insurers). A broker generally acts as the agent for the reinsured in negotiations in the reinsurance market. A risk was typically placed by the broker preparing and presenting a document setting out a shorthand version of the reinsurance contract (known as the slip) to each of the reinsurance companies. The contract had to be entered into for the placing to be made. Typically, each reinsurer providing cover, i.e. each subscribing reinsurer, would signify its agreement by applying its stamp and initial to the slip. Heading the slip and usually taking the largest percentage share of the risk was the lead underwriter, the rest of the reinsurers being known as the following market. The lead underwriter is usually responsible for making decisions relating to claims on the cover and the following market usually follows such decision. Once the risks were placed in the case of the E W Payne Pools, E W Payne would manage the relevant contracts of reinsurance on behalf of its clients by recovering amounts due in respect of their claims and transmitting such amounts to them net of all necessary deductions.

THE OPERATION OF THE E W PAYNE POOLS

The E W Payne Pools operated in the London subscription market and were designed to provide the pool participants with a spread of risks across what was known as E W Payne's United Kingdom Excess of Loss Account. The E W Payne Pools were a cover arrangement to "declare" a spread of business to reinsurers. In other words, the reinsurers who were participating in the E W Payne Pools (i.e. the Pool Participants) provided reinsurance cover to E W Payne's United Kingdom Excess of Loss Account in pre-agreed shares established in accordance with the steps described below. E W Payne did not fix the terms of any of the business declared to Pool Participants. Each declaration was led and rated by a lead underwriter before a declaration was made to the requisite E W Payne Pool. The E W Payne

Pools were designed to accept business where E W Payne was involved in broking the rest of the same risks to other reinsurers on the slip. In accepting the risk for the E W Payne Pools E W Payne was doing so as agent for each of the Pool Participants and not as agent for the reinsured. It was common for the portion of the risk underwritten by the E W Payne Pools to be small.

In order to establish the shares in which the Pool Participants would hold the risk on any given year or any given type of business agreed, E W Payne would canvass various companies to see if they wished to participate in the E W Payne Pools for that year. Each participant of the E W Payne Pools entered into a separate coverholder agreement with E W Payne. As such, a participant would not know the identity of the other participants in the relevant E W Payne Pool. Under each coverholder agreement, each participant would authorise E W Payne to accept certain classes of risks, for example, "Fire and Miscellaneous Non-Marine", "General Whole Account" or "Marine", up to a specified maximum limit, on its behalf, without the need for further approval. The Pool Participant's proportion of such limit would be set out in the agreement and would commonly be a very small percentage of the risk both in absolute terms and in comparison with the portion of the risk accepted by the other reinsurers on the slip. The Pool Participant could not be liable for greater than its proportion of the limit. The coverholder agreement remained valid until termination by either party. In subsequent years in which the coverholder agreement remained valid, the participant and E W Payne would sometimes agree different maximum limits and the Pool Participant's proportion of the limit would sometimes change.

The E W Payne Pools wrote London market reinsurance business from 1960 to 1985. No direct business was written by the E W Payne Pools.

DETAILS OF EACH OF THE FOUR E W PAYNE POOLS

The E W Payne Pools consist of the following four separate pools.

Excess of Loss Pool No 1

This operated between 1960 and 1985. It had on average 100 participants and wrote the following ten classes of business: (i) Fire and Allied Perils, (ii) General, (iii) Third Party, (iv) Construction and Erection risks, (v) Personal Accident Excess of Loss, (vi) Personal Accident Fatahs, (vii) Aviation General Whole Account Excess of Loss, (viii) Motor, (ix) Marine, and (x) Miscellaneous (a) Non-marine, (b) Aviation. For the period 1975 to 1985 the categories were as follows: (i) & (ii) Fire & Miscellaneous Non Marine, (iii) Third Party, (iv) Marine, (v) Personal Accident, (vi) Aviation.

Excess of Loss Pool No 2

This operated between 1974 and 1982. It had on average 20 participants and wrote the

following four classes of business (i) Fire and Miscellaneous and General Whole Account, (ii) Third Party, Construction and Erection Risks, (iii) Marine, and (iv) Aviation

Excess of Loss Pool No 3

This operated in 1983 only. It had eight participants and wrote the following four classes of business (i) Fire and Miscellaneous and General Whole Account, (ii) Third Party, Construction and Erection Risks, (iii) Marine, and (iv) Aviation

"X" Account Pool

This operated between 1961 and 1968. It had six participants and wrote 10 classes of business. For the years 1961-1967, the following classes of business were written (i) General, (ii) Fire, (iii) Riots, (iv) Docks, (v) Stop Loss, (vi) Third Party, (vii) Personal Accident, (viii) Professional Indemnity, (ix) Aviation, and (x) Miscellaneous. For 1968 categories (i), (ii), (vi), (viii), (ix) and Marine were written

PARTICIPATION ON THE E W PAYNE POOLS

The make-up of the E W Payne Pools would vary from year to year. The Pool Participants and their proportions of the risks written would vary. Each Pool Participant's share of the risk being assumed by the relevant E W Payne Pool would be determined by the number of members in that Pool in a particular year and by reference to the limit set out in its coverholder agreement with E W Payne for that particular year. Each risk was underwritten, dependent on the class of business, by all the participants participating in the relevant E W Payne Pool at the time the risk was written.

The E W Payne Pools have approximately 84 cedants with open claims attaching, Equitas representing one cedant for all Lloyd's syndicates. When the E W Payne Pools reinsured a cedant, the pool stamp would appear on the Brokers part 'B' slip. The Pool Participants' details would not appear on the E W Payne Pool stamp. However, the cedant would have been provided with a cover note setting out the share of the risk assumed by each participant of the E W Payne Pools. The cedant would therefore have been aware of all the Pool Participants in the relevant E W Payne Pool that were underwriting the risk.

Accordingly, given the fact that the E W Payne Pools commonly wrote small percentages of business on different contracts over different years which would be shared amongst a large number of Pool Participants year by year, each Pool Participant's share of the business written by the E W Payne Pool was typically extremely small. There were on average 100 Participants in Excess of Loss Pool No 1 per underwriting year which would commonly share a small percentage of the risk written by that Pool. Excess of Loss Pools Nos 2 and 3 and the "X" Account did not have as many Pool Participants as Excess of Loss Pool No 1. However, when written alongside Pool 1, these Pools generally took smaller shares of the risks than the

No 1 Pool, which resulted in each of those Pool Participants also having a small share of the risk written by those Pools. An example of the number of Participants in Excess of Loss Pool No 1 and each Participant's percentage share of the risks being written by that Pool in 1980, 1983 and 1985 is set out Appendix G

Further, Pool Participants in the E W Payne Pools did not front for each other when they wrote the risk. Fronting occurs where one participant in a pool accepts a larger proportion of the risk than would normally be the case (i.e. in accordance with the normal pool percentage shares) in its own name and then reinsures either the whole of that risk or part of it with other members of the pool. Given that none of the E W Payne Pools' Participants fronted for each other, the gross liabilities of each of the Pools would remain with each of the Pools' Participants in the relevant Pools at the time the risks were written and in the percentage shares which they accepted.

In pool arrangements external reinsurance is also often arranged on behalf of the pool members. However, no external reinsurance was purchased centrally for the E W Payne Pools.

THE SCHEMES

If you entered into one or more Reinsurance Contracts with any of the above E W Payne Pools in any of the following years

Excess of Loss Pool No 1	1960 to 1985 inclusive
Excess of Loss Pool No 2	1974 to 1982 inclusive
Excess of Loss Pool No 3	1983
"X" Account Pool	1961 to 1968 inclusive

any unpaid Agreed Paid Losses, Non-agreed Paid Losses, Outstanding Losses and IBNR arising on those Reinsurance Contracts will be subject to the determination process under the Scheme

FURTHER INFORMATION

Scheme Creditors requiring assistance in identifying their involvements with the E W Payne Pools and establishing which of the Scheme Companies underwrote their policies are requested to contact the Scheme Manager. The Scheme Manager will respond to such requests by providing the Scheme Creditors with the relevant schedules detailing the participation by each of the Scheme Companies on each of the Pools by class of business for each underwriting year for which the Scheme Creditor purchased reinsurance from the Pools.

HOW DOES THE SCHEME WORK? A DETAILED EXPLANATION

1 Overview

The purpose of the Scheme is to bring the run-off of Scheme Liabilities to an earlier close than in the normal course. The Scheme establishes a method for the valuation and early payment in full of all Scheme Liabilities.

Although set out in one document, the Schemes are in law separate schemes of arrangement for each Scheme Company. The Schemes proposed by each Scheme Company are identical.

All references to clauses in this explanation of how the Scheme works are to the Scheme shown at pages 39 to 80.

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 term "Scheme Liability" is defined in the Scheme, but in summary it means any liability of a Scheme Company arising on or in connection to a Reinsurance Contract underwritten by that Scheme Company through its participation in the E W Payne Pools. All other liabilities of the Scheme Companies will be unaffected by the Scheme.

3 Effect of the Scheme and stay of Proceedings

If the Scheme becomes effective for a Scheme Company, it will bind all Scheme Creditors of that Scheme Company.

Once the Scheme is effective, it provides that Scheme Creditors will not be permitted to commence or continue any Proceedings against the Scheme Companies to establish the existence or amount of any Scheme Claim. Any Scheme Claim which cannot be resolved by agreement between the Scheme Manager and a Scheme Creditor will be determined by the Dispute Resolution Procedure provided for by the Scheme.

Similarly, unless a Scheme Company has failed to make a payment which it is obliged to make under the Scheme, a Scheme Creditor is prohibited from taking any Proceedings against the Scheme Company for the purpose of enforcing payment of a Scheme Claim.

If, despite these prohibitions, a Scheme Creditor does pursue Proceedings against a Scheme Company and obtains money or property as a result, this is to be treated as an advance payment under the Scheme. The Scheme Creditor's entitlement to payment under the Scheme will be reduced or extinguished accordingly. Any amounts

recovered or costs in excess of that entitlement must be repaid to the Scheme Company

The Scheme will not affect a Scheme Creditor's right to enforce any Letter of Credit or other Security provided it is done in accordance with the terms on which the Letter of Credit or the Security was established. Where there is Security provided by one of the Scheme Companies which is surplus to what is required to meet the purpose for which it is provided, a Scheme Creditor may be authorised to utilise the Security by way of payment of some or all of its Net Established Liability, in which case it will be assumed that it will do so.

4 Distribution of Claim Forms

As soon as reasonably practicable after the Effective Date, the Scheme Manager will advertise notice of the Effective Date and the Bar Date in the same publications that were used to advertise notice of the Scheme Meetings. Notices will also be sent to Scheme Creditors and be placed on the Scheme Website.

Within 21 days of the Effective Date, the Scheme Manager will send to every known Scheme Creditor for whom it has what it believes to be a valid address and/or email address, notice that the Scheme has become effective together with details of the Bar Date. At the same time the Scheme Creditor will also be sent a Claim Form to claim in the Scheme.

5 The Claim Form

To assist Scheme Creditors in making their Scheme Claim, their Claim Form, as prepared by the Scheme Manager, will include details of a Scheme Creditor's Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims for each Reinsurance Contract, as recorded on the Scheme Manager's systems as at the Effective Date. If Scheme Creditors require more details about the values given on the Claim Form, for instance, allocating the claims between the Reinsurance Contracts written by the Scheme Companies, they may request such information from the Scheme Manager.

The value of a Scheme Creditor's IBNR Claim will also be set out on the Claim Form. To avoid using a complicated estimation methodology with all its associated costs to both Scheme Companies and Scheme Creditors, the Scheme provides that the value of a Scheme Creditor's IBNR Claim will be calculated by reference to its undiscounted Outstanding Loss Claims. Loading Percentages of 200% will be applied to Outstanding Loss Claims relating to Asbestos Losses, 75% will be applied to Outstanding Loss Claims relating to Pollution Losses and 25% will be applied to Outstanding Loss Claims relating to other types of loss.

After the application of the above Loading Percentages a Discount Rate of 25% will be applied to all Outstanding Loss Claims and IBNR Claims on the Claim Form to take account of the net present value of those claims. A lower Discount Rate of 5% will be applied to Non-Agreed Paid Losses.

6 Return of Claim Forms and the Bar Date

The Bar Date is a critical part of the Scheme process as it sets a point in time - one minute before midnight in the UK on the first Business Day falling 150 days after the Scheme has become effective - by which Scheme Claims must be submitted by Scheme Creditors and received by the Scheme Manager. Claim Forms must be submitted either by post or by e-mail.

At least 28 days before the Bar Date the Scheme Manager will send a reminder of the impending Bar Date to Scheme Creditors to whom Claim Forms have been sent and will also advertise notice of the Bar Date in the publications used to advertise notice of the Scheme Meetings. Scheme Creditors which have not provided an e-mail address will be notified by Post.

If a Scheme Creditor submits more than one Claim Form (either in paper form or attached to an email in electronic form), the last Claim Form to be submitted will be taken as being its Claim Form and the information on any prior Claim Form will not be taken into account.

If, at any point before the Bar Date, a Scheme Creditor would like the Scheme Manager to start processing its Claim Form, it can ask for this work to be carried out. This may enable payment to be processed sooner. Even if this work is being carried out prior to the Bar Date, the Scheme Manager will, on request, allow further submissions up to the Bar Date.

If a Scheme Creditor does not amend and return its Claim Form by the Bar Date, the values on the Claim Form as prepared by the Scheme Manager shall be automatically deemed to be the Scheme Creditor's Established Liability. The Scheme Creditor will lose its entitlement to assert any additional Scheme Claims or amend the information on its Claim Form in such circumstances.

As a result, if a Scheme Creditor does not wish to make any amendments to the information on the Claim Form as prepared by the Scheme Manager, it does not need to return its Claim Form by the Bar Date. However, submitting the Claim Form sooner, by way of confirmation, may speed up payment of Scheme Creditors' Net Established Liabilities.

If a Scheme Creditor does wish to amend the information on its Claim Form, such amendment must be supported by evidence. Such supporting evidence must be supplied with the Claim Form in order to substantiate any amendment entered onto the Claim Forms. As it may not be possible for supporting evidence to be submitted electronically, the Scheme Manager will accept supporting evidence received up to seven days after the Bar Date so long as the Claim Form itself is received by the Bar Date. The Claim Forms are accompanied by detailed guidance notes and instructions, which give information as to the type of evidence which may be required to support an amendment to a Claim Form. Please note no amendment will be accepted to the IBNR Loading Percentages or the Discount Rates.

Where a Scheme Creditor has itself implemented a scheme of arrangement in which the bar date in that scheme precedes the Ascertainment Date, such Scheme Creditor will have only either Agreed Paid Losses or Non-Agreed Paid Losses in the Scheme.

7 Agreement of Claim Forms

Once a Scheme Creditor submits its completed Claim Form to the Scheme Manager, any alterations and new information on it will be reviewed by the Scheme Manager. If the Scheme Manager agrees with the changes submitted on the Claim Form (or if no changes have been made to the Claim Form) it will inform the Scheme Creditor as soon as reasonably practicable after the Bar Date by sending a Valuation Statement setting out in writing its agreement to the values on the Claim Form. These values will then become binding and will become what is termed in the Scheme as an Established Liability. If the Scheme Manager does not agree with the amended values submitted on the Claim Form, it will contact the Scheme Creditor as soon as reasonably practicable after the Bar Date and thereafter try to reconcile the differences, and seek to agree the Scheme Claim. The time allowed for this whole agreement process is up to 81 days from the Bar Date. If agreement cannot be reached, then outstanding disputes will be directed to the Dispute Resolution Procedure.

8 Dispute Resolution Procedure

If a Disputed Claim is referred to the Dispute Resolution Procedure, the Scheme Creditor will have 14 days to choose one of the following three candidates to be appointed as the Scheme Adjudicator to deal with that Disputed Claim.

- (i) Bill Bower,
- (ii) Ian Marshall, or
- (iii) Philip Heitlinger

If the Scheme Creditor does not choose one of the candidates within the 14 day time period the Scheme Manager shall choose one of the above three candidates to be appointed as the Scheme Adjudicator to deal with the Disputed Claim

All submissions and documents provided for adjudication must be in English or translated into English. The Scheme Creditor and Scheme Company in question are entitled to make written submissions in support of their views to the Scheme Adjudicator within 14 days of the dispute being referred to him. A Scheme Adjudicator may also request further supporting evidence from the Scheme Creditor and/or any Scheme Company. The Scheme Creditor and/or Scheme Company must provide such evidence within 14 days. The Scheme Adjudicator will base his decision on the supporting evidence available to him at the end of these periods, and is entitled to consult with professional advisers and to use his general knowledge and experience of the reinsurance market in coming to his decision.

The Scheme Adjudicator will inform the Scheme Manager and the Scheme Creditor in writing of his determination in relation to a disputed matter within a maximum of 60 days of the matter being referred to him.

Except in cases of Manifest Error, a Scheme Adjudicator's decision is final and binding (except where the law does not permit this, for instance in cases of fraud).

The duties and functions of a Scheme Adjudicator are set out in clauses 5.1 and 5.2 of the Scheme.

9 Valuation Statements

A Valuation Statement will be sent to each Scheme Company after the agreement or adjudication of a Scheme Creditor's Scheme Claim.

The Valuation Statement will set out the total value of a Scheme Creditor's Established Liability against the Scheme Company.

The Valuation Statement will also show other balances including

- payments made by or to a Scheme Creditor in respect of its Established Liability prior to the date of the Valuation Statement,
- any deductions following a costs award by the Scheme Adjudicator, such awards can only be made in exceptional circumstances,
- the amount of any Scheme Claims which have been satisfied by the application of Security Interests since the Ascertainment Date and the amount of any Security Interests to be deducted from the Scheme Creditor's Established Liability,

- the amount of any advance payment made to the Scheme Creditor between the Ascertainment Date and the Effective Date by the Scheme Company in respect of what is determined in the Scheme to be an Established Liability, such amounts are to be deducted from the total of a Scheme Creditor's Established Liability
- amounts treated as having been for the purpose of Clause 2.3 of the Scheme obtained by a Scheme Creditor in breach of the Scheme, and
- commutations (and/or other settlements) up to the date of the Valuation Statements being sent to Scheme Creditors

The amount shown on a Valuation Statement after the adjustments described above will be the Scheme Creditor's **Net Established Liability**. A Valuation Statement becomes binding upon the Scheme Creditor unless disputed within 28 days of the date of the Valuation Statement. A Valuation Statement can only be disputed if it contains a clear typographical or mathematical error which is apparent on its face or an error in the transposition of binding information to it. These kinds of error are referred to as **Manifest Errors**.

Scheme Creditors will receive a statement aggregating all of their Net Established Liabilities from their participations on any of the Scheme Companies' Schemes (a **Combined Valuation Statement**). The aggregation of amounts in respect of different Scheme Companies on a Combined Valuation Statement may involve the setting off of amounts shown as due from a Scheme Creditor to Scheme Companies against amounts shown as due to that Scheme Creditor by other Scheme Companies.

10 Currency Conversion

Scheme Claims will be denominated in their original currencies. They will be converted, however, into US Dollars on the Valuation Statement using the Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last Business Day prior to the Ascertainment Date (i.e. 29 June 2007). Payment of Scheme Claims will be made in US Dollars.

11 Lloyd's Syndicates

The Scheme Company may treat the members of a Lloyd's Syndicate as if they were a single Scheme Creditor of the Scheme Company.

12 Managing general agents, line-slip holders, managers of underwriting pools

Where one entity such as a pool manager, managing agent, line-slip holder or holder of a broker cover authority or binding authority is authorised to act on behalf of a number of Scheme Creditors, the Scheme Manager may require it to allocate Scheme Claims between its principals. As an alternative, the Scheme Manager may treat that entity as if it were the principal creditor or debtor in place of its principals, unless notice is given that the entity has no authority to act on their behalf or that the principal does not wish its payments to be made to the agent.

13 Payment of Net Established Liabilities

Payment of Net Established Liabilities will be made as soon as possible after a Valuation Statement becomes binding, although not before all Scheme Creditors have received binding Valuation Statements. Payment will be by cheque or, if requested, by telegraphic transfer.

If a Scheme Company is a Scheme Creditor in respect of one or more of the Schemes being proposed by the other Scheme Companies, any amounts payable to it pursuant to those other Schemes will be off-set against the amounts it owes those other Scheme Companies which are Scheme Creditors under its own Scheme.

14 Cessation of normal course payments

The Scheme Companies shall be entitled not to pay or discharge Scheme Claims in the normal course of business from the Effective Date.

15 Effect of payments

Payment or deemed payment of a Net Established Liability will be in full and final settlement of all and any Scheme Liabilities and Net Established Liabilities of the relevant Scheme Creditor against a Scheme Company.

16 Reversion to run-off

If the total value of all the agreed and adjudicated Scheme Claims against a Scheme Company is equal to or greater than 30% or US\$250,000 higher than the predicted total value for those Scheme Claims (as shown on the Claim Forms originally sent to Scheme Creditors), the Scheme Company will have the option to exercise the reversion to run off provision in the Scheme. Once triggered the Scheme Company has three options:

- (a) revert to run-off in respect of all Reinsurance Contracts to which all the Net Established Liabilities against that Scheme Company relate,

- (b) revert to run-off in respect of those Reinsurance Contracts in respect of which Scheme Creditors whose Net Established Liabilities as set out on their Valuation Statements, are equal to or greater than 30% or US\$250 000 higher than the value of their Scheme Claims as set out on the Claim Forms initially sent to them by the Scheme Company – if the Scheme Company chooses this option, all its other Scheme Creditors will be offered the choice of having their Reinsurance Contracts also run-off rather than be terminated by the Scheme, or
- (c) continue with the terms of the Scheme

17 The Scheme Manager

The Scheme Manager will be Reinsurance Solutions Limited, which has been handling the administration of the E W Payne Pools since they went into run-off. The Scheme Manager has responsibility for implementing the Scheme process, on behalf of the Scheme Companies. As there are 82 Scheme Companies, it is intended that the Scheme Manager will provide Scheme Creditors with a single point of contact, and the knowledge that it is dealing in a consistent way with the day-to-day running of the Scheme. The Scheme Manager is the agent of the Scheme Companies, acts in accordance with their instructions (Clause 4.2(a)) and has a duty to act in good faith.

The duties and functions of the Scheme Manager are set out in Clause 4.2. These duties and any liabilities of the Scheme Manager under the Scheme are limited by Clause 4.4.

18 The Scheme Advisers

The role of the Scheme Advisers is to advise the Scheme Manager on the proper implementation of the Scheme. The Scheme Manager has appointed Mike Walker and John Wardrop, both partners of KPMG LLP, as the Scheme Advisers.

The duties and functions of the Scheme Advisers are set out in Clause 4.1. These duties and any liabilities of the Scheme Advisers under the Scheme are limited by Clause 4.4.

19 Extension of time limits

Subject to the provisions of the Dispute Resolution Procedure (Clause 5 of the Scheme), the Scheme Manager may, after consultation with the Scheme Advisers and, at its absolute discretion extend any of the time limits set by the Scheme, apart from the Bar Date, for any one or more of the Scheme Creditors (Clause 2.11(a)). The Bar Date, however, cannot be extended. This is because the Bar Date is critical to the whole process of commencing work to value Scheme Claims and to payment.

20 Completion of the Schemes

Each Scheme will be completed when the Scheme Manager places an entry on the Scheme Website announcing that the Scheme has been implemented in accordance with its terms. This certification will be given as soon as is practicable after all Net Established Liabilities of the Scheme Company have been paid. Following such certification, the Scheme Adjudicator, the Scheme Manager and the Scheme Advisers will be released from their obligations under the Scheme.

Once the Scheme has been declared completed, all Scheme Liabilities will be deemed to have been paid and Scheme Creditors will have no further rights under the Scheme or in respect of Scheme Claims.

If one of the Scheme Companies becomes subject to an Insolvency Event during the period of the Scheme, the Scheme will continue so far as the law permits. If any liquidator, provisional liquidator, administrator or supervisor of the Scheme Company chooses not to continue with the implementation of the Scheme, the Scheme will continue in the case of other Scheme Companies' Schemes.

21 Governing law and jurisdiction

The Schemes will be governed by and construed in accordance with the laws of England. The Court is given exclusive jurisdiction to hear and determine any disputes which arise out of the Scheme or any associated document or out of any action taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme (Clause 7.2).

PART 2

THE E W PAYNE POOLS SCHEME

**A PROPOSAL IN RELATION TO SCHEMES OF
ARRANGEMENT PURSUANT TO PART 26
OF THE COMPANIES ACT 2006**

BETWEEN

THE SCHEME COMPANIES

(Listed on pages 2 to 10 of this document)

AND THEIR RESPECTIVE

SCHEME CREDITORS

**CONCERNING BUSINESS UNDERWRITTEN AND/OR ADMINISTERED
BY REINSURANCE SOLUTIONS LIMITED ON BEHALF OF THE
SCHEME COMPANIES IN RESPECT OF**

THE EXCESS OF LOSS POOL NO 1 (1960 to 1985),

THE EXCESS OF LOSS POOL NO 2 (1974 to 1982),

THE EXCESS OF LOSS POOL NO 3 (1983) AND

THE 'X' ACCOUNT POOL (1961 to 1968)

**WITH MODIFICATIONS AFFECTING THE SCHEME CREDITORS OF UNIONAMERICA
INSURANCE COMPANY LIMITED AND EAGLE STAR INSURANCE COMPANY LIMITED ONLY**

Scheme Website: www.ewpaynepools.com

THE SCHEME CONTENTS

Clause		Page
1	PRELIMINARY	41
2	GENERAL PROVISIONS	51
3	ASCERTAINMENT AND PAYMENT OF ESTABLISHED LIABILITIES	57
4	THE SCHEME ADVISERS AND THE SCHEME MANAGER	66
5	THE SCHEME ADJUDICATOR AND DISPUTE RESOLUTION PROCEDURE	70
6	DURATION OF THE SCHEME	76
7	OTHER PROVISIONS	78

1 PRELIMINARY

1.1 Definitions

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

1985 Act	the Companies Act 1985 as amended and in force at the Effective Date,
Agent	any person, other than a broker, who is authorised, whether actually or ostensibly to act on behalf of any Scheme Creditor,
Agreed Claim	a Scheme Claim that has been agreed by the Scheme Company and the Scheme Creditor in accordance with Clause 3.5 of the Scheme,
Agreed Paid Losses	losses which were settled by the Scheme Creditor and were agreed with the Scheme Company before the Effective Date,
Asbestos Losses	any Liability of a Scheme Creditor for personal injury which is alleged to have been caused in whole or in part by the mining, manufacture, sale, distribution, use, installation or removal, or handling or exposure to asbestos, asbestos products, asbestos fibres or asbestos dust in respect of which a Scheme Creditor is covered under a Reinsurance Contract,
Ascertainment Date	30 June 2007,
Bar Date	the deadline for submitting completed Claim Forms being one minute before midnight in the UK on the first Business Day falling 150 days after (and not including) the Effective Date,
Business Day	any day between 9am and 5.30pm, other than Saturday, Sunday, or any other day on which banks are not open for normal banking business in the City of London,
Claim Form	the claim form to be sent to Scheme Creditors in

	accordance with Clause 3 4 of the Scheme,
Companies Act	the Companies Act 2006 as amended and in force at the Effective Date,
Court	the High Court of Justice of England and Wales,
Court Order	the Order of the Court sanctioning the Scheme,
Discount Rates	the percentage reductions set out in Clause 3 3 which will be applied to all Non-Agreed Paid Losses, Outstanding Loss Claims, and IBNR Claims on the Claim Form to take account of the net present value of those claims,
Dispute Resolution Procedure	the procedure for resolving a Disputed Claim as set out in Clause 5 of the Scheme,
Disputed Claim	a disputed Scheme Liability which has been referred for adjudication in accordance with Clauses 3 5(c) and 3 5(d) of the Scheme,
Effective Date	for each Scheme Company, the date on which the office copy of the Court Order is delivered to the Registrar of Companies for registration,
Electronic Equipment	a fax machine or computer,
Electronic Form	by fax or by email in pdf or tif format,
Established Liability	a Scheme Liability that has been agreed or determined under Clauses 3 5(a), 3 5(b), 3 5(c) and Clause 5 of the Scheme,
Explanatory Statement	the statement prepared in accordance with section 897 of the Companies Act explaining the effect of the Scheme to Scheme Creditors,
E W Payne	E W Payne & Co Limited, as more particularly explained in the <i>History Of The E W Payne Pools And Description Of The Scheme Business</i> section of the Explanatory Statement,
E W Payne Pools	the Excess of Loss Pool No 1, Excess of Loss Pool No 2, Excess of Loss Pool No 3 and the 'X' Account

	Pool, all operated by E W Payne,
Excess of Loss Pool No. 1	one of the E W Payne Pools operating from 1960 to 1985 inclusive,
Excess of Loss Pool No. 2	one of the E W Payne Pools operating from 1974 to 1982 inclusive,
Excess of Loss Pool No. 3	one of the E W Payne Pools operating in 1983 only,
IBNR	incurred but not reported losses, namely losses which as at the Ascertainment Date have been incurred but have not been reported to the Scheme Creditor giving rise to a Scheme Claim,
IBNR Claim	claims against or Liabilities of a Scheme Creditor in respect of IBNR arising under Reinsurance Contracts giving rise to a Scheme Claim,
IBNR Loading Percentages	the percentages applied to a Scheme Creditor's Outstanding Loss Claims derived from Asbestos Losses, Pollution Losses and Other Losses under Clause 3 2
Individual Settlement Payment	a payment made in accordance with Clause 3 7(b),
Insolvency Act	The Insolvency Act 1986 as amended and in force as at the effective date,
Insolvency Event	<ul style="list-style-type: none">(a) an order of the Court to wind up the Scheme Company compulsorily pursuant to the Insolvency Act,(b) the commencement of a creditors' voluntary liquidation in accordance with the provisions of the Insolvency Act in respect of the Scheme Company,(c) the appointment of an administrator, receiver or administrative receiver of the Scheme Company in accordance with the provisions of the Insolvency Act,

- (d) the appointment of a provisional liquidator of the Scheme Company in accordance with the provisions of the Insolvency Act
- (e) a determination by the Scheme Company that the value of its assets is less than the value of its discounted Liabilities, or
- (f) any Proceedings analogous to those described in (a) to (e) above in any other jurisdiction concerning the Scheme Company,

Letter of Credit

any valid letter of credit issued to or for the benefit of a Scheme Creditor in respect of a Reinsurance Contract,

Liability

any obligation or liability of a person whether it is present, future, prospective or contingent, whether its amount is fixed or unliquidated, whether or not it involves the payment of money, which arises at common law, in equity, by contract by statute (in England and Wales or in any other jurisdiction) or in any other manner whatsoever provided that such expression does not include any obligation or liability which is barred by statute or is otherwise unenforceable as at the Effective Date For the avoidance of doubt, where any obligation or liability under a contract or policy is void or, being voidable, has been duly avoided, no obligation or liability shall arise in respect of such obligation or liability,

Lloyd's Syndicate

a group of underwriting members of Lloyd's to which a number is assigned on behalf of the Council of Lloyd's in respect of an underwriting year,

Manifest Error

a clear typographical or mathematical error in the Valuation Statement or in the information attached to the Valuation Statement which, on the face of it, is an obvious error,

Mentally Disordered

mentally disordered means, in relation to an individual, where he is a patient within the meaning of Part X (s145(1)) of the Mental Health Act 1983 or

Part 23 (s329(1)) of the Mental Health (Care and Treatment) (Scotland) Act 2003, as amended and in force at the Effective Date, 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,

Net Established Liability	the final balance following the accumulation of the amounts referred to in Clauses 3 6(a)(i) to 3 6(a)(v) as set out on a Scheme Creditor's Valuation Statement,
Net Established Liability Date	the date on which any particular Scheme Liability becomes a Net Established Liability,
Non-Agreed Paid Losses /Accruals	losses which have been settled by a Scheme Creditor and submitted to the Scheme Company but which have not yet become Agreed Paid Losses, this includes Accruals which are losses which have been settled by a Scheme Creditor, which have not been agreed by the Scheme Manager,
Other Losses	any Liability of a Scheme Creditor for losses arising under Reinsurance Contracts which are not Asbestos Losses or Pollution Losses,
Outstanding Loss Claims	claims against or Liabilities of a Scheme Creditor in respect of losses arising under Reinsurance Contracts which have been notified but not yet settled by the Scheme Creditor giving rise to a Scheme Claim,
Pollution Losses	any Liability of a Scheme Creditor for losses arising under Reinsurance Contracts which are alleged to have been caused in whole or in part by the emission, discharge, dispersal, release or escape of any solid, liquid, gaseous or thermal contaminant, irritant or pollutant,
Pool Participant	any of the companies that participated on the E W Payne Pools,

Post	despatch by hand, pre-paid first class post, air mail or courier service,
Proceedings	any action, step or other legal proceeding, in any jurisdiction or forum, including, without limitation, any demand, arbitration, alternative dispute resolution procedure, judicial review, adjudication, execution, seizure, forfeiture, re-entry, lien, enforcement of judgment or enforcement of security,
Property	all forms of property including money, goods, things in action, land and any and every description of property wherever situated together with obligations and every description of interest, whether present or future, vested or contingent, arising out of, or incidental to, property,
Proxy Form	the form approved by the Court for the appointment of proxies for the purposes of voting at the Scheme Meetings,
Registrar of Companies	the registrar or other officer responsible for registering companies in England and Wales in accordance with the Companies Act,
Reinsurance Contract	a contract or policy of reinsurance or retrocession of any kind whatsoever entered into by or on behalf of one or more of the Scheme Companies with a Scheme Creditor,
Reversion to Run-Off Event	an event occurring in accordance with Clause 6 3(a),
Reversion to Run-Off Option	one or more of the two options to revert to run-off set out in Clause 6 3(b)(i) and (ii),
Scheme	all or any of the schemes of arrangement pursuant to Part 26 of the Companies Act proposed in relation to all or any of the Scheme Companies as set out in this document or as may be modified in accordance with Clause 1 5,
Scheme Adjudicators	the persons named in Clause 5 1(c) or any other

	person or persons subsequently appointed as Scheme Adjudicator
Scheme Adjudicator Decision	a notice served in accordance with Clause 5 2(a),
Scheme Adjudicator Notice	a notice served in accordance with Clause 5 2(b).
Scheme Advisers	Mike Walker and John Wardrop, both partners of KPMG LLP of 8 Salisbury Square, London EC4Y 1BB, or any other person or persons subsequently appointed as Scheme Advisers,
Scheme Business	the business of the E W Payne Pools,
Scheme Claim	any Liability of a Scheme Company to a Scheme Creditor arising out of Scheme Business,
Scheme Company	any company listed on pages 2 to 10 of the Explanatory Statement,
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 Debt	a Liability which is or may become payable to the Scheme Company,
Scheme Expenses	<p>(a) all costs, charges, expenses and disbursements reasonably incurred by the Scheme Manager on behalf of the Scheme Companies in connection with the negotiation and preparation of the Scheme, including the costs of holding the Scheme Meetings to consider and, if thought appropriate, approve the Scheme and the costs of obtaining the sanction of the Court to the Scheme,</p> <p>(b) all costs, charges, expenses and disbursements and other debts (but not including Scheme Liabilities) incurred by the Scheme Manager in the course of carrying out the Scheme and of complying with the provisions of the Companies Act and the</p>

1985 Act,

- (c) insofar as they do not fall within (a) or (b), all costs, charges, expenses and disbursements incurred by, and the remuneration of, the Scheme Manager, the Scheme Advisers and the Scheme Adjudicator to the extent that such costs, charges, expenses, disbursements and remuneration are referable to the implementation of the Scheme,
- (d) insofar as they do not fall within (a), (b) or (c), all costs, charges, expenses and disbursements which the Scheme Companies are obliged to pay by reason of the obligations imposed on the Scheme Companies by the Scheme, excluding Scheme Liabilities, and
- (e) notwithstanding that the Scheme shall have terminated, the costs of placing all notices required by the Scheme and the costs of the Scheme Adjudicator in conducting Scheme-related work or the Scheme Advisers in advising on Scheme-related work after any such termination or reversion to run-off,

Scheme Liability	any Liability arising in relation to Scheme Business to which a Scheme Company is subject as at the Ascertainment Date,
Scheme Manager	Reinsurance Solutions Limited of Mayland House, Mayland Road, Witham, Essex CM8 2UP or any person or persons subsequently appointed as Scheme Manager,
Scheme Meeting	the meeting of Scheme Creditors held pursuant to an order of the Court to consider and vote on the Scheme,
Scheme Website	www.ewpaynepools.com ,
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 a Reinsurance Contract or in relation to Proceedings concerning a Reinsurance Contract,
Termination Event	<p>in relation to a company or a limited liability partnership, if it becomes subject to an Insolvency Event or, in relation to an individual, if he</p> <ul style="list-style-type: none">(a) dies,(b) is convicted of an indictable offence,(c) resigns his appointment by notice,(d) becomes bankrupt,(e) is disqualified from acting as a director of a company under the Company Directors Disqualification Act 1986 of Great Britain, or(f) becomes Mentally Disordered,
Third Party Company	The Insurance Corporation of Singapore (UK) Limited and The Nippon Fire & Marine Insurance Company (UK) Limited (in the case of the Unionamerica Insurance Company Limited Scheme) and Home & Overseas Insurance Company Limited (in the case of the Eagle Star Insurance Company Limited Scheme),
Total Net Established Liability	an amount equal to the total of a Scheme Creditor's Net Established Liability under each Scheme,
Total Settlement Payment	a payment made in accordance with Clause 3 7(b),
US Dollars or USD or US\$	United States dollars, or other lawful currency, for the time being of the United States of America,
Valuation Statement	a statement to be prepared in accordance with Clause 3 6 of the Scheme,
Voting Form	the form approved by the Court for registering votes for the purposes of voting at the Scheme Meetings,

and

"X" Account Pool one of the E W Payne Pools operating from 1961 to 1968 inclusive

1 2 Interpretation

In the Scheme

- (a) references to Parts, Clauses and Schedules are references to the Parts, Clauses and Schedules of the Scheme,
- (b) references to a person include an individual, firm, company, corporation or unincorporated body of persons,
- (c) the singular includes the plural and vice versa and the masculine includes the feminine and vice versa, and
- (d) references to a statute or to a statutory provision or to a statutory instrument or provision of a statutory instrument include the same as subsequently re-enacted or consolidated from time to time

1 3 The Scheme Companies

The Scheme Companies listed on pages 2 to 10 of the Explanatory Statement

1 4 Participation in the Scheme

- (a) The Scheme Advisers, the Scheme Manager and the Scheme Adjudicator have each, as appropriate, consented to act in relation to and/or agreed to be bound by the Scheme
- (b) 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 the Scheme Companies or on their behalf to implement and to give effect to the Scheme

1 5 Modification of the Scheme

The Scheme Manager 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, provided that there is no material prejudice to Scheme Creditors

2 GENERAL PROVISIONS

2.1 Application and purposes of the Scheme

- (a) The Scheme shall apply only to Scheme Creditors and only in relation to Scheme Liabilities. All other Liabilities of the Scheme Company shall be unaffected by the provisions of the Scheme.
- (b) The purposes of the Scheme are
 - (i) to determine the Scheme Company's Established Liabilities to Scheme Creditors, and
 - (ii) to pay to each Scheme Creditor the amount of the Net Established Liability owing to it.

2.2 Effective Date

The Scheme shall come into effect on the Effective Date.

2.3 Enforcement of Scheme Liabilities

- (a) Following the Effective Date (and subject to Clause 2.12), the Company will not make payment to Scheme Creditors in respect of their Scheme Liabilities, other than their Net Established Liabilities, unless the Company reverts to run-off in accordance with Clause 6.3, in which case the Scheme shall terminate and the Company may resume payments to its Scheme Creditors in the ordinary course of business.
- (b) Without prejudice to Clause 5, no Scheme Creditor shall be entitled to commence or continue any Proceedings or other judicial, quasi-judicial or regulatory process whatsoever against the Scheme Company or its Property or a Third Party 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 the Scheme Company or its Property, (i) where the Scheme Company has failed to perform any obligation to make payment of a Net Established Liability to a Scheme Creditor, or (ii) commenced with the written consent of the Scheme Manager.
- (c) Without prejudice to all other rights and remedies available to the Scheme Company, if after the Effective Date any Scheme Creditor takes any action which is prohibited by Clause 2.3(b) it shall be treated as having received an advance payment on account of its Scheme Liabilities equal to the amount or gross value of any money, Property benefit or advantage obtained by it at the

expense of the Scheme Company as a result of such action, and the extent to which it is entitled to receive any payment under the Scheme in respect of its Established Liability shall be determined accordingly

- (d) For the purposes of Clause 2 3(c), the gross value of any money, Property, benefit or advantage obtained as aforesaid shall be determined by the Scheme Company 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 Scheme Company as a consequence of the action prohibited by Clause 2 3(b)

2 4 Security Interests and Letters of Credit

- (a) Nothing in the Scheme shall preclude a Scheme Creditor from obtaining payment under a Security Interest or Letter of Credit in accordance with its terms and those of the relevant Reinsurance Contract to satisfy any Scheme Liability in respect of which such Security Interest or Letter of Credit was created or issued
- (b) Nothing in the Scheme shall affect the rights of the Scheme Company against any person in respect of any enforcement of any Security Interest or Letter of Credit created or issued in respect of the Scheme Company, including but not limited to, any improper or excessive enforcement or drawdown
- (c) Where a Scheme Creditor has the benefit of a Security Interest or Letter of Credit in respect of all or part of its Established Liability, as a precondition of receiving payment under the Scheme, the Scheme Creditor shall be required to take such steps as the Scheme Company may, in its sole discretion, require to release, discharge, cancel and account for the relevant Security Interest or Letters of Credit Without prejudice to the generality of the foregoing, where the security in question is a Letter of Credit, the Scheme Creditor shall be required for the purposes of this sub-clause to (a) return to the Scheme Company the relevant original Letter of Credit, or (b) in the sole event that the relevant original Letter of Credit has been misplaced, destroyed or lost by the Scheme Creditor, execute a release agreement in relation to the relevant Letter of Credit, prior to receiving payment under Clause 3 7
- (d) If a Scheme Creditor recovers any sums under any Security Interest or Letter of Credit after the Bar Date

- (i) those sums shall be deducted from its Established Liability in respect of any Reinsurance Contract to which the Security Interest relates in calculating such Established Liability and
- (ii) it shall hold any such sums that exceed its Established Liability, in respect of any Reinsurance Contract to which the Security Interest relates, on trust for the Scheme Company and shall immediately pay them to the Scheme Company without set-off, deduction retention, abatement or counterclaim Interest will accrue on the debt represented by the excess over the Established Liability, from the date on which the value is obtained by the Scheme Creditor, at a rate of 2 per cent above the highest base rate applied by The Bank of England The Scheme Creditor may not apply the excess to any other Liabilities of the Scheme Company unless it is entitled to do so by the contract in connection with which or under which the Security Interest has been granted

2 5 Foreign currency conversions

In determining any set-off, counterclaim or Security Interest or amount available under a Letter of Credit 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 amount of set-off, counterclaim, Security Interest or Letter of Credit amount shall be converted into US Dollars as at the Net Established Liability Date, being the date on which the set-off, counterclaim or Security Interest or Letter of Credit amount is determined The rate of any currency conversion under this Clause 2 5 shall be the Spot Exchange Rate for the particular currency taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the Net Established Liability Date

2 6 Broker funding

Claims against the Scheme Company by brokers or Agents 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 reinsurer or retrocessionaire in payment of or towards premiums due from the Scheme Company to that reinsurer or retrocessionaire,

shall not be admitted as Scheme Liabilities unless either

- (a) the said Scheme Creditor reinsurer or retrocessionaire shall have assigned to the relevant broker or Agent in writing its claim against the Scheme Company and given written notice of that assignment to the Scheme Company Where any such assignment takes place after the Effective Date the relevant Scheme Creditor, reinsurer or retrocessionaire shall give notice of it by Post to the Scheme Company, or
- (b) the payment was made pursuant to a pre-existing contractual, statutory or other legal obligation of the broker or Agent to or at the request of the Scheme Company

2 7 Treatment of Lloyd's Syndicates

The Scheme Company may treat the members of a Lloyd's Syndicate which has a Scheme Liability as if they were a single Scheme Creditor of the Scheme Company in respect of that Scheme Liability and the members of a Lloyd's Syndicate which owes money to the Scheme Company as a single debtor of the Scheme Company in respect of the sum due, provided that

- (a) all years of account have been closed by means of reinsurance to close into a later year such that the rights and liabilities of the members of the syndicate in such closing year will become instead the rights and liabilities of the members of the successor syndicate or syndicates in such later year, and
- (b) the Scheme Liability in question is that arising from such later year

2 8 Treatment of assignees

Claims against the Scheme Company by an assignee of a Scheme Creditor shall not be admitted as Scheme Liabilities unless the assignee received an assignment of the Scheme Creditor's Claim in a form which the Scheme Manager considers to be acceptable

2 9 Managers of Underwriting Pools, line-slip holding and managers' agents

- (a) The Scheme Manager shall be entitled to require any manager of an underwriting pool, managing general agent, holder of a line-slip, holder of a broker cover authority or binding authority to allocate Scheme Claims by reference to each relevant principal for which it is responsible If the Scheme Manager does not receive sufficient details of the Scheme Claims allocated to each such principal together with any necessary supporting evidence the Scheme Manager shall, for the avoidance of doubt, be entitled to apply the

provisions of Clause 2 9(b) All Scheme Creditors affected by such allocation pursuant to this Clause 2 9(a) shall be bound by the allocation

- (b) The Scheme Manager shall as an alternative to Clause 2 9(a) have the power to treat those acting, or believed to be acting, on behalf of principals reinsured by the Scheme Company, including but not limited to, managers of underwriting pools, managing general agents and the holders of line-slips, broker cover authorities or binding authorities, as if they were a principal creditor in place of their principals until such time as the Scheme Manager receives notice in a form satisfactory to it in writing from any such reinsured principal that the relevant party has no authority to act on their behalf, or that the relevant party's authority to act on their behalf has come to an end
- (c) In the event of doubt as to which of Clauses 2 9(a) and 2 9(b) shall apply to an agent or representative, the decision of the Scheme Manager in this respect shall so far as the law permits be final and binding

2 10 No release

Nothing in the Scheme shall be construed as resulting in any release, extinguishment, modification, compromise or waiver of any Liability owed by the Scheme Company or a Third Party Company but the amount of a Scheme Creditor's entitlement to payment under the Scheme in respect of a Scheme Liability (once the relevant Established Liability in respect of that Scheme Liability has been determined) shall constitute the Scheme Company's and the Third Party Company's entire Liability to the Scheme Creditor concerned in respect of the relevant Scheme Liability

2 11 Time Limits

- (a) The Scheme Manager may, after consultation with the Scheme Adviser and at its absolute discretion, extend any time period (except the Bar Date) referred to in the Scheme (save for any time period in Clause 5 which shall be extended at the sole discretion of the Scheme Adjudicator) The power to extend time periods under this Clause 2 11(a) may be exercised for any one or more Scheme Creditors or for all Scheme Creditors and time may be extended under this Clause 2 11(a) in respect of any one or more Scheme Liabilities
- (b) Time periods laid down by the Scheme shall be calculated by reference to elapsed days and not Business Days but in the event that a time period expires on a day which is not a Business Day, such period of time shall be deemed not to expire until close of business on the Business Day next following

2 12 Commutations, settlements and other agreements

The Scheme Company may, in its absolute discretion, enter into contractual arrangements with a Scheme Creditor under which all or part of a Scheme Liability is discharged in full in consideration of a cash payment made by the Scheme Company

2 13 Third Party Companies

Notwithstanding any other provisions of the Scheme, where a Liability of the Scheme Company to a Third Party Company arises out of a Liability of a Third Party Company to a Scheme Creditor under or in connection with the E W Payne Pools, that Liability of the Scheme Company is not to be a Scheme Liability Any Liability of a Third Party Company to a Scheme Creditor under or in connection with the E W Payne Pools is to be treated as a Scheme Liability of the Scheme Company and all of the terms of the Scheme in respect of such Liability of a Third Party Company are to be enforceable by the Scheme Company against Scheme Creditors

3 ASCERTAINMENT AND PAYMENT 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 in accordance with the terms of the Scheme

3.2 IBNR Loading Percentages

- (a) The following multiples will be applied to a Scheme Creditor's Outstanding Loss Claims (prior to the application of the Discount Rate in Clause 3.3(b)) to calculate its IBNR Claims
 - (i) a multiple of two will be applied to those Outstanding Loss Claims derived from Asbestos Losses (ie a 200% loading),
 - (ii) a multiple of 0.75 will be applied to those Outstanding Loss Claims derived from Pollution Losses (ie a 75% loading), and
 - (iii) a multiple of 0.25 will be applied to those Outstanding Loss Claims derived from Other Losses (ie a 25% loading)
- (b) Where a Scheme Creditor believes it has an IBNR Claim but no Outstanding Loss Claims, the above IBNR Loading Percentages will not apply. Such Scheme Creditor's IBNR Claim will be valued in accordance with Clause 3.4(h)

3.3 Discount Rates

Under the Scheme, Discount Rates of

- (a) 5% will be applied to all Non-Agreed Paid Losses, and
- (b) 25% will be applied to all Outstanding Loss Claims (subsequent to the application of the IBNR Loading Percentages in Clause 3.2) and IBNR Claims

3.4 Claim Forms

- (a) Within 21 days after the Effective Date the Scheme Manager shall send notices by Post to each of the Scheme Creditors of whose address it is aware enclosing Claim Forms and informing them both that the Scheme is effective and of the Bar Date
- (b) The Scheme Manager shall within 21 days after the Effective Date

- (i) cause to be published in the same newspapers and publications in which the Scheme Meetings were advertised an advertisement (or should this not prove reasonably possible, in such other publications as it shall deem appropriate) and post on the Scheme Website a notice informing Scheme Creditors both that the Scheme is effective and of the Bar Date and calling for all Scheme Creditors to complete and return their Claim Forms, and
 - (ii) send to each relevant broker or Agent of whose address it is aware copies of the notice enclosing the Claim Forms referred to in Clause 3 4(a)
- (c) The Scheme Manager shall have no duty or obligation whatsoever to advise or to inform a Scheme Creditor whether on a Claim Form or otherwise of reserves made or Liabilities anticipated by the Scheme Company in respect of the Scheme Liabilities
- (d) The notices enclosing the Claim Forms referred to in Clause 3 4(a) above will 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 Manager's 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, the notice enclosing the Claim Form shall be sent to any and all brokers or Agents identifiable in the address records available to the Scheme Company as the Scheme Creditor's brokers or Agents
- (e) A pro forma version of the Claim Form is shown at Appendix D. Subject to Clause 3 10 each Claim Form will be personalised for each Scheme Creditor and will set out the value of that Scheme Creditor's Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims as derived from the Scheme Company's records. The Claim Form will also show the value of that Scheme Creditor's IBNR Claims as calculated in accordance with the IBNR Loading Percentages. On the Claim Form the Discount Rates will be applied to Scheme Creditor's Non-Agreed Paid Losses, Outstanding Loss Claims and IBNR Claims
- (f) On receipt of its personalised Claim Form, each Scheme Creditor is asked to complete its Claim Form in accordance with the instructions attached to them. Each Scheme Creditor is invited
 - (i) to review and agree the values of its Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims, and

- (ii) confirm that the IBNR Loading Percentages and Discount Rates have been applied correctly in accordance with Clauses 3.2 and 3.3.

on the Claim Form

- (g) If a Scheme Creditor wishes to amend the values of its Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims as set out on its personalised Claim Form, such amendments must be made in accordance with instructions attached to the Claim Form. No changes may be made to the IBNR Loading Percentages or to the Discount Rates.
- (h) Where a Scheme Creditor believes it has an IBNR Claim but no Outstanding Loss Claims, it must insert into its Claim Form the value of its IBNR Claim. The Scheme Manager will then seek to agree the fair value of such IBNR Claim. In the absence of such agreement, the provisions of Clauses 3.5(b) and (c) shall apply.
- (i) Completed Claim Forms must be returned to the Scheme Manager at its address as set out on the Claim Form to arrive on or before the Bar Date. Documentation in support of any amendments made by a Scheme Creditor to its Claim Form must arrive by no later than seven days after the Bar Date.
- (j) 28 days prior to the Bar Date, the Scheme Manager shall send Scheme Creditors by Post or by email a notice reminding Scheme Creditors of the forthcoming Bar Date.
- (k) Each Scheme Creditor shall be entitled to submit a new or revised Claim Form in accordance with the instructions accompanying the Claim Form and to provide revised or further information in respect of its Scheme Liabilities, together with any relevant supporting documentation, to the Scheme Manager so as to reach the Scheme Manager at any time before the Bar Date.
- (l) In the event that a Scheme Creditor fails to return a Claim Form to the Scheme Manager by the Bar Date, the values on that Claim Form will stand as that Scheme Creditor's Established Liability in the Scheme.
- (m) Any Scheme Creditor that is not sent a Claim Form either in accordance with Clause 3.4(a) (or otherwise) and does not submit a Claim Form prior to the Bar Date, will have its Net Established Liability valued at zero in the Scheme.

3.5 Determination of Established Liabilities

- (a) The Scheme Manager shall examine and attempt to agree the information on each Claim Form returned to it on time in accordance with Clause 3.4. If

- (i) a Scheme Creditor has not made any amendments to the values of a Scheme Creditor's Agreed Paid Losses Non-Agreed Paid Losses, Outstanding Loss Claims and IBNR Claims (following the application, where appropriate, of the Discount Rates) as set out on the Claim Form sent to that Scheme Creditor, or
- (ii) the Scheme Manager concurs with any amendments made to those values.

the Scheme Manager will as soon as reasonably practicable after the Bar Date, send the relevant Scheme Creditor a Valuation Statement setting out in writing its agreement of the values on the Claim Form Subject to Clause 3 6(c) the Scheme Manager, the Scheme Company and the relevant Scheme Creditor shall thereafter treat the completed Valuation Statement as valid and binding as to the matters referred to on it and no further amendments may be made to it The values on the Claim Form as agreed and as set out on the Valuation Statement shall become the relevant Scheme Creditor's Established Liability The Valuation Statement will set out the Scheme Creditor's Established Liability for all Scheme Companies for which it is a Scheme Creditor

- (b) If the Scheme Manager does not agree with the amendments made by a Scheme Creditor to its Claim Form, it shall, as soon as reasonably practicable following the Bar Date, notify the relevant Scheme Creditor in writing of those matters which are not agreed, the reasons for failing to agree such matters and any such additional information that the Scheme Manager may require The relevant Scheme Creditor shall provide such additional information within 28 days of such request being made The Scheme Manager will endeavour to agree the disputed matters and the relevant Established Liability within 60 days of the Bar Date and, in the event that the Established Liability is so agreed, the Scheme Company shall notify the Scheme Creditor of its agreement by Post by sending the Scheme Creditor a Valuation Statement The Valuation Statement will set out the Scheme Creditor's Established Liability For the avoidance of doubt, if the Scheme Company does not respond within 60 days of the Bar Date, such lack of response shall not be construed as an agreement of the relevant Established Liability
- (c) If the disputed matters are not resolved between the relevant Scheme Creditor and the Scheme Manager within the 60 day deadline imposed by Clause 3 5(b) (or before the expiry of that deadline where the Scheme Manager concludes that agreement cannot be reached or if the Scheme Creditor does not provide the requested additional information within the 28 day period referred to in paragraph 3 5(b)), the Scheme Manager will send the Scheme Creditor a copy

of a Claim Form in relation to the relevant Scheme Creditor's claim 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 disputed matter to the Scheme Adjudicator. The relevant Scheme Creditor must respond to the Scheme Manager within 21 days of receipt of this communication confirming that the matter is to be referred to the Scheme Adjudicator. If such confirmation is received from the Scheme Creditor, the Scheme Manager shall send the relevant Scheme Creditor a Scheme Adjudication Decision in accordance with Clause 5.2(a) notifying the Scheme Creditor of the decision to refer the disputed matter to the Dispute Resolution Procedure set out at Clause 5 of the Scheme. If the Scheme Creditor does not respond to the communication from the Scheme Manager or responds by accepting the information and values on the Claim Form sent to it by the Scheme Manager pursuant to this sub-paragraph, this will be deemed to be determinative of the disputed matters and the claims as set out in the Claim Form referred to in this sub-paragraph, shall become the relevant Scheme Creditor's Established Liability. The Scheme Creditor will then be sent a Valuation Statement setting out its Established Liability.

- (d) Without prejudice to the provisions of Clause 3.5(c), the Scheme Manager may refer a Claim Form to the Scheme Adjudicator at any time the Scheme Manager believes (in its sole discretion) that it will be impossible or impracticable to reach agreement with the relevant Scheme Creditor.
- (e) The amount of any Established Liability determined or agreed under Clauses 3.5(a), 3.5(b), 3.5(c) or Clause 5 shall be final and binding on the relevant Scheme Creditor and the relevant Scheme Companies (in so far as the law allows and subject to the rights of the Scheme Company to elect that its business revert to run-off under Clause 6.3).
- (f) The amount in respect of which
 - (i) any Scheme Creditor votes at the Scheme Meeting, and/or
 - (ii) any determination by the chairman of the Scheme Meeting for decision on discrepancies between the information provided by the Scheme Creditors prior to the holding of the Scheme Meeting and the Scheme Manager's records for the purposes of voting at the Scheme Meeting,

shall not be binding on the Scheme Company, the Scheme Creditor, the Scheme Manager and/or the Scheme Adjudicator for any purposes other than voting.

3.6 Valuation Statements

- (a) A Scheme Creditor's Valuation Statement will set out
 - (i) the total of the Scheme Creditor's Established Liability,
 - (ii) the amount of any Scheme Claims which have been satisfied by the application of Security Interests since the Ascertainment Date and the amount of any Security Interests to be deducted from the Scheme Creditor's Established Liability,
 - (iii) the amount of any advance payment treated as having been received by the Scheme Creditor for the purposes of Clauses 2.3(c) and 2.3(d) which is to be deducted from the total of a Scheme Creditor's Established Liability,
 - (iv) the amount of any advance payment made to the Scheme Creditor between the Ascertainment Date and the Effective Date by the Scheme Company in respect of what is determined in the Scheme to be an Established Liability, such amounts are to be deducted from the total of a Scheme Creditor's Established Liability,
 - (v) the amount of any sums in respect of the Scheme Adjudicator's unpaid remuneration, costs and expenses pursuant to Clause 5.2(g)(ii) to be deducted from the Scheme Creditor's Established Liability, and
 - (vi) the final balance following the accumulation of the amounts referred to in Clauses 3.6(a)(i) to 3.6(a)(v) which shall be the Scheme Creditor's Net Established Liability. The Valuation Statement will set out the Scheme Creditor's Net Established Liability for all Scheme Companies for which it is a Scheme Creditor.
- (b) Subject to Clause 3.6(c) the contents of a Scheme Creditor's Valuation Statement will, so far as the law permits, be final and binding on the Scheme Company and the Scheme Creditor.
- (c) A Scheme Creditor may only dispute the contents of its Valuation Statement on the grounds of Manifest Error. A Scheme Creditor must inform the Scheme Manager in writing of the alleged Manifest Error within 28 days of the date of the Valuation Statement. The Scheme Manager will resolve the alleged Manifest Error within 14 days of being notified of it pursuant to this Clause and, where appropriate, send the Scheme Creditor a revised Valuation Statement. Such revised Valuation Statement, subject to this Clause 3.6(c), will

so far as the law permits be binding on the Scheme Company and the Scheme Creditor concerned

- (d) A Scheme Creditor will be provided with a combined Valuation Statement totalling its Net Established Liabilities for each Scheme for which it is a Scheme Creditor

3.7 Payment of Net Established Liabilities

- (a) Subject to Clause 2.12 payment shall be made under the Scheme only in respect of Net Established Liabilities
- (b) When all Scheme Claims under the Scheme have either been agreed in accordance with Clauses 3.5(a) 3.5(b) or 3.5(c) or, if a Scheme Claim has been directed to the Dispute Resolution Procedure under Clause 5 of the Scheme, such Disputed Claim has been resolved in accordance with Clause 5.2(h), the Scheme Company shall transfer sufficient funds to the Scheme Manager to pay all Net Established Liabilities determined under that Scheme Company's Scheme. Such payment is known as the **Total Settlement Payment**. The amount transferred to the Scheme Manager by a Scheme Company in respect of an individual Scheme Creditor's Net Established Liability is known as that Scheme Creditor's **Individual Settlement Payment**
- (c) Subject to Clause 3.7(d), on receipt by the Scheme Manager of the Total Settlement Payment for each Scheme, the Scheme Manager shall, as soon as is practicable, effect payment in full to each Scheme Creditor of an amount equal to the total of that Scheme Creditor's Net Established Liability under each Scheme (known as that Scheme Creditor's **Total Net Established Liability**)
- (d) Prior to receiving a Scheme Creditor's Individual Settlement Payments from all relevant Scheme Companies (being each of the Scheme Companies that has a Net Established Liability payable to the Scheme Creditor), the Scheme Manager is permitted to make a preliminary payment to the Scheme Creditor of an amount equal to the total of only those Individual Settlement Payments in respect of that Scheme Creditor actually received by the Scheme Manager at that date. In those circumstances, the remainder of a Scheme Creditor's Total Net Established Liability will be paid, as soon as is practicable, to the Scheme Creditor on receipt of all the outstanding Scheme Creditor Individual Settlement Payments by the Scheme Manager
- (e) All payments pursuant to the Scheme shall be made, in the absolute discretion of the Scheme Manager

- (i) 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 Company) or, if no address for the Scheme Creditor is known to the Scheme Manager, to the last known address of the broker or Agent through which the relevant Reinsurance Contract was effected or entered into, or
 - (ii) 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
- (f) Any payment pursuant to Clause 3 7(e) 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 7(e)(ii), shall be deemed never to have been made and the Scheme Creditor's rights to such payment shall be extinguished
- (g) Payments made pursuant to this Clause 3 7 to
- (i) a Scheme Creditor, or
 - (ii) a person actually or ostensibly authorised to act on behalf of the Scheme Creditor,

pursuant to Clause 3 7(e), Clause 3 7(f) or otherwise shall, for all purposes, constitute a valid discharge of the Scheme Creditor's entitlement to payment in respect of such Net Established Liability to the extent of such payment. For the purpose of this Clause 3 7, payment of any cheque by the bank on which it is drawn shall be in satisfaction of the 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 in satisfaction of the obligation to pay the amount transferred

3 8 Currency of payment

Any amount payable to a Scheme Creditor under the Scheme in respect of a Scheme Liability which was incurred in any currency other than US dollars shall be paid in US dollars converted using the Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last

Business Day prior to the Ascertainment Date (i.e. 29 June 2007) 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 US dollars, converted using the Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last Business Day prior to the Ascertainment Date (i.e. 29 June 2007)

3.9 Insolvent Scheme Creditors and dissolved Scheme Creditors

- (a) Where a Scheme Creditor is insolvent, the Scheme Company may exercise any available rights of set-off it might have resulting from the insolvency
- (b) If a Scheme Creditor is a company which has been dissolved under the laws of the country or state of its incorporation by the Effective Date, such Scheme Creditor will not be entitled to make a Claim in the Scheme or receive any payment under the Scheme

3.10 Insufficient Data

Where the Scheme Manager has insufficient data to send a Scheme Creditor a fully personalised Claim Form in accordance with Clause 3.4, it shall send that Scheme Creditor a blank Claim Form (or a partially filled-out Claim Form) to allow the Scheme Creditor to fill in and/or complete the details of its Scheme Claim

4 THE SCHEME ADVISERS AND THE SCHEME MANAGER

4.1 The Scheme Advisers

- (a) There shall be one or more independent Scheme Advisers. The Scheme Advisers shall be Mike Walker and John Wardrop of KPMG LLP.
- (b) The office of a Scheme Adviser shall be vacated if a Termination Event occurs in relation to that Scheme Adviser.
- (c) A Scheme Adviser may resign his or its appointment and the Scheme Manager may terminate the Scheme Adviser's appointment at any time by giving no less than three months' notice in writing to all the Scheme Companies and to the Scheme Manager or such shorter period of notice as the Scheme Adviser and the Scheme Manager may agree in writing. Such resignation or termination shall only be effective if it relates to all of the Scheme Companies.
- (d) If the office of a Scheme Adviser is vacated in accordance with Clauses 4.1(b) or 4.1(c) the Scheme Manager shall be entitled to appoint a replacement Scheme Adviser provided that such replacement consents to act, is independent, has relevant experience to act and is not disqualified by virtue of any of the events listed at (b), (d), (e) and (f) of the definition of Termination Event.
- (e) Where more than one Scheme Adviser is appointed, the powers, rights, duties and functions of the Scheme Adviser under the Scheme may be performed and exercised jointly or severally and any act required or permitted to be done by the Scheme Advisers pursuant to the Scheme may be done by any one or more or all of them.
- (f) The Scheme Advisers shall provide such advice to the Scheme Managers as may reasonably be requested to facilitate the implementation of the Scheme, and shall have the powers, rights, duties and functions conferred upon them under the Scheme.
- (g) 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 Company in question relevant to the operation of the Scheme.

- (h) Nothing in the Scheme shall render the Scheme Advisers liable to or for any liabilities or other obligations of a Scheme Company
- (i) The Scheme Advisers may perform their duties and exercise their powers under the Scheme through agents and employees and any act or determination of such person on behalf of the Scheme Advisers shall be deemed to be an act or determination of the Scheme Advisers

4.2 The Scheme Manager

- (a) There shall be one or more Scheme Manager(s), who shall be appointed by the Scheme Companies, having the powers to manage and conduct the business and affairs of the Scheme Companies under the terms of the Scheme. The Scheme Manager will be Reinsurance Solutions Limited. The Scheme Manager shall have the powers specifically conferred on it by the Scheme, including the powers
 - (i) to have full access to all such information as the Scheme Manager may from time to time require in connection with the affairs of any Scheme Company relating to the Scheme Liabilities 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 any Scheme Company and relating to any Scheme Liability (and to disclose such information to any third party as the Scheme Manager sees fit),
 - (ii) to apply to the Court (where it has jurisdiction to determine such matters) for directions in relation to any particular matter arising under, or in the course of the operation of, the Scheme,
 - (iii) on behalf of the Scheme Companies, and in accordance with any guidelines provided by the Scheme Companies, to negotiate, compromise or agree Scheme Liabilities and/or claims of the Scheme Companies in that capacity against Scheme Creditors,
 - (iv) 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,
 - (v) to pay Scheme Expenses or make any other payment which is necessary or incidental to the performance of the Scheme Manager's or the Scheme Companies' functions,

- (vi) to exercise any other powers necessary for or incidental to the full and proper implementation of the Scheme, and
- (vii) to do all other things incidental to the exercise of the foregoing powers
- (b) A Scheme Manager may resign its appointment and the Scheme Companies (as part of a majority by number of the Scheme Companies) may terminate the Scheme Manager's appointment at any time by giving no less than three months' notice in writing to all the Scheme Companies or Scheme Manager as the case may be or such shorter period of notice as the Scheme Manager and the Scheme Companies may agree in writing
- (c) The office of a Scheme Manager shall be vacated if a Termination Event occurs in relation to the Scheme Manager
- (d) If the office of a Scheme Manager is vacated or terminated in accordance with Clauses 4 2(b) or 4 2(c) the Scheme Company, in consultation with the Scheme Adviser and the other Scheme Companies, shall be entitled to appoint a replacement Scheme Manager or Scheme Managers which must be appointed to all of the Scheme Companies
- (e) A Scheme Manager shall not have authority or power to bind a Scheme Company save as set out in the Scheme
- (f) Nothing in the Scheme shall render the Scheme Manager liable to or for any liabilities or other obligations of a Scheme Company
- (g) The Scheme Manager may perform its duties and exercise its powers under the Scheme through agents and employees and any act or determination of such person on behalf of the Scheme Manager shall be deemed to be an act or determination of the Scheme Manager

4 3 Change of Scheme Adviser or Scheme Manager

In the event that, pursuant to Clause 4 1(b), Clause 4 1(c), Clause 4 2(b) and Clause 4 2(c) above, there is a change of Scheme Adviser or Scheme Manager, the Scheme Manager shall ensure that a notice alerting Scheme Creditors to such a change is inserted in the same newspapers and publications in which the notice referred to in Clause 3 4(b)(i) appeared (or should this not prove reasonably possible, in such other publications as it shall deem appropriate) and posted on the Scheme Website. Where it is the Scheme Adviser or Scheme Manager themselves vacating office, they will ensure that the necessary notices referred to in this Clause 4 3 are given before they vacate office.

4.4 Responsibility of Scheme Adviser or Scheme Manager

So far as the law permits no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith by the Scheme Adviser or the Scheme Manager pursuant to the Scheme

5 THE SCHEME ADJUDICATOR AND DISPUTE RESOLUTION PROCEDURE

5.1 The Scheme Adjudicator

- (a) There shall be three independent Scheme Adjudicators having the powers, duties, functions, and rights conferred upon them by the Scheme. Each Scheme Adjudicator shall have power to determine all disputed matters referred to him by the Scheme Manager in accordance with the Clause 3 and shall resolve such disputed matters in accordance with the Dispute Resolution Procedure.
- (b) Each Scheme Adjudicator shall be an independent person who is duly qualified in the reasonable opinion of the Scheme Manager and Scheme Adviser to discharge the function of Scheme Adjudicator under the Scheme.
- (c) The Scheme Adjudicators shall be Philip Heilinger, Ian Marshall and Bill Bower as more particularly described in Appendix A.
- (d) Where more than one Scheme Adjudicator is appointed under Clause 5.2, they may carry out their duties and functions under the Scheme either jointly or severally.
- (e) A Scheme Adjudicator shall vacate office if a Termination Event occurs in relation to the Scheme Adjudicator.
- (f) A Scheme Adjudicator may resign his appointment at any time by giving no less than three months' notice in writing to the Scheme Manager or by giving such shorter period of notice as the Scheme Adjudicator and the Scheme Manager may agree in writing. His resignation can only be effective if it relates to all the Scheme Companies.
- (g) Subject to Clause 5.1(i), a Scheme Adjudicator may be removed for good cause by the Scheme Manager. His removal must apply in the case of all the Scheme Companies.
- (h) Subject to Clause 5.1(i), if the office of a Scheme Adjudicator is vacated in accordance with Clauses 5.1(e), 5.1(f) or 5.1(g), the Scheme Manager shall be entitled to appoint a replacement Scheme Adjudicator provided that such replacement consents to act, is independent, has relevant experience to act and is not disqualified by virtue of the events listed at (b), (d), (e) and (f) of the definition of Termination Event and his appointment is subject to consultation with and no objection by the Financial Services Authority. The replacement

Scheme Adjudicator must be appointed in the case of all the Scheme Companies

- (i) A Scheme Adjudicator may be removed for good cause and/or a replacement Scheme Adjudicator appointed only if the Scheme Manager has circulated a notice to Scheme Creditors stating
 - (i) the reasons for the removal of the Scheme Adjudicator (if applicable), and
 - (ii) the name of a replacement Scheme Adjudicator (the identity of whom will have been decided after consultation with and no objections by the Financial Services Authority)

Subject to any reasonable objection of Scheme Creditors, the appointment of the replacement Scheme Adjudicator shall take effect on the expiry of thirty days of the service of such notice. If the Scheme Manager and any objecting Scheme Creditor cannot agree on the identity of the replacement Scheme Adjudicator within thirty days, the Scheme Manager shall request that the appointment of a suitably qualified Scheme Adjudicator be made by the President of the Institute of Actuaries of the United Kingdom for the time being, whose decision shall be final.

- (j) A Scheme Adjudicator shall act as an expert and not as an 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 3.5(c) or 3.5(d)

- (a) The Scheme Manager shall, as soon as practicable after a decision is taken to refer any matter to a Scheme Adjudicator under Clause 3.5(c) or 3.5(d), notify the relevant Scheme Creditor in writing of their decision. Such notice is known as the Scheme Adjudication Decision. The Scheme Creditor shall have 14 days from the date of the Scheme Adjudication Decision to choose by notifying the Scheme Manager in writing which of the individuals listed in Clause 5.1(c) (or any replacement appointed pursuant to Clause 5.1(h)) it wishes to appoint as the Scheme Adjudicator in respect of its Disputed Claim. If a Scheme Creditor does not appoint a Scheme Adjudicator within the 14 days from the date of the Scheme Adjudicator's Decision, the Scheme Manager shall appoint one of the individuals listed in Clause 5.1(c) (or any replacement appointed pursuant to Clause 5.1(h)) as the Scheme Adjudicator in respect of the Disputed Claim.

- (b) As soon as practicable after the appointment of the Scheme Adjudicator pursuant to Clause 5 2(a), the Scheme Manager shall refer the Disputed Claim to the Scheme Adjudicator by serving a Scheme Adjudicator Notice containing details of the Disputed Claims
- (c) The relevant Scheme Creditor may, within 14 days of the date of the Scheme Adjudicator Notice, send written observations on the Scheme Adjudicator Notice in English only by Post or in Electronic Form to the Scheme Adjudicator and shall send a copy (with any enclosures) of such written observations by Post or in Electronic Form to the Scheme Manager
- (d) The Scheme Adjudicator shall consider the papers and documents before him and shall as soon as practicable, give notice in writing to the relevant party of whether
 - (i) he requires further documents, data or information from the Scheme Creditor and/or the Scheme Manager. In such event the relevant person(s) shall as soon as possible and in any event within 14 days after receipt of such request from the Scheme Adjudicator provide the Scheme Adjudicator with the said further documents, data or information in English 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
 - (ii) he requires the Scheme Creditor and/or the Scheme Manager and/or the affected Scheme Company 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
- (e) In the event that the Scheme Adjudicator requires any relevant person referred to under Clause 5 2(d)(i) 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, at any time, to call for such evidence, documents, data and information as he may require
- (f) The Scheme Adjudicator shall be entitled to consult with such advisers, including but not limited to legal advisers, accountants, actuaries and insurance industry experts, as he may reasonably deem appropriate and shall (subject to Clause 5 2(g)) be entitled to be remunerated and to be reimbursed his reasonable costs and expenses (including the expenses of professional

advisers) in carrying out his duties under the Scheme by the Scheme Manager, save for where the Scheme Adjudicator is entitled to reimbursement by a third party in respect of such costs and expenses

- (g) 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 including without limitation the cost of any advisers referred to in Clause 5 2(f) as he shall think just. The Scheme Adjudicator shall be entitled, without prejudice to the generality of the foregoing, to order the parties to deposit such sum as the Scheme Adjudicator shall deem appropriate in respect of costs prior to commencement of the Dispute Resolution Procedure. In the exercise of his powers, the Scheme Adjudicator shall be entitled to
 - (i) direct that any or all of his remuneration, costs and expenses, including without limitation the cost of any advisers referred to in Clause 5 2(f) shall be paid by the Scheme Manager (save for where he is entitled to reimbursement by a third party in respect of such remuneration, costs and expenses) in accordance with the terms of the Scheme, or
 - (ii) direct that any or all of his remuneration, costs and expenses, including without limitation the cost of any advisers referred to in Clause 5 2(f) or any costs incurred by the Scheme Manager in consequence of the unreasonable failure by a Scheme Creditor to submit adequate information to support a Claim Form returned in accordance with Clause 3 5 shall be paid by the Scheme Creditor in respect of whose Scheme Liability the dispute has arisen, in which case such amounts 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 the Scheme Manager shall pay such amount from its assets and it 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. If no amount is or becomes due to the Scheme Creditor, the Scheme Manager will be entitled to pursue the Scheme Creditor for payment and in that regard the Scheme Creditor shall be deemed to have acknowledged that the amount due is undisputed.
- (h) The Scheme Adjudicator shall, as soon as possible and in any event before the expiration of 30 days from the latest of the date on which a dispute was referred to him or seven days after the provision of further documents, data or

information pursuant to Clause 5 2(d)(i) or seven days after the conclusion of any appearance before him pursuant to Clause 5 2(d)(ii) (whichever shall be the later) but in any event no later than two calendar months from the date of the Scheme Adjudicator Notice originally referring the dispute to him, certify in writing sent by Post to the Scheme Manager and the relevant Scheme Creditor his determination in relation to that disputed matter and the Scheme Creditor's Established Liability. The relevant Scheme Creditor's Established Liability shall be deemed to have been determined on the date the certification referred to in this Clause 5 2(h) is sent to the affected Scheme Company, the Scheme Manager and such Scheme Creditor.

- (i) The decision of the Scheme Adjudicator on any dispute referred to him in accordance with the Scheme shall be final and binding on the affected Scheme Company and the relevant Scheme Creditors and there shall be no right to appeal from such decision except insofar as the law allows.
- (j) Subject to Clause 5 2(k), in the event that the Scheme Adjudicator or the Scheme Manager become aware that the Scheme Adjudicator has a conflict of interest in relation to any matter referred to him under Clause 5 2(b), the Scheme Adjudicator shall as soon as reasonably practicable thereafter inform the Scheme Adviser of any conflict of which he becomes aware and the Scheme Adviser shall, subject to Clause 5 2(k), nominate an alternate Scheme Adjudicator from the list of individuals set out at Clause 5 1(c) (or any replacement appointed pursuant to Clause 5 1(h)) for the sole purpose of adjudicating on the relevant matter and shall immediately give notice of such nomination to the Scheme Manager and the relevant Scheme Creditor. The Scheme Adjudicator's appointment shall continue during the appointment of any alternate and he shall continue to adjudicate on all other matters referred to him under Clauses 3 5(c) or 3 5(d) unless a conflict shall arise in respect of any of those matters in which event the provisions of this Clause 5 2(j) shall apply.
- (k) The Scheme Adjudicator may continue to act in spite of a conflict of interest if the Scheme Creditor in relation to whom the conflict arises and the Scheme Manager agree in writing to permit the Scheme Adjudicator to act and if the Scheme Adjudicator himself is willing to act notwithstanding such conflict. Any such waiver of a conflict will only be made after the Scheme Adjudicator, Scheme Creditor and the Scheme Manager have provided sufficiently detailed disclosure of the circumstances and the nature of the conflict to enable each of them to take an informed decision on whether the conflict may be waived without prejudicing or embarrassing any of the Scheme Adjudicator, Scheme Manager and/or the Scheme Creditor.

5.3 Change of Scheme Adjudicator

In the event that pursuant to Clause 5.1(e), 5.1(f) or 5.1(g) above, there is a change of Scheme Adjudicator, the Scheme Manager shall post a notice alerting Scheme Creditors to such a change on the Scheme Website

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 by the Scheme Manager posting an entry on the Scheme Website announcing that all Scheme Liabilities have been adjudicated or otherwise determined and all Established Liabilities have been paid in full (or deemed to have been satisfied in full) in accordance with the terms of the Scheme in the case of all Scheme Companies. This entry shall be posted as soon as is practicable after all Net Established Liabilities have been paid in full (or deemed to have been satisfied in full) in the case of all Scheme Companies. Following such announcement, the Scheme Adjudicators, the Scheme Manager (subject to Clause 6.2) and the Scheme Adviser shall be released from their obligations under the Scheme.

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 posted on the Scheme Website a notice stating that the Scheme has been finally implemented.

6.3 Reversion to run-off

- (a) If the total value of all the Established Liabilities against the Scheme Company (being the sum of all amounts set out on the Valuation Statements sent to Scheme Creditors in respect of that Company) is equal to or greater than 30% or US\$250,000 higher than the predicted total value for those Claims (as shown on the Claim Forms originally sent to Scheme Creditors with data as at the Ascertainment Date), a Reversion to Run-off Event will have occurred.
- (b) On the happening of a Reversion to Run-off Event, the Scheme Company in question will have the following three options:
 - (i) revert to run-off all the Reinsurance Contracts to which all Established Liabilities against the Scheme Company relate,
 - (ii) revert to run-off those Reinsurance Contracts in respect of which Scheme Creditors whose Established Liability, as set out on their Valuation Statements or as resolved under Dispute Resolution Procedure at Clause 5 of the Scheme, are equal to or greater than 30% or US\$250,000 (whichever is the lower) of the value of their claims as set out on the Claim Forms initially sent to them by the Scheme Company, provided that such

Scheme Company shall send notice to all its other Scheme Creditors offering also to revert all their Reinsurance Contracts to run-off, or

- (iii) continue with the terms of the Scheme as if no Reversion to Run-off Event had occurred
- (c) In the event of the Scheme Company choosing to revert to run-off in accordance with Clause 6 3(b)(i) or (ii) (the **Reversion to Run-off Option**) it will notify Scheme Creditors in writing by Post and by placing a notice in the same publications referred to at Clause 3 4(b)(i) of that decision and how it affects the treatment of such Scheme Creditors claims
- (d) Scheme Creditors, whose Established Liabilities are not equal to greater than 30% or US\$250,000 higher than the value of their claims as set out in the Claim Forms, will have 14 days from the date of notice of a Reversion to Run-off Option under Clause 6 3(b)(ii), to either accept or reject such Reversion to Run-Off Option by written notice to the Scheme Manager. If no response is received by the Scheme Manager within the 14 day period, the Scheme Creditor's Reinsurance Contracts to which its Established Liability relates will not revert to run-off

7 OTHER PROVISIONS

7.1 Notices

- (a) Subject to Clauses 7.8(a) and 7.8(b), 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 Adviser may in addition be sent in Electronic Form to them on the day of posting
- (b) Notices to the Scheme Adviser shall be sent to KPMG, 8 Salisbury Square, London EC4Y 8BB, marked for the attention of Mike Walker/James Bolton. All notices to any other Scheme Adviser shall be sent to that Scheme Adviser's address at the date of the notice
- (c) Notices to the Scheme Manager shall be sent to Reinsurance Solutions Limited, Maryland House, Newland Street, Witham CM8 2UP, marked for the attention of Brian Evans
- (d) Any 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 Manager's records or to any other address being the last known address of the Scheme Creditor which the Scheme Manager may reasonably believe is appropriate
- (e) Subject to Clauses 7.8(a) and 7.8(b), notices sent by Post under this Clause 7.1 shall be deemed in the absence of evidence to the contrary to have been received at 12 noon (London time) on the fifth Business Day after despatch and references to the receipt by any party of any notice sent pursuant to the provisions of the Scheme shall be construed accordingly

7.2 Governing law and jurisdiction

- (a) Subject to Clause 7.2(b), 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
- (b) Subject to the terms of the Scheme and in particular Clauses 3 and 5, nothing in this Clause 7.2 shall affect the validity of other provisions determining

governing law and jurisdiction between the Scheme Company and any Scheme Creditor whether contained in any contract or otherwise

7.3 Insolvency of Scheme Company

If an Insolvency Event occurs in relation to any Scheme Company after the Effective Date and before the final implementation of that Scheme in accordance with Clause 6.1, the Scheme will continue so far as the law permits unless any liquidator, provisional liquidator, administrator or supervisor of that Scheme Company chooses not to continue with the implementation of the Scheme in relation to that Scheme Company. If such a decision is made the Scheme shall continue in the case of the other Scheme Companies. If the liquidator, provisional liquidator, administrator or supervisor so chooses that the Scheme shall have no effect, the Scheme Manager shall place a notice to this effect in those publications referred to in Clause 3.4(b)(i) and on the Scheme Website.

7.4 Scheme Creditors to co-operate

Scheme Creditors shall co-operate with and render such assistance as the Scheme Manager, the Scheme Adviser and/or the Scheme Adjudicator may reasonably require in connection with the Scheme 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 and shall provide such assistance as the Scheme Manager may reasonably require in connection with the recovery of any Property or the enforcement of obligations or liabilities which are or may become owed to the Scheme Company.

7.5 Responsibility

- (a) Clause 7.5(b) applies to the acts and liabilities of the Scheme Adviser, the Scheme Adjudicator and the Scheme Manager (and/or any of their employees, agents or advisers) in connection with the implementation and administration of the Scheme in accordance with its terms.
- (b) 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 7.5(a) 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, fraud or dishonesty.

7.6 Powers, rights, duties and functions

- (a) Any function or duty of, or right or power conferred on, the Scheme Company or its 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 the Scheme Adviser, Scheme Adjudicator or Scheme Manager of the powers, rights, duties and functions conferred upon him under the Scheme shall not be exercised in that way except with the consent of the Scheme Adviser (in respect of the powers, rights, duties and functions conferred upon the Scheme Adviser) or the consent of the Scheme Adjudicator (in respect of the powers, rights duties and functions conferred upon Scheme Adjudicator) or the consent of the Scheme Manager (in respect of the powers, rights, duties and functions conferred upon the Scheme Manager) in each case, which consent may be given either generally or in relation to particular cases provided however that nothing in this Clause 7 6(a) shall relieve the directors of the relevant Scheme Company from their duty to act in accordance with law, including but not limited to the Companies Act, the 1985 Act and the Insolvency Act
- (b) Without prejudice to the generality of the Scheme, in performing or exercising their powers, rights, duties and functions under the Scheme, the Scheme Adviser, the Scheme Adjudicator and/or the Scheme Manager shall be entitled to be remunerated out of the Property of the Scheme Company for the performance and exercise of such powers, rights, duties and functions and to be indemnified for all costs, expenses and liabilities properly incurred by them in connection therewith (subject, in the case of the Scheme Adjudicator to any direction made by him in accordance in with Clause 5 2(f)), save for where the Scheme Adviser, the Scheme Manager and/or the Scheme Adjudicator are entitled to reimbursement by a third party in respect of such costs, expenses and liabilities

7 7 Indemnity

- (a) Subject to the Companies Act, the 1985 Act and to Clause 7 7(b), the Scheme Adviser, the Scheme Adjudicator and the Scheme Manager (in their capacities as such) (and/or any of their employees, agents or advisers) shall be entitled to an indemnity out of the Property of the Scheme Company, against all actions, claims, Proceedings and demands brought or made against any or all of such 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

- (b) Without prejudice to the generality of Clause 7 7(a), 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 the Company
 - (i) 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 its part in relation to the operation of the Scheme in which judgment is given in its favour or in which it is acquitted, or
 - (ii) in connection with any application in any such Proceedings in which relief is granted to it 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 8 Electronic communications

- (g) Notwithstanding anything to the contrary in the Scheme, information concerning Scheme Liabilities (including any Claim Form or relevant accompanying information) and any other communication required to be or capable of being given or sent under the Scheme may, at the option of the Scheme Creditor concerned, be given or sent by the Scheme Manager, Scheme Adjudicator or Scheme Creditor in Electronic Form to the address specified for that purpose by that Scheme Creditor or the Scheme Manager or Scheme Adjudicator. References in the Scheme to "Post" and addresses shall therefore be construed accordingly
- (h) Any notice given in Electronic Form shall be deemed to have been received at the time of receipt recorded on the Electronic Equipment of the person to whom the notice is addressed provided that the same shall have been sent to the address specified for that purpose by the Scheme Manager, the relevant Scheme Creditor, Scheme Adjudicator or by such other person concerned. In relation to electronic communications "address" includes without limitation any email address used for the purposes of such communications

THIS PAGE IS INTENTIONALLY BLANK.

APPENDIX A

CURRICULA VITAE OF THE SCHEME ADVISERS AND THE SCHEME ADJUDICATORS

(I) THE SCHEME ADVISERS

Michael Steven Walker

Mike is a partner in and the head of the KPMG LLP Restructuring Insurance Solutions team in the UK. Mike joined KPMG in 1987 and worked for several years on general insolvency matters before specialising in insurance and reinsurance insolvency. Over the last 15 years he has been involved in some of the largest insurance insolvencies in the United Kingdom, including English & American Insurance Company Limited, Sovereign Marine & General Insurance Company Limited and IHH Group of companies.

He is currently a Scheme Administrator of English & American Insurance Company Ltd and Sovereign Marine & General Insurance Company Ltd. Mike is currently a Scheme Adviser in relation to several solvent schemes including Lion City Run Off Pte Ltd, Pender Mutual Insurance Company Limited, Oslo Reinsurance Company (UK) Limited, Oslo Reinsurance Company ASA and a number of other London Market insurance companies including participants of the Willis Faber (Underwriting Management) Limited ("WFUM") Pool, as well as being the prospective Scheme Adviser to a number of schemes in development.

He has considerable experience of cross-border issues and has worked extensively in the United States, Bermuda, Japan and Australia. He has particular expertise in underwriting pools, cash collection, dispute resolution, commutation, schemes of arrangement and all aspects of insurance company run-off, both solvent and insolvent.

Mike is a licensed Insolvency Practitioner, a member of the Insolvency Practitioners' Association, an Affiliated Member of the Institute of Chartered Accountants in England & Wales and a member of the International Association of Insurance Receivers.

John Mitchell Wardrop

John is a partner in the Insurance Solutions team in the London office of KPMG LLP. He has specialised in insurance since 1988, and in run-off since 1993. John has extensive experience of the insurance industry including life assurance, the London market, brokers and loss adjusting. He has audited life, general, broking and loss adjusting companies as well as advising such companies in relation to corporate finance transactions. Over the past 12 years John has specialised in advising companies in run-off on various issues, including exit strategies, and in taking formal insolvency appointments.

John is a Scheme Administrator of Anglo American Insurance Company Limited, Scheme Administrator of Sovereign Marine & General Insurance Company Limited, Provisional Liquidator of Trenwick Group Limited, Provisional Liquidator of La Salle Re Holdings Limited, and Joint Provisional Liquidator in the UK of HHH Casualty & General Insurance Limited, FAI General Insurance Company Limited, and other HHH group companies. John is currently Scheme Adviser in relation to several solvent schemes including Reliance National Insurance Company (Europe) Limited, The Seven Continents Insurance Company Limited, Lion City Private Run-Off Limited, Moorgate Insurance Company Limited, Oslo Reinsurance Company (UK) Limited, Oslo Reinsurance Company ASA and a number of other London Market insurance companies including participants of the Willis Faber (Underwriting Management) Limited ("WFUM") Pool.

John is a member of the Institute of Chartered Accountants of Scotland and is also a Licensed Insolvency Practitioner.

(2) THE SCHEME ADJUDICATORS

William Bower

William is a Fellow of the Chartered Insurance Institute and his most recent full time role was as Executive Director of Marlon Insurance Company Ltd and Marlon Management Services Ltd where he led the sale of the companies to the Enstar Group which finalised in August 2007. In addition he is a director of the Association of Run-off Companies Limited (ARC) and Met Re (UK) Company Ltd. He has over 35 years of experience in the international insurance and reinsurance markets holding board and senior management roles in UK retail, reinsurance and discontinued run off businesses.

His past major positions include director of Community Reinsurance Corporation Limited from 1994–1997, Head of UK for Cobalt Runoff Services Limited from 2000–2004, chairman and director of Aviation & General Insurance Co Ltd from 1996–2004, managing director of Gordian Runoff (UK) Insurance Co Ltd from 2001–2004, and director of St Helens Trust Limited, from 1994 – 2005.

William was also Head of General Insurance Runoff for Pearl Assurance Plc until January 2006 and jointly led with Prudential the successful strategy and execution of the St Helens Trust Solvent Scheme of Arrangement on behalf of Prudential, Pearl and others. Prior to this he led the sale of a number of insurance company disposals in the UK and Overseas, including Aviation and General, Community Re and Pearl General Insurance in the UK as well as various companies in Europe, Africa and South America.

William has recently acted as the independent vote adjudicator on the Global General and Reinsurance Company Limited, Great Lakes Reinsurance (UK) Plc and Winterthur Swiss.

Insurance Company schemes of arrangement as well as the scheme claim adjudicator for the GLM Pool and CEAI S A schemes of arrangements

Ian Marshall

Ian is a partner in and Group Head of Consulting of Chilton International based in London. He has specialised in insurance since 1979, commencing with three years spent in the Bermuda office of Ernst & Young, followed by six years in this firm's Los Angeles office. In these roles, he audited and consulted to non-life insurance and reinsurance companies, captive insurance companies, life reinsurance companies and insurance brokers.

Since joining Chilton in 1987, Ian has had extensive experience in various countries (notably UK, USA, Australia, Canada, Bermuda, Germany, Japan, France and Argentina) of managing and advising reinsurance companies and Lloyds' syndicates in run-off, of acting as either a fact witness or expert witness in reinsurance accounting, loss spiralling and reinsurance claim investigations in a number of arbitrations and of carrying out reinsurance investigations. In 1997-8, he was part of the team which devised and implemented the first UK solvent scheme of arrangement for a reinsurance company (of which Ian was a director).

In more recent years, Ian has also acted as the independent expert in a Part VII transfer, been appointed as an arbitrator in a UK case and as the scheme adviser for a forthcoming solvent scheme of arrangement. He also directed the work for the first reinsurance portfolio transfer from Germany to the UK under EU Reinsurance Directive legislation and which took place in 2007.

Ian is a Fellow of the Institute of Chartered Accountants in England and Wales (FCA), a Certified Public Accountant (USA), a Chartered Insurance Practitioner (ACII), a Practising Member of the Academy of Experts and a panel member of ARIAS (UK).

Philip Heitlinger

Philip Heitlinger is a graduate of Oxford University and has an Honours Degree in Modern Languages (French and German). He is a Fellow of the Chartered Insurance Institute. He has worked in the insurance/reinsurance industry since starting as a graduate trainee at Royal Insurance (UK) in 1978. He worked in UK Personal/Commercial Lines underwriting in London and as an assistant in the UK Head Office Underwriting department in Liverpool. In 1980 he joined an AIG subsidiary in Brussels as a Facultative Underwriter in the Liability/Accident Department. The business he wrote included excess public and products liability classes to cedants in the UK, France and Germany. In 1983 he joined the underwriting management team at English & American Group in London, where he held a number of management positions in the non-marine property/casualty underwriting department.

Philip was originally appointed Technical General Manager upon the establishment of PRO in 1993. He has served as client executive for a number of PRO's major clients such as Black Sea and Baltic (under a Scheme of Arrangement) the GLM pool, AREAS (a French mutual with an international run-off portfolio) and the AGF/Mariner account. He also has responsibility for PRO's inward commutation activities in particular those involving cedant inspection of records and litigation. As such he has been involved in a number of projects that have resulted in considerable balance sheet savings for clients. He has been involved in a number of due diligence and commutation projects on behalf of Swiss Re and other clients in France and Germany. He is spearheading PRO's development activities in continental Europe.

Philip is a member of the company's Executive Management Board and of its Business Development Team. He is fluent (to native speaker standard) in both spoken and written French and German and during the course of his career spanning twenty seven years has been involved in audit visits and negotiations with most of the major insurers/reinsurers in France, Germany, Belgium and Switzerland.

APPENDIX B

LIST OF DOCUMENTS AVAILABLE FOR INSPECTION

- 1 The document of which this Appendix forms part including the Explanatory Statement and the Scheme, and
- 2 The order of the English Court convening the Scheme Meetings

Copies of the above documents will be available for inspection by Scheme Creditors after the date hereof until the closure of the Scheme Meetings in London at the offices of Reinsurance Solutions Limited at Mayland House Mayland Road Essex CM8 2UP and at the offices of KPMG LLP at 8 Salisbury Square London EC4Y 8BB, during ordinary business hours from Monday to Friday (excluding public holidays)

APPENDIX C

NOTICE OF THE SCHEME MEETINGS

No. _____ of 2008

IN THE HIGH COURT OF JUSTICE

CHANCERY DIVISION

COMPANIES COURT

**IN THE MATTER OF AEGON SCHADEVERZEKERING NV AND THE
OTHER COMPANIES LISTED IN THE SCHEDULE TO THE APPLICATION
(ALL BEING MEMBERS OF THE E W PAYNE POOLS)**

and

IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that by an order dated 1 May 2008, the High Court of Justice has directed that meetings (the **Creditors' Meetings**) of the Scheme Creditors (as defined in the Scheme) of certain companies that participated on the E W Payne Pools listed in Schedule A to this Notice (the **Companies**) be held on 4 July 2008 at KPMG LLP, 8 Salisbury Square, London, EC4Y 8BB commencing at 10am

The purpose of the Creditors' Meetings will be to consider and, if thought fit, to approve (with or without modification) schemes of arrangement proposed to be made between the Companies and their Scheme Creditors pursuant to Part 26 of the Companies Act 2006 (the **Scheme**)

Downloadable files of the proposed Scheme Document, Explanatory Statement and Appendices are available on the Scheme website www.ewpaynepools.com If you require any further printed copies of these documents, please send your request to KPMG LLP or Edwards Angell Palmer & Dodge UK LLP at the addresses listed below, and a copy will be sent to you free of charge

Scheme Creditors may vote in person at the Creditors' Meetings or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place Voting forms and

Scheme Website: www.ewpaynepools.com

proxy forms for use at the Creditors' Meeting have been sent to all known Scheme Creditors together with this Notice

It is requested that proxies and voting forms be sent by Post to Reinsurance Solutions Limited at the address below as soon as possible to arrive no later than 4pm on 30 June 2008. A faxed copy (fax +44 (0)1376 506601) will be accepted if legible provided that the original is received by no later than 4pm on 3 July 2008. If Scheme Creditors fail to submit their proxies and voting forms by 4pm on 30 June 2008 they may be handed to the Chairman of the Creditors' Meetings at the meeting.

The court has directed that Mr Richard Whatton of SOBC Limited or, failing him, Mr Michael Walker of KPMG LLP be appointed to act as Chairman of the Creditors' Meetings and has directed the Chairman to report the result of the Creditors' Meetings to the Court.

Any Scheme Creditor that is unclear about or has any questions concerning the action he is required to take should contact KPMG or Reinsurance Solutions Limited.

In the event that the Scheme Creditors vote in favour of the Scheme it will be subject to the subsequent approval of the court.

Scheme Manager		Scheme Adviser		Legal Adviser	
Reinsurance Solutions Limited Mayland House Mayland Road Essex CM8 2UP United Kingdom		Mike Walker and John Wardrop KPMG LLP 8 Salisbury Square London EC4Y 8BB United Kingdom		Edwards Angell Palmer & Dodge UK LLP One Fetter Lane London EC4A 1JB United Kingdom	
Contacts	Brian Evans & David Bowen	Contacts	James Bolton & Neil Sutton	Contacts	Vivien Tyrell & Nick Stern
General	+44 (0)1376 506 210	General	+44 (0)20 7311 1000	General	+44 (0)20 7583 4055
Direct	Brian Evans +44 (0)1376 506 423 David Bowen +44 (0)1376 506 374	Direct line	James Bolton +44 (0)20 7694 1856 Neil Sutton +44 (0)20 7694 3485	Direct	Vivien Tyrell +44 (0)20 7556 4451 Nick Stern +44 (0)20 7556 4533
Fax	+44 (0)1376 506 601	Fax	+44 (0)20 7694 3126	Fax	+44 (0)20 7353 7377
Email	Brian W Evans@guycarp.com David C Bowen@guycarp.com	Email	james.bolton@kpmg.co.uk neil.sutton@kpmg.co.uk	Email	vtyrell@eapdlaw.com nstern@eapdlaw.com

Dated 1 May 2008

APPENDIX D

EXAMPLE CLAIM FORM

E W PAYNE POOLS SCHEME

CLAIM FORM

Scheme Creditor Name: [TO BE INSERTED]

This Claim Form is to be used by the above Scheme Creditor to submit a Scheme Claim in the Scheme of each Scheme Company of which it is a Scheme Creditor.

PLEASE READ THE GENERAL INSTRUCTIONS AND NOTES PRIOR TO COMPLETING THIS FORM

SECTION A

To be signed by a duly authorised individual on behalf of the Scheme Creditor

A signature on this form shall constitute the giving of a warranty that the signatory has been duly authorised by the relevant Scheme Creditor to sign the form on their behalf.

Print name

Signed

Date

Position

SECTION B

Please see the accompanying notes for explanation of the footnotes in the table below.

[illegible]

SECTION C – AMENDING THE VALUES ON YOUR CLAIM FORM

Please see the accompanying notes for explanation of the footnotes in the table below.

Scheme Companies ⁽²⁾	Agreed Paid Losses ⁽³⁾	Non-Agreed Paid Losses/ Accruals ⁽³⁾	Outstanding Loss Claims (OL) ⁽³⁾	IBNR Claims ⁽³⁾	Value of Discount on Non-Agreed Paid Losses ⁽³⁾	Value of Discount on OL and IBNR Claims ⁽³⁾	Total
	\$	\$	\$	\$	\$	\$	\$
TOTAL							

GENERAL INSTRUCTIONS FOR THE COMPLETION OF THE CLAIM FORMS

OVERVIEW

In accordance with the Scheme, each Scheme Creditor has been sent a personalised Claim Form. It sets out what Reinsurance Solutions Limited considers to be a Scheme Creditor's Scheme Claims in relation to each Scheme Company. This is shown in Section B of the Claim Form. The Scheme Companies listed there are those for which Reinsurance Solutions Limited considers you to be a Scheme Creditor.

As explained in more detail below, if you disagree with the voting values in Section B, they can be amended in Section C.

Scheme Creditors need only fill in a single Claim Form in respect of all of the Schemes on which they are a Scheme Creditor.

Please note that capitalised words or phrases not defined in this form have the same meanings as their definitions in the Scheme Document.

Return of Claim Form

The Claim Form must be signed and returned to the Reinsurance Solutions Limited on or before the Bar Date by post, fax or email to

Reinsurance Solutions Limited Mayland House Mayland Road Essex CM8 2UP United Kingdom	General +44 (0)1376 506 210
	Direct Brian Evans +44 (0)1376 506 423 David Bowen +44 (0)1376 506 374
Ref Brian Evans & David Bowen	Fax +44 (0)1376 506 601
	Email Brian W Evans@guycarp.com David C Bowen@guycarp.com

Failure to submit your Claim Form in time for it to be received by Reinsurance Solutions Limited by the Bar Date will result in the Scheme Claims as prepared by Reinsurance Solutions Limited and as set out in Section B being automatically deemed to be the Scheme Creditor's Established Liability.

Where you have faxed or emailed your Claim Form, please also post the original to Reinsurance Solutions Limited within 7 days of submission by fax /email

NOTES FOR THE COMPLETION AND SUBMISSION OF CLAIM FORMS

SECTION A: SIGNING FORM

Section A represents the signing form

Please sign and date the form when you have completed the Claim Forms

Section A should be signed by an appropriately authorised person from within your organisation In so doing he or she will be warranting that he or she has the appropriate authority

NOTES FOR THE COMPLETION AND SUBMISSION OF CLAIM FORMS

SECTION B: SCHEME CLAIMS BY SCHEME COMPANY

Section B contains the values for the Scheme Creditor's Agreed Paid Losses, Non-Agreed Paid Losses and Outstanding Loss Claims, as derived from Reinsurance Solutions Limited's records. It also contains the Scheme Creditor's IBNR Claims as calculated in accordance with the IBNR Loading Percentages and the Discount Rates to be applied

If you agree with the values in Section B, you need not complete Section C. If you would like to change any of the values in this section, you should fill out Section C.

The footnotes in Sections B and C of the Claim Form are explained below:

(1) Scheme Creditor:

The name of the relevant Scheme Creditor is shown here

(2) Scheme Companies

The Scheme Companies of which the company identified at note (1) is a Scheme Creditor

(3) Scheme Claim Amounts

Your Claim Form has been personalised to show what Reinsurance Solutions Limited considers to be your Scheme Claim in relation to each Scheme Company

Your total Scheme Claim amount is split into the following four categories

Agreed Paid Losses	These are losses which were settled by the Scheme Creditor and were agreed with the Scheme Company prior to the Scheme becoming effective
Non-Agreed Paid Losses/Accruals	These are losses which have been settled by a Scheme Creditor and submitted to the Scheme Company but which have not yet become Agreed Paid Losses, this includes Accruals which are losses which have been

	settled by a Scheme Creditor, which have not been agreed by Reinsurance Solutions Limited
Outstanding Loss Claims	These are claims against or Liabilities of a Scheme Creditor in respect of losses arising under Reinsurance Contracts which have been notified but not yet settled by the Scheme Creditor giving rise to a Scheme Claim
IBNR Claims	<p>These are claims against or Liabilities of a Scheme Creditor under Reinsurance Contracts in respect of incurred but not reported losses, namely losses which as at 30 June 2007 have been incurred but have not been reported to the Scheme Creditor giving rise to a Scheme Claim</p> <p>To avoid using a complicated estimation methodology, with all its associated costs to both Scheme Companies and Scheme Creditors, the Scheme provides that the value of a Scheme Creditor's IBNR Claim will be calculated by reference to its undiscounted Outstanding Loss Claims Loading Percentages of 200% will be applied to Outstanding Loss Claims relating to Asbestos Losses, 75% will be applied to Outstanding Loss Claims relating to Pollution Losses and 25% will be applied to Outstanding Loss Claims relating to other types of loss</p>

The form also shows the amounts by which your Scheme Claims will be discounted under the terms of the Scheme. These are as follows

Discount on Non-Agreed Paid Losses/Accruals	Under the Scheme a discount rate of 5% is applied to Scheme Creditors' Non-Agreed Paid Losses/Accruals
Discount on Outstanding Loss Claims and IBNR Claims	Under the Scheme a discount rate of 25% is applied to Scheme Creditors' Outstanding Loss Claims and IBNR Claims

If you do not wish to amend the values shown in Section B, please simply sign Section A and return the Claim Form as described above

To amend the values shown in Section B and thus the total value of your Scheme Claims in any of Schemes for which you are Scheme Creditor, please see the notes for Section C below

NOTES FOR THE COMPLETION AND SUBMISSION OF CLAIM FORMS

SECTION C: CLAIMS BY SCHEME COMPANY – AMENDING SCHEME CLAIMS

This section allows you to enter the value against each Scheme Company for Agreed Paid Losses, Non-agreed Paid Losses and Outstanding Loss Claims if do not agree with the values in Section B

If you agree with the values in Section B please do not fill in Section C

Amending the values

If you disagree with the values given to your Agreed Paid Losses, Non-Agreed Paid Losses or Outstanding Loss Claims, this section allows you to enter revised amounts

If you amend your Outstanding Loss Claims, you will need also to amend your IBNR Claims. This is because, under the Scheme, IBNR Claims are calculated as loadings based on your undiscounted Outstanding Loss Claims. Different loadings apply to different types of business. A Loading Percentage of 200% is to be applied to Outstanding Loss Claims derived from Asbestos Losses, a Loading Percentage of 75% is to be applied to Outstanding Loss Claims derived from Pollution Losses and a Loading Percentage of 25% is to be applied to Outstanding Loss Claims derived from Other Losses. Please use these Loading Percentages when calculating your IBNR Claims. Under the Scheme no amendment to the IBNR Loading Percentages is permitted. **If you are amending your Outstanding Loss Claims you must specify in your supporting documentation which of the three types of business described above the claims relate to.**

In addition, under the Scheme a Discount Rate of 5% is applied to Scheme Creditors' Non-Agreed Paid Losses/Accruals and a Discount Rate of 25% is applied to Scheme Creditors' Outstanding Loss Claims and IBNR Claims. If you amend your Non-Agreed Paid Losses/Accruals and/or your Outstanding Loss Claims and IBNR Claims, please apply these Discount Rates and place the value of the discounts in the space provided. Under the Scheme no amendment to the Discount Rates is permitted.

Where you believe you have an IBNR Claim but no Outstanding Loss Claims, you must insert into your Claim Form the value of your IBNR Claim

Supporting Documentation

Where additional policies and/or values have been added to the Claim Forms then these additions must be substantiated by the provision of appropriate supporting documentation. All documentation must be supplied to Reinsurance Solutions Limited by no later than seven days after the Bar Date. The Claim Form itself, however, must be received on or before the Bar Date.

The Scheme Manager will seek to agree any amendments made by a Scheme Creditor to its Claim Form. If agreement does not prove to be possible, such claims will become Disputed Claims and will be referred to the Scheme Adjudicator for a binding decision to resolve the dispute.

Failure to supply suitable supporting documents may result in your claim being rejected or receiving a lower value than you assert

If you have amended values in Section C, please sign Section A and return the Claim Form as described above.

APPENDIX E

SOLVENT POOL PARTICIPANTS OF THE E W PAYNE POOLS THAT ARE NOT PROPOSING A SCHEME

- 1 AG Fur Transport Ruckversicherung
- 2 Alea (on its own behalf and through its participation in the BVF Pool)
- 3 Allianz International Ins
- 4 American Employers Insurance Company
- 5 American Fire & Casualty Company
- 6 American Manufacturers Mutual Insurance Company
7. Atlantica Insurance Company Limited
- 8 Bishopsgate Insurance Limited
- 9 Cavell Insurance Company Limited
- 10 Central Reinsurance Corporation
- 11 Cirrus Re Company AS
- 12 Commercial Union Reinsurance Company
- 13 Community Reinsurance Corporation Limited
- 14 Delta Lloyd Non-Life Ins Group
- 15 Devonport Underwriting Agency Limited
- 16 Eisen Und Stahl Ruckversicherungs
- 17 Employers Mutual Of Wausau
- 18 Excess Insurance Group
- 19 Farmland Insurance Companies
- 20 General Star National Insurance Co
- 21 Hannover Ruckversicherungs-AG

- 22 Insurance Company Of North America
- 23 KX Reinsurance Company Limited
- 24 La Fondiaria (through its participation in the BVF Pool)
- 25 Lancer Insurance Company
- 26 Lawrence Re (La Fenice)
- 27 Mannheimer (through its participation in the BVF Pool)
- 28 Merit Insurance Company
- 29 Milbank Mutual Insurance Company
- 30 National Casualty Company Of America
- 31 National Casualty Company Of Detroit
- 32 Nationwide Mutual Insurance Company
- 33 Old Tower Run Off
- 34 Oslo Reinsurance Company ASA
- 35 Paris International Re
- 36 QBE European Operations (on its own behalf and through its participation in the BVF Pool)
- 37 Singapore Reinsurance Corporation
- 38 Solvent Participants of Hua Limited "Pool" Account
- 39 Solvent Participants of Tower Underwriting Management Limited Pool
- 40 Solvent Participants of Willis Faber Underwriting Management Limited Pool
- 41 Sompo Japan Insurance Inc
- 42 Swedish Club
- 43 Transamerica Insurance Company
- 44 Trygg-Hansa Insurance Company Limited
- 45 Universal Reinsurance Corp

- 46 Winterthur Swiss Insurance Company
- 47 World Auxiliary Insurance Corp Limited

APPENDIX F
EXAMPLE VOTING FORM AND GUIDANCE NOTES FOR COMPLETION OF THE VOTING FORM AND ATTENDING THE
SCHEME MEETINGS

EW PAYNE POOLS SCHEME
VOTING REGISTRATION AND PROXY

BEFORE COMPLETING THIS VOTING FORM PLEASE REFER TO THE DETAILED NOTES THAT ACCOMPANY IT.

SECTION A VOTING FORM AND REGISTRATION

I / We *[name and address of scheme creditor to be inserted by RSL]* (the name of the Scheme Creditor)⁽¹⁾

of

(the address of the Scheme Creditor)

being a Scheme Creditor of one or more of the Scheme Companies

Will / Will not be attending the meetings (Delete as applicable) ⁽²⁾

If you are not attending the Scheme Meetings, but still wish to cast your vote, then you must appoint a proxyholder to attend and vote on your behalf

I / We HEREBY APPOINT (Delete as applicable) ⁽³⁾

Either

(a) the Chairman of the Scheme Meetings, or

(b)

as my/our proxyholder to act for me/us at such of the Scheme Meetings as I am/we are entitled to attend for the purpose of considering and, if thought appropriate, agreeing (with or without modification) to the Schemes and at such Scheme Meetings, or any adjournment thereof, to vote on my/our behalf and in my/our name for or against the Schemes (with or without modification), as hereinafter indicated in Section B, C and D of this form, or as my/our proxyholder may elect

Furthermore I / we do hereby submit the attached Voting Forms and supporting information for the purposes of voting in the proposed Schemes of Arrangement for the EW Payne Pools

If you are the duly authorised representative of the Scheme Creditor, enter the capacity in which you have signed the form (eg director, agent or attorney) below ⁽⁴⁾ A signature on this form shall constitute the giving of a warranty that the signatory has been duly authorised by the relevant Scheme Creditor to sign the form on their behalf

Print name

Signed

Position

Date

Now please complete
Section B, C and D

EW PAYNE POOLS SCHEME

SECTION B: VOTING FOR ALL SCHEME COMPANIES COMBINED

SCHEME VOTING AMOUNTS ⁽⁵⁾

	Agreed Paid Losses	Non-Agreed Paid Losses/Accruals	Outstanding Loss Claims (OL) (Undiscounted)	IBNR Claims (Undiscounted)	Value of Discount for Non-Agreed Paid Losses	Value of Discount for OL and IBNR Claims	Total
Total Claims per Reinsurance Solutions Limited's records							
Additional Values Added							
Net Total							
Balance (consolidated USD)							

Now please review Section C which shows a breakdown of the above values split by Scheme Company

IF YOU HAVE COMPLETED THIS SECTION AND AGREE WITH THE VALUES IN SECTION C, YOU DO NOT NEED TO COMPLETE SECTION D.

If you wish to vote "FOR" all of the Schemes, enter a tick [✓] in the box marked "FOR" If you wish to vote "AGAINST" all of the Schemes, enter a tick in the box marked "AGAINST" If you wish to abstain from the Scheme vote for all of the Schemes, enter a tick in the box marked "ABSTENTION" If you wish to give your Proxyholder a discretion to vote for or against (or to abstain) at the meetings you should enter a tick in the box marked "PROXYHOLDER'S DISCRETION" If you enter a tick in the box marked "PROXYHOLDER'S DISCRETION" you must appoint a person other than the Chairman to be your Proxyholder, or this form of proxy will not operate as valid appointment of your proxy at the meetings

FOR all the Schemes ⁽⁶⁾	AGAINST all the Schemes ⁽⁷⁾	ABSTENTION ⁽⁸⁾	PROXYHOLDER'S DISCRETION (where the Proxyholder is not the Chairman) ⁽⁹⁾
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SECTION C: VOTING ON EACH SCHEME INDIVIDUALLY
EW Payne Pool Scheme

[illegible]

IF YOU HAVE COMPLETED THIS SECTION AND AGREE WITH THE VALUES YOU DO NOT NEED TO COMPLETE SECTION D
IF YOU WOULD LIKE TO CHANGE ANY OF THE NUMBERS PROVIDED IN THIS SECTION PLEASE REFER TO SECTION D

SECTION D: AMENDING THE VOTING VALUES:
EW Payne Pool Scheme

[illegible]

TOTAL

COMPLETING AND RETURNING THE VOTING FORM

IMPORTANT INFORMATION

Please read this document very carefully and if you are in any doubt please contact Reinsurance Solutions Limited for clarification.

Overview

In law each Scheme Company is proposing a separate Scheme of Arrangement, although the terms of each Scheme are identical and are incorporated into a single document. A separate Scheme Meeting will be held to vote on each Scheme. For convenience however, all the Scheme Meetings will be held concurrently.

You are entitled to vote on a Scheme Company's Scheme if you are a Scheme Creditor of that company. "Scheme Creditor" is defined in the Scheme, but in summary you are a Scheme Creditor of a Scheme Company if you are a creditor of that company in respect of the business of the E W Payne Pools.

Each Scheme Creditor has been sent a personalised Voting Form. It sets out what Reinsurance Solutions Limited considers to be a Scheme Creditor's claims for voting purposes in relation to each Scheme Company. This is shown in Section C of the Voting Form. The Scheme Companies listed there are those for which Reinsurance Solutions Limited considers you to be a Scheme Creditor. As a result, these are the Schemes upon which you are entitled to vote.

As explained in more detail below, if you disagree with the voting values in Section C, they can be amended. All values on the Voting Form are for voting purposes only and do not bind either the Scheme Creditor or the Scheme Companies in relation to the Scheme Claims.

Scheme Creditors need to fill in a single Voting Form irrespective of how many Scheme Companies' Schemes they are voting on.

Summary of the Voting Form

The Voting Form is split into four sections, each with its own guidance notes. The guidance notes are numbered to correspond to the numbered sections or footnotes on the form.

The four sections of the Voting Form are as follows:

Section A: Voting Registration and Proxy Form - This section is where you check and confirm the details given of the Scheme Creditor. If you are not intending to attend the Scheme Meetings in person, but wish to vote, you must use the section provided to appoint a proxyholder.

Section B: Voting for or against all of the Schemes - This section allows you to vote for or against (or abstain or elect that your vote be left to your proxyholder's discretion) all of the Schemes combined upon which you are voting. In addition, this section will show, for summary purposes, what Reinsurance Solutions Limited considers to be your total claim for voting purposes against all the Scheme Companies for which you are a Scheme Creditor.

Section C: Voting for each Scheme individually - This shows a breakdown of what Reinsurance Solutions Limited considers to be your claims for voting purposes in relation to each Scheme Company for which you are a Scheme Creditor.

If you do not wish to vote for or against all the Schemes together, this Section allows you to vote on each Scheme separately.

Section D: Voting for each Scheme individually – amending the values - If you disagree with any of the values given to your claims for voting purposes in Section C, Section D can be used to enter revised values.

Returning the Voting Form

To vote at the Scheme Meetings, Voting Forms should be sent by post to Reinsurance Solutions Limited to arrive by no later than **4pm (BST) on 30 June 2008**. Reinsurance Solutions Limited's contact details are as follows:

Reinsurance Solutions Limited Mayland House Mayland Road	General	+44 (0)1376 506 210
	Direct	Brian Evans

Essex CM8 2UP United Kingdom	+44 (0)1376 506 423 David Bowen +44 (0)1376 506 374
Ref Brian Evans & David Bowen	Fax +44 (0)1376 506 601
	Email Brian W Levans@guyycarp.com David C Bowen@guyycarp.com

A copy sent by fax to Reinsurance Solutions Limited will be accepted if legible provided that the original is received by no later than 4pm (BST) on 3 July 2008. If Scheme Creditors fail to submit their proxies and voting forms by 4pm (BST) on 3 July 2008 they may be handed to the Chairman of the Scheme Meetings at the meetings.

Additional notes

- (A) Any alteration to the Voting Form must be initialled by the person who signs it
- (B) To determine whether the requisite majority in value has been achieved at each Scheme Meeting, votes will be calculated following the Scheme Meeting for each Scheme Company according to the aggregate amount of claims specified on the Voting Forms for each Scheme Company subject to agreement or valuation
- (C) If you have any questions on this Voting Form please contact Brian Evans or David Bowen using the above contact details

SECTION A: VOTING REGISTRATION AND PROXY FORM

Notes

The numbered notes below relate to the footnotes in Section A of the Voting Registration and Proxy Form.

(1) Name of Scheme Creditor

Please confirm that the name and the address of the Scheme Creditor is correct. If you are the duly authorised representative of a number of Scheme Creditors, you must fill out a separate Voting Form for each Scheme Creditor

(2) Are you attending the Scheme Meetings in person?

If you intend to attend the Scheme Meetings in person, delete the words 'Will not'. You do not need to appoint a proxyholder

If you do not intend to attend the Scheme Meetings, delete the word 'Will'. You must now complete part (3)

(3) Appointing a proxyholder

To appoint a proxyholder to vote on your behalf at the Scheme Meetings please fill in this section. You may appoint as your proxyholder either (a) the Chairman of the Scheme Meetings or (b) another named individual

Appointing the Chairman as your proxyholder

If you wish to appoint the Chairman as your proxyholder, please leave part (b) blank. You must instruct the Chairman to vote either "For", "Against" or "Abstention" in the case of all the Schemes upon which you are voting. Do not mark "Proxyholder's Discretion" if you appoint the Chairman as your proxyholder otherwise your appointment of the Chairman as your proxyholder will be ineffective

Appointing another named individual as your proxyholder

If you wish to appoint a person other than the Chairman as your proxyholder, delete the words "the Chairman of the Meetings" in part (a) and enter in block capitals in the space provided in part (b) the name of the person you wish to appoint as your proxyholder for the Scheme Meetings. If you choose to appoint a person other than the Chairman as your proxyholder that person must attend in person at the Scheme Meetings in order to vote on your behalf. He or she can be told by you how to vote in which case you must indicate this by ticking the appropriate box(es) in Sections B, C or D. Alternatively, you can allow your named proxyholder to exercise their discretion at the Scheme Meetings in which case the box described "Proxyholder's Discretion" should be ticked.

(4) Duly authorised representative of the Scheme Creditor

If you are the duly authorised representative of the Scheme Creditor, enter the capacity in which you have signed the form (e.g. director, agent, attorney etc.)

SECTION B: VOTING FOR ALL SCHEME COMPANIES COMBINED

Notes

This section of the Voting Form allows you to vote "For" or "Against" (or abstain or nominate your proxyholder to use his or her discretion when voting) in the case of all of the Schemes together. If you wish to vote on each Scheme separately, please leave Section B blank and place your votes for each Scheme in either Sections C or D. This is explained in more detail below. **The numbered notes below relate to the footnotes in Section B of the Voting Registration and Proxy Form.**

(5) Scheme Voting Amounts

The value of your vote in each Scheme is the expected value of your Scheme Claim in that Scheme. Your voting form has been personalised to show what Reinsurance Solutions Limited considers to be your Scheme Claim for voting purposes in relation to each Scheme Company. A summary of your total voting amounts across all the Schemes (for which you are entitled to vote) is shown in this table. A breakdown of your voting amounts for each Scheme Company is shown in Section C.

Your total voting amount is split into the following four categories, which mirror the categories of claims in the Schemes

Agreed Paid Losses	These are losses which were settled by the Scheme Creditor and were agreed with the Scheme Company prior to the Scheme becoming effective
Non-Agreed Paid Losses/Accruals	These are losses which have been settled by a Scheme Creditor and submitted to the Scheme Company but which have not yet become Agreed Paid Losses, this includes Accruals which are losses which have been settled by a Scheme Creditor, which have not been agreed by Reinsurance Solutions Limited
Outstanding Loss Claims	These are claims against or Liabilities of a Scheme Creditor in respect of losses arising under Reinsurance Contracts which have been notified but not yet settled by the Scheme Creditor giving rise to a Scheme Claim
IBNR Claims	These are claims against or Liabilities of a Scheme Creditor under Reinsurance Contracts in respect of incurred but not reported losses, namely losses which as at 30 June 2007 (i.e. the Ascertainment Date) have been incurred but have not been reported to the Scheme Creditor giving rise to a Scheme Claim

	To avoid using a complicated estimation methodology with all its associated costs to both Scheme Companies and Scheme Creditors, the Scheme provides that the value of a Scheme Creditor's IBNR Claim will be calculated by reference to its undiscounted Outstanding Loss Claims Loading Percentages of 200% will be applied to Outstanding Loss Claims relating to Asbestos Losses, 75% will be applied to Outstanding Loss Claims relating to Pollution Losses and 25% will be applied to Outstanding Loss Claims relating to other types of loss
--	--

The form also shows the amounts by which your claims will be discounted under the terms of the Scheme These are as follows

Discount on Non-Agreed Paid Losses/Accruals	Under the Scheme a discount rate of 5% is applied to Scheme Creditors' Non-Agreed Paid Losses/Accruals
Discount on Outstanding Loss Claims and IBNR Claims	Under the Scheme a discount rate of 25% is applied to Scheme Creditors' Outstanding Loss Claims and IBNR Claim

If you do not wish to amend the values shown in Section C, please insert in Section B the total value of your Scheme Claims (which will be the total of the "Total Claims per RSL's Records") into the box marked "Balance (consolidated USD)"

To amend the values shown in Section C and thus the total value of your Scheme Claims in all the Schemes for which you are Scheme Creditor, please see the notes for Section D below The total of the amended values for each category of claim together with the associated discount amounts should be added into this table in the boxes marked "Additional Values Added/Subtracted" The net balance should be inserted the box marked "Balance (consolidated USD)"

(6) Voting for all the Schemes

In order to submit a vote "For" all of the Schemes where you are a Scheme Creditor, please enter a tick [✓] within this box

(7) Voting against all the Schemes

In order to submit a vote "Against" all of the Schemes where you are a Scheme Creditor, please enter a tick [✓] within this box

(8) Abstention

If you wish to abstain from the Scheme Vote please enter a tick [✓] within this box

(9) Proxyholder's Discretion

Where you have nominated a proxyholder to be present at the Scheme Meetings and you wish them to decide how to vote on the day of the Scheme Meetings, please enter a tick [✓] within this box. Evidence of authority (e.g. deed of assignment or letter of authorisation) in a form acceptable to the Chairman will be required.

Please note that if you have selected the Chairman as your proxyholder you must not enter a tick in this box; rather you must enter a tick in either the "For", "Against" or "Abstention" boxes.

SECTION C: VOTING ON EACH SCHEME INDIVIDUALLY

Notes

Section C allows you to vote For, Against, Abstain from or select Proxyholder's Discretion for each Scheme upon which you are voting

It shows the values of your Agreed Paid Losses, Non-Agreed Paid Losses, Outstanding Loss Claims, IBNR Claims, the amount to be discounted from your Non-Agreed Paid Losses and the amount to be discounted from your Outstanding Loss Claims and IBNR Claims in respect of each of the Scheme Companies of which you are a Scheme Creditor. The values of your Agreed Paid Losses, Non-Agreed Paid Losses, Outstanding Loss Claims are derived from Reinsurance Solutions Limited's records. The values of your IBNR Claims and discount amounts are calculated using the terms of the proposed Scheme

All values on the Voting Form are entered in US Dollars. Where necessary, amounts in other currencies have been converted into USD using the Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last Business Day prior to the Ascertainment Date (i.e. 29 June 2007). This date has been chosen for currency conversion purposes rather than the Ascertainment Date itself because the Ascertainment Date fell on a Saturday. Where a liability was incurred in a currency replaced by the Euro, it has been converted into Euros at the fixed rate of exchange in operation for that currency as at the date it was so replaced and has been converted into US dollars using the Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last Business Day prior to the Ascertainment Date (i.e. 29 June 2007). The main relevant exchange rates are shown below (they are the relevant Spot Exchange Rates taken from the Bank of England Statistical Interactive Database (www.bankofengland.co.uk/statistics) for the last Business Day prior to the Ascertainment Date (i.e. 29 June 2007))

GBP£1 / US\$0.4984

CAN\$1 / US\$1.0639

If you require more details about the values given on your Voting Form for instance, allocating the claims between the Reinsurance Contracts written by the Scheme Companies, you may request such information from Reinsurance Solutions Limited (see contact details on pages 2 and 3 of these Notes)

If you do not agree with any of the values in Section C, please complete Section D as appropriate.

SECTION D: AMENDING THE VOTING VALUES

If you disagree with the values given to your Agreed Paid Losses, Non-Agreed Paid Losses or Outstanding Loss Claims, this section allows you to enter revised amounts

Amending the values

If you amend your Outstanding Loss Claims, you may also need to amend your IBNR Claims. Under the Scheme, IBNR Claims are calculated as loadings based on your undiscounted Outstanding Loss Claims. Different loadings apply to different types of business. A Loading Percentage of 200% is to be applied to Outstanding Loss Claims derived from Asbestos Losses, a Loading Percentage of 75% is to be applied to Outstanding Loss Claims derived from Pollution Losses and a Loading Percentage of 25% is to be applied to Outstanding Loss Claims derived from Other Losses. You are recommended to use these Loading Percentages when calculating your IBNR Claims for voting purposes.

In addition, under the Scheme a discount rate of 5% is applied to Scheme Creditors' Non-Agreed Paid Losses/Accruals and a discount rate of 25% is applied to Scheme Creditors' Outstanding Loss Claims and IBNR Claims. If you amend your Non-Agreed Paid Losses/Accruals and/or your Outstanding Loss Claims and IBNR Claims, we recommend that you apply these discount rates and place the value of the discounts in the space provided.

Where you believe you have an IBNR Claim but no Outstanding Loss Claims, you must insert into your voting form the value of your IBNR Claim.

Please insert the difference between your revised amounts and the amounts given in Section C in respect of your claim into the summary table in Section B of the Voting Form.

Supporting Documentation

Where you have revised or amended your Voting Form, such changes must be substantiated by the provision of appropriate supporting documentation. **Failure to supply suitable supporting documents may result in your vote being rejected or receiving a lower value than you assert.**

Scheme Creditors who cast their vote on the day of the Scheme Meetings can provide supporting documentation on the day.

Reinsurance Solutions Limited will seek to agree the amended value of your votes by reference to the records held by Reinsurance Solutions Limited and any supporting documentation which you supply. If agreement cannot be reached, the Chairman of the Scheme Meetings will determine what he considers to be a fair and reasonable value for voting purposes. In the event of a dispute, the Chairman's decision will be final and binding, subject to any right of appeal in law. Where possible, the Chairman will notify you of his decision on the valuation of your claim for voting purposes before the Scheme Meetings.

The Chairman of the Meetings has absolute discretion and the power to reject a vote or determine what he considers to be a fair and reasonable assessment of the Scheme Creditor's vote value.

Where a vote is rejected or valued at a different amount than originally asserted, you will be notified of this decision as soon as possible, and in any event prior to the Court hearing to sanction the Schemes. This rejection or revision of value will be reported to the Court at the sanction hearing and should you wish to object you may do so at that hearing.

The date and place of the sanction hearing will be made available on the Scheme Website.

Voting on amended values

If you have entered revised voting amounts in Section D for a Scheme Company's Scheme, you can place your vote on that Scheme ("For", "Against", "Abstention" or ""Proxyholder's discretion") either

- (a) by entering your vote in Section B for all the Schemes Companies' Schemes for which you are a Scheme Creditor, or
- (b) by entering your votes in Section D for those Scheme Companies for which you have entered revised voting amounts and by entering your votes in Section C for the other Scheme Companies for which you are a Scheme Creditor.

APPENDIX G

ILLUSTRATIVE EXAMPLE OF THE NUMBER OF POOL PARTICIPANTS IN EXCESS OF LOSS POOL NO 1 AND EACH POOL PARTICIPANT'S PERCENTAGE SHARE OF THE RISKS BEING WRITTEN BY THAT POOL IN 1980, 1983 AND 1985

A/C NO	Name	1980			1983			1985		
		Cat 1.2.3.5	Cat 4	Cat 6	Cat 1.2.3.5	Cat 4	Cat 6	Cat 1.2.3	Cat 4	Cat 5
AF002P	Sjoforskrings Aktie/Alpha	0 3500	0 3500	0 3500						
AF003Q	Alte Leipziger Ruck	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF004R	Ancon Insurance				1 0000					
AF005S	Generali	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000
AF006T	Assubel Accidents Et Dommages	0 1000	0 1000	0 1000						
AF008V	Auro General Mutual/Tapiola				0 3000	0 3000	0 3000			
AF010P	Bermuda Fire & Marine	1 4544	1 4544	1 4544						
AF011Q	Bermuda London Underwriting Ag	0 6700	0 6700	0 6700	1 0000	1 0000	1 0000			
AF016V	CNA Re of London Ltd	0 7500			0 7500					
AF017W	Community Reinsurance Corp				0 7500		1 2500			
AF019Y	Copenhagen Reinsurance Co				1 0000	1 0000	1 0000			
AF021S	Dai-Tokyo Fire & Marine	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF025W	Devonport Underwriting Ag Ltd				1 0000					
AF0290	Eagle Star Group	0 3000			0 4000					
AF031U	El Paso Insurance Co							0 6660	0 6660	
AF033W	Excess Insurance Group	1 0000			1 0000			1 0000	1 0000	
AF034X	Finnish Industrial & General	0 2500			0 2500					
AF035Y	Finnish Marine				0 5000	0 5000	0 5000			
AF036Z	Folksam International				1 5000	1 5000	1 5000			
AF0370	G E Oatley Underwriting Ag	2 0000			2 5000	2 5000	2 5000	2 5000	2 5000	2 5000
AF0392	Gjensidige Forsikring				1 0000	1 0000	1 0000			
AF040V	Hannover Ruck/Eisen Stahl	1 0000	1 0000	1 0000						
AF041W	Haugesunds Sjofors				0 5000	0 5000	0 5000			
AF044Z	Hua Limited	1 5000	2 5000	2 5000						

A/C NO	Name	1980			1983			1985		
		Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3	Cat 4	Cat 5
AF0483	Jordbrukets/Agria				0 3000	0 3000	0 3000			
AF0494	Keskinainen Hameen Vak				0 5000	0 5000	0 5000			
AF052Z	Kraft Insurance Co Ltd							1 3340	1 3340	
AF0552	Louisville Insurance Co							0 6660	0 6660	
AF0563	Mentor Ins Ltd	0 3760	0 3760	0 3760						
AF058A	Mutual Reinsurance Company Ltd	0 9412	0 9412	0 9412				1 3340	1 3340	3 3330
AF0610	Nichido Fire & Marine Ins Co	0 2500	0 2500	0 2500	0 2500	0 2500	0 2500			
AF067B	Oberon Underwriters Ltd/St Paul	1 0000			1 0000	1 0000	1 0000			
AF069D	Pohjola Keskinainen/Tapiola				1 0000	1 0000	1 0000			
AF0701	Pohjola Insurance Company Ltd				0 3000	0 3000	0 3000			
AF0712	Polaris Assurans As				0 5000	0 5000	0 5000			
AF074A	Provinzial Feuer	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF075B	Ridgewell Fox & Partners	5 0000	5 0000	5 0000	5 0000	5 0000	5 0000			
AF077D	Keskinainen Vakuutus/Sampo				1 0000	1 0000	1 0000			
AF079F	Samvirke General Insurance				0 5000	0 5000	0 5000			
AF0803	Saskatchewan Govnt Ins	1 0000	1 0000	1 0000	1 0000	1 0000	1 0000			
AF087F	Sparkassen-Versicherungs	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF088G	Sphere Drake	3 0000	1 0000	3 0000				3 0000	3 0000	
AF088G	Sphere Drake		6 0000							
AF090A	Stockholm Reinsurance Co Ltd				1 0000	1 0000	1 0000			
AF094E	Mitsui Marine & Fire Ins Compnay Ltd	0 5000	0 5000	0 5000	1 0000	1 0000	1 0000			
AF098I	Transamerica Insurance Co	3 6360	3 6360	3 6360						
AF101R	Uni Forsikring				1 0000	1 0000	1 0000			
AF102S	Union Suisse Compagnie	0 5000	0 5000	0 5000	0 7500	0 7500	0 7500			
AF103T	Unionamerica Insurance Company Ltd	1 5000	1 5000	1 5000	1 5000	1 5000	1 5000			
AF105V	Unione Italiana Di Riass	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000			
AF107X	Vastuu Jalleenvakuutusos				0 5000	0 5000	0 5000			
AF108Y	Victoria Ruckversicherungs	3 0000	3 0000	3 0000	3 0000	3 0000	3 0000			
AF110S	Walbrook Insurance Company Ltd	3 7740	3 7740	3 7740				4 0000	4 0000	3 3330
AF114W	Winterthur Swiss Insurance Co	1 8184	1 8184	1 8184						

A/CN/O	Name	1980		1983			1985		
		Cat 1,2,3,5	Cat 4	Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3	Cat 4	Cat 5
AF116Y	Württembergische Feuer	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000		
AF119I	British National Insurance Company Ltd	2 5000	4 0000	2 5000					
AF1453	Groupe Des Assurances	0 5000	0 5000	0 5000	0 5000	0 5000	0 5000		
AF1533	La Providence/Axa Re	0 3000	0 3000	0 3000	0 3000	0 3000	0 3000		
AF156B	Singapore Reinsurance Corp	0 5000	0 5000	0 5000	0 5000				
AF157C	Sumitomo Marine & Fire Ins	1 0000	1 0000	1 0000	1 0000	1 0000	1 0000		
AFA5GS	Atlantic Mutual per W F U M	0 0400				0 0400			
AFA6CQ	Allianz Mutual per W F U M	0 0480				0 0500			
AFD25P	Devonport - Municipal General					0 1500			
AFD26Q	Devonport - Devonport Insurance					0 4500			
AFD27R	Devonport - Wausau Insurance					0 4000			
AFH01T	Heddington Ins					1 0000			
AFS1A1	Sovereign 'B' per W F U M	0 2000							
AFS4NP	Sovereign per W F U M	0 1920				0 3650			
AFS67I	Storebrand (uk) per W F U M	0 0800				0 0950			
AFT0B3	Taisho (uk) per W F U M	0 1760				0 1800			
AFT0C4	Tokio (uk) per W F U M	0 2640				0 2700			
YAF06Z	Farmers Mutual Hail Ins					0 5000	0 5000		
YAF20X	Farmers Home Mutual					1 0000	1 0000		
YAI24F	Inland Insurance Company					0 2500	0 2500		
YAM050	General Star Insurance Company					0 5000	0 5000		
YAP02U	Public Service Mutual					5 0000	5 0000		
YAT07G	Travelers Indemnity Company					2 5000	2 5000		
YAU01D	Universal Reinsurance					1 0000	1 0000		
YBA11L	American Employers Insurance Co	2 0000	2 0000	2 0000					
YBB01M	Bellefonte Insurance Company	0 7500	0 7500	0 7500					
YBF063	Farmers Mutual Hail Insurance of Iowa	0 5000	0 5000	0 5000					
YBF20I	Farmers Home Mutual Insurance Company	1 0000	1 0000	1 0000					
YBI07I	Instituto De Resseguros Do Brasil	1 0000	1 0000	1 0000					
YBI24J	Inland Insurance Company	0 2500	0 2500	0 2500					

		1980												1983				1985			
A/C NO	Name	Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3,5	Cat 4	Cat 6	Cat 1,2,3	Cat 4	Cat 6	Cat 1,2,3	Cat 4	Cat 6					
YBM05S	Monarch Insurance Company of Ohio	0 5000	0 5000	0 5000																	
YBP02Y	Public Service Mutual Insurance Company	5 0000	5 0000	5 0000																	
YDA58D	Aura Keskinainen Vak/Tapiola	0 3000	0 3000	0 3000																	
YDC48H	Copenhagen Reinsurance Company	1 0000	1 0000	1 0000																	
YDD16C	Kobenhavnske Assurance/Hafnia	0 7500	0 7500	0 7500																	
YDF12E	Fennia & Industrial Re/Industrial Mutual	0 5000	0 5000	0 5000																	
YDF36M	Folksam International Insurance	1 5000	1 5000	1 5000																	
YDF37N	Finska Sjöförsäkringsaktiebolag/Finnish Marine	0 5000	0 5000	0 5000																	
YDG17M	Gjensidige Norsk Forsikring	1 0000	1 0000	1 0000																	
YDH27R	Trygg Hansa	0 7500	0 7500	0 7500																	
YDH35R	Haugesunds Sjø As/Storebrand	0 5000	0 5000	0 5000																	
YDJ020	Agria Ins/Jordbrukets	0 3000	0 3000	0 3000																	
YDK14V	Hameen Vakuutus Mutual	0 5000	0 5000	0 5000																	
YDN39I	Norges Brannkasse/Storebrand	1 0000	1 0000	1 0000																	
YDN40B	Norsk Forsikring As/Storebrand	0 2500	0 2500	0 2500																	
YDO07D	Industrial Mutual Insurance Co	1 0000	1 0000	1 0000																	
YDO08E	Omesidiga/Finnish Marine	0 2500	0 2500	0 2500																	
YDP15G	Phojola Insurance Company	0 3000	0 3000	0 3000																	
YDP48P	Pohja/Tapiola	1 0000	1 0000	1 0000																	
YDP49Q	Polaris Norsk Forsikring/Storebrand	0 5000	0 5000	0 5000																	
YDS52U	Sampo International Ins Co	1 0000	1 0000	1 0000																	
YDS53V	Samvirke General Ins Co	0 5000	0 5000	0 5000																	
YDS57Z	Stockholm Reinsurance	1 0000	1 0000	1 0000																	
YDS580	Sveriges Angfartigs Assurans/The Swedish Club	0 5000	0 5000	0 5000																	
YDT40T	Top International	0 2000	0 2000	0 2000																	
YDU19Z	Ursa/Industrial Mutual	1 5000	1 5000	1 5000																	
YDV07Y	Aterforsäkringsaktiebolaget Vastuu	0 5000	0 5000	0 5000																	
YDV08Z	Aterforsäkringsaktiebolaget Vertias	1 0000	1 0000	1 0000																	
	TOTAL	74 0700	74 2700	68 7700	52 6000	44 4500	44 7000	15 0000	15 0000	9 6660											

Note

Each year E W Payne would set out the aggregate limits for each category of business on each of the Pools. This would be the total amount of exposure E W Payne proposed would be assumed by each Pool for each category of business during the coming year. Pool Participants would then be asked to set down what percentage share of those aggregate limits they were each prepared to accept. The above table shows for the E W Payne Excess of Loss Pool No 1, each individual Pool Participant's percentage shares of the total aggregate limits for each category of business for 1980, 1983 and 1985. As can be seen from the above table, in none of those years did E W Payne obtain 100% of the aggregate limits. For instance, for Category 3 in 1983, the total Pool placement was 52.60%. This meant that E W Payne was able to place a maximum of 52.60% of its proposed 100% aggregate limits for Category 3 business during the course of 1983.

With each declaration made by the Pool during the year the aggregate limit would be eroded. For example, if the following three declarations were made under Category 3 of the 1983 year of account, the aggregate amount included from these three declarations would be USD175,000 for 100%, of which the Pool Participants took their proportionate shares -

- A) GBP200,000 or USD400,000 each and every loss excess of GBP50,000 or USD100,000 each and every loss. Hereon 20%
- B) GBP250,000 or USD500,000 each and every loss excess of GBP250,000 or USD500,000 each and every loss. Hereon 10%
- C) GBP150,000 or USD300,000 each and every loss excess of GBP150,000 or USD300,000 each and every loss. Hereon 15%

If the Category 3 aggregate limit for the entire Pool was, for example in 1983, USD7,500,000 then the facility would have been eroded by USD175,000 leaving the facility with a total of USD7,325,000 (provided no other declarations had been made at that point).

From the above table it can be seen that the total Pool placement for 1983 under Category 3 was 52.60%. The individual Pool Participants' percentage shares combine together to make up that total Pool placement. Where part-declarations were accepted (the Pool generally wrote part declarations of risks to provide Participants with a wide spread of risks) the Pool percentage information expressed to the reinsured by the broker in their cover note, was presented in a different percentage format albeit ending in the same result. In example "A", the broker cover note would have advised the reinsured that the net Pool percentage line was 10.52% (Hereon 20% of 52.60% being the Pool placement as per the above list). The

attachment would have shown the Pool Participants' lines increasing from being part of 52.60% to being part of 100% (ie it would show each Pool Participant's share of the 10.52% line)