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.

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

BETWEEN

ENGLISH & AMERICAN INSURANCE COMPANY LIMITED
(by way of further amendment to an existing scheme of arrangement dated 28 October 1994 (as amended by a scheme of arrangement dated 1 June 2000))

AND

THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED
(by way of amendment to an existing scheme of arrangement dated 19 October 2001)

AND

THE BALOISE INSURANCE COMPANY LIMITED
CITY INTERNATIONAL INSURANCE COMPANY LIMITED
DOWA INSURANCE COMPANY (EUROPE) LIMITED
EAST WEST INSURANCE COMPANY LIMITED
FUJI INTERNATIONAL INSURANCE COMPANY LIMITED
HISCOX INSURANCE COMPANY LIMITED
THE HOME INSURANCE COMPANY (IN LIQUIDATION)
KX REINSURANCE COMPANY LIMITED
METROPOLITAN REINSURANCE COMPANY (U.K.) LIMITED
MOORGATE INSURANCE COMPANY LIMITED
NIPPON INSURANCE COMPANY OF EUROPE LIMITED
POLYGON INSURANCE COMPANY LIMITED
SWISS RE INTERNATIONAL SE, UK BRANCH
TOWER INSURANCE LIMITED

(A LIST OF THE SCHEME COMPANIES' FORMER NAMES APPEARS AT PAGE i)

AND THEIR RESPECTIVE
SCHEME CREDITORS
(AS DEFINED IN THE SCHEME)

CONCERNING BUSINESS UNDERWRITTEN BY THE SCHEME COMPANIES REFERRED TO ABOVE THROUGH THE ENGLISH & AMERICAN UNDERWRITING AGENCY LIMITED POOLS ("EAUA POOLS"), THE TRANSGLOBE AVIATION UNDERWRITING SYNDICATE LIMITED POOL ("TAUS POOL"), THE TRANSGLOBE RE POOL AND THE E&A RE POOL, TOGETHER WITH ALL OTHER LIABILITIES OF ENGLISH & AMERICAN INSURANCE COMPANY LIMITED (SUBJECT TO CERTAIN EXCEPTIONS) AND OF CITY INTERNATIONAL INSURANCE COMPANY LIMITED. ALL SUCH BUSINESS IS FULLY DESCRIBED IN APPENDIX A TO THE SCHEME AT PAGES 247 TO 252

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SCHEME COMPANIES' PRESENT AND FORMER NAMES

Current name	Previous names
The Baloise Insurance Company Limited	
City International Insurance Company Limited	*City Insurance Company (UK) Ltd*
Dowa Insurance Company (Europe) Limited	*Dowa Insurance Company (UK) Ltd*
East West Insurance Company Limited	
English & American Insurance Company Limited	
Fuji International Insurance Company Limited	*Fuji Fire & Marine Insurance Company (UK) Ltd*
Hiscox Insurance Company Limited	*Economic Insurance Company Ltd*
The Home Insurance Company (In Liquidation) (as successor in interest through merger to City Insurance Company of New Jersey)	*City Insurance Company of New Jersey*
The Insurance Corporation of Singapore (U.K.) Limited	
K	*(UK) PLC, Lombard Insurance Company (UK) Limited and Maltese Cross Insurance Company Limited*
Metropolitan Reinsurance Company (U.K.) Limited	
Moorgate Insurance Company Limited	*Pohjola Insurance Company (UK) Ltd*
Nippon Insurance Company of Europe Limited	*Nippon Fire & Marine Insurance Company (UK) Ltd (The)*
Polygon Insurance Company Limited	
Swiss Re International SE, UK Branch	*SR International Business Insurance Company PLC, SR International Business Insurance Company Limited,*

Current name	Previous names
	Switzerland Insurance Company (UK) Limited, and Switzerland General Insurance Company (London) Ltd as a subsidiary of Schweiz Allgemeine Versicherungs-AG
Tower Insurance Limited	*The National Insurance Company of New Zealand Ltd*

IMPORTANT NOTICE TO SCHEME CREDITORS

This document has been prepared in connection with proposed schemes of arrangement (t) 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). In doing so the Scheme Companies relied upon information obtained from their records as maintained by PRO Insurance Solutions Limited, the proposed Scheme Manager.

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 herein and if any such representations are made they may not be relied upon as having been so authorised.

The summary of the principal provisions of the Scheme and related matters contained in Part I of this document is qualified in its entirety by reference to the Scheme in Part II of this document. Scheme Creditors should read and consider carefully the full text of the Scheme. Unless otherwise indicated, capitalised terms defined in the Scheme have the same meaning throughout this document.

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

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PART I - EXPLANATORY STATEMENT

(in compliance with Part 26 of the Companies Act 2006)
in relation to
SCHEMES OF ARRANGEMENT
(pursuant to Part 26 of the Companies Act 2006)
(together the "**Scheme**")

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

BETWEEN

ENGLISH & AMERICAN INSURANCE COMPANY LIMITED
(by way of further amendment to an existing scheme of arrangement dated 28 October 1994 (as amended by a scheme of arrangement dated 1 June 2000))

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Important note: this explanatory statement is a guide to, and contains summaries of, some key provisions of the Scheme including the actuarial Estimation Guidelines which may be used to value Scheme Claims. Anyone seeking to understand the full impact of the Scheme and the actuarial Estimation Guidelines should read the Scheme in its entirety. Capitalised words or phrases not defined in the Explanatory Statement have the same meanings as their definitions in the Scheme.

KEY DATES*

30 April 2010 (by 11 a.m. London time)	**Voting Registration and Proxy Form to be returned.**
30 April 2010	**Meetings of the Scheme Creditors to vote on the Scheme.**
May/June 2010	**Court hearing in London of petition to sanction the Scheme.**
May/June 2010	**Section 304 and Chapter 15 hearings in New York.**
June 2010	**Effective Date of the Scheme.**
December 2010	**Bar Date, the date by which Scheme Claims must be submitted.**

* The date of the UK Court hearing of the petition to sanction the Scheme, the date of the hearings under section 304 and Chapter 15 of the Bankruptcy Code in New York, the Effective Date of the Scheme and the Bar Date are only estimates of future dates and, accordingly, may be subject to change. The Scheme Companies will bring the exact dates to the attention of Scheme Creditors by advertising, posting them on the Website and sending notification to known addresses or by E-mail where a Scheme Creditor has provided an E-mail address.

SCHEME WEBSITE: www.englishandamericanpools.com

Scheme Creditors who have not already done so are urged to contact PRO Insurance Solutions Limited ("**PRO**"), the proposed Scheme Manager (contact details below and at page iv) for a Website password and username to enable them to access their secure part of the Website, documentation in connection with the Scheme and other useful information.

E-mail: **Pro_eauapools@pro-ltd.co.uk**
PRO helpline: **+44 (0) 1452 330 514**
Fax: **+44 (0) 1452 523 437**

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1. INTRODUCTION TO THE EXPLANATORY STATEMENT

1.1 What is this proposal about?

The Scheme Companies listed at the front of this document each underwrote insurance and reinsurance business in pooling arrangements through one or more of the EAUA Pools, the TAUS Pool, the Transglobe Re Pool and the E&A Re Pool (together referred to as the "**Pools**"). The Pools underwrote risks until the end of 1992 when they ceased accepting new business and went into run-off. In 1993 the administration of the Pools was transferred to PRO. Further details of the business written by the Pools is set out at Appendix A to the Scheme and at Schedule 1 to this document.

In 1993 English & American Insurance Company Limited ("**EAIC**"), the Scheme Company with by far the la l (approximately 70 per cent) share of the Pools' estimated remaining liabilities, became insolvent. EAIC is already in a scheme of arrangement that became effective in February 1995 which was subsequently amended by an amending scheme of arrangement which became effective on 31 August 2000 (the "**Existing EAIC Scheme**") which allows it to continue to run off its liabilities and pay creditors a percentage of "Established Scheme Liabilities". The current Payment Percentage under the Existing EAIC Scheme is 35 per cent.

Further information rela
leading to its insolvency is set out at Schedule 1 to this document and also in section 2 of the Original EAIC Scheme explanatory statement, an extract of which is available via the Website.

The EAIC Scheme Administrators, supported by the current EAIC Creditors' Committee, are now of the view that it is no longer cost-effective or in the best interests of its creditors to continue the run-off under the Existing EAIC Scheme and wish to amend it such that it becomes a closing scheme to bring finality to the run-off. A letter from the EAIC Scheme Administrators setting out EAIC's position is at pages 8 - 10.

The Pools are complicated and, in the interests of policyholders, reinsurers and the Scheme Companies, the run-off has to date been conducted on a unified basis. With EAIC now wishing to close its run-off, Home, ICS and the solvent Scheme Companies have also decided to promote their own schemes in relation to their Pool Liabilities so as to bring finality to the Pools in a unified manner. A letter from PRO (the Scheme Companies' run-off manager and the proposed Scheme Manager) on behalf of the Scheme Companies is at page 11.

In addition to the Pool Liabilities to be included in the Scheme, all other Liabilities of EAIC and City International Insurance Company Limited are to be included (in the case of EAIC, subject to certain specific exceptions set out in paragraph 4 of Appendix A to the Scheme). In addition, City International Insurance Company Limited proposes to include in the Scheme a small book of non-pool business which it wrote. This book – which represents less than 4 per cent of City International Insurance Company Limited's total liabilities – constitutes the only other remaining liabilities of that company. By including this book, together with its pool liabilities, in the Scheme, City International Insurance Company Limited will be able to bring closure to all its underwriting liabilities. Given the small size of that company, it would not make sense for that company, post closure of the Scheme, to continue to operate as a regulated

insurer for the sole purpose of running off such a small book of business. Hence its inclusion in the Scheme. Further details of the non-Pool business to be included is set out at Appendix A to the Scheme and Schedule 1 to this document. In addition, further information relating to the history of ICS is set out in the Existing ICS Scheme explanatory statement, a copy of which is available via the Website.

1.2 **How does the Scheme work?**

The Scheme Companies have sought to propose as fair and transparent a scheme as possible. To that end they have taken advice from professional advisers with significant experience of schemes and taken soundings from many creditors including those in the UK and the US. The Scheme Companies have also discussed the Scheme with the Financial Services Authority ("**FSA**") which is the UK regulator and informed other relevant regulators. Copies of the Scheme and Explanatory Statement have been provided to the FSA and it has confirmed it has no objection to the Scheme being proposed.

The Scheme requires Scheme Creditors to submit their claims with all supporting evidence (including future and contingent claims) by the Bar Date, 180 days after the Scheme becomes effective. This is done using Claim Forms on a secure area of the Website (also availa le on paper, E-mail and CD ROM) that will already contain information which the Scheme Manager has about Scheme Creditors' Unpaid Agreed Claims (please refer to Sections 5.3 and 10.8 for further details). As long as Claim Forms have been received by the Bar Date which marks the end of the period for claims submission, the Scheme Manager will review them and, depending on how close a claim is to the anticipated value, either accept it or try to reach a mutually agreed value with the Scheme Creditor. Up to a further 270 days from the Bar Date is set aside for this agreement process (and in some cases further extension periods can be agreed between the Scheme Manager and Scheme Creditor), allowing the Scheme Manager to ask for further clarification to support claims and to engage in discussions with Scheme Creditors.

If agreement cannot be reached, then the Scheme Manager will pass the elements that are not agreed to the Scheme Adjudicator. The Adjudication process is intended to resolve disputes about law or facts. If the disagreement is about estimated values, the Scheme Adjudicator, with assistance from the Scheme Actuary, as appropriate, will apply the Estimation Guidelines to them. In reaching his decision, the Scheme Adjudicator has the discretion to apportion his costs and those of his advisers between the Scheme Company and the Scheme Creditor in such proportions as he sees fit. Costs incurred by the Scheme Creditor and the Scheme Company shall be borne respectively by those parties.

Once inwards claims values have been agreed or established, they may then be applied to the Pools' reinsurance programme to generate outwards claims values that may be set off where a Scheme Creditor is also a reinsurer. Reinsurers will be entitled to challenge the application of these reinsurance balances to the reinsurance programme but will not be entitled to require a further review of the inwards values themselves. The final result of these processes will be a Valuation Statement which comprises an account setting out what is due to or from a Scheme Creditor. Payment of sums due to Scheme Creditors after set-off will be made in full (subject to discounting as described in the Estimation Guidelines) by the Scheme Companies, other than EAIC, ICS and Home, within 42 days of each Valuation Statement becoming binding. EAIC will pay a dividend on the Net Ascertained Claims as set out on the Valuation

Statements (if they show a balance due to the Scheme Creditor) within 90 days. ICS will either pay amounts shown as due to General Creditors and E&A Pool Creditors in full, if the value of the Creditors' Fund permits it to, or it will pay a dividend, the ICS Payment Percentage. Further dividends will follow any increases in EAIC's Payment Percentage or, if applicable, the ICS Payment Percentage. Certain of ICS's Scheme Creditors - E&A Pool Participants - will receive percentage shares of the General Assets, calculated with reference to their Valuation Statements and previous payments under the Existing ICS Scheme.

In the case of EAIC, the Scheme provides for the continuing administration and settlement of claims which may be eligible for compensation under the Policyholders Protection Act 1975 payable by the Financial Services Compensation Scheme Limited ("**FSCS**"). Provision is also made in the Scheme for the administration and settlement of such claims against ICS. Scheme Creditors of EAIC or ICS who consider they are or may be Protected Policyholders and entitled to receive compensation from the FSCS should pay particular attention to Section 6.2 and Schedule 7 below.

In the case of Home, the Scheme provides for Scheme Creditors' Net Ascertained Claims to be admitted in the Home Liquidation, subject always to the compliance by the Scheme Creditor with the provisions regarding the filing of claims contained in the Home Claims Procedure Order and subject to any rights of set-off or counterclaim which Home may be entitled to assert against the Scheme Creditor in respect of policies or contracts which are not subject to the Scheme. Please see Section 8 below for further details.

There is a small number of 'package policies' written by the Scheme Companies (between 1979 and 1986) which may contain employer's liability cover and which may, therefore, constitute 'compulsory' insurance under UK law. In the case of EAIC's and ICS's lines on these policies, these will fall to be treated as 'protected' under the Policyholders Protection Act 1975, as described above. For its part, Nippon Insurance Company of Europe Limited has excluded its employer's liability risks from the Scheme altogether. In the case of the other Scheme Companies' lines on these policies, they will be included in the Scheme. However, in view of the potentially 'compulsory' nature of those employer's liability covers, those Scheme Companies have arranged for replacement employer's liability cover to be put in place to protect those policyholders in the future. This replacement cover is described in more detail in Section 5.19 below.

The main provisions of the Scheme for establishing values of other Scheme Claims apply equally to EAIC, ICS, Home and the solvent Scheme Companies.

Some questions and answers about the Scheme can be found at Section 10.

1.3 **What should you do now?**

Scheme Creditors should read and consider the Scheme and Explanatory Statement and decide whether they wish to vote on the Scheme. Details of how to vote and details of the meeting to vote on the Scheme are set out in the covering letter from PRO accompanying this document.

If they have not already done so, Scheme Creditors are urged to contact PRO (see contact details on page iv) for a Website password and username to enable them to access their secure part of the Website and add details of their Scheme Claims.

If you are in any doubt as to the action you should take, you should consult your professional adviser without delay.

2. LETTER FROM THE EAIC SCHEME ADMINISTRATORS

TO: THE SCHEME CREDITORS OF ENGLISH & AMERICAN INSURANCE COMPANY LIMITED ("EAIC")

2.1 Background to EAIC

A brief history of EAIC is set out at pages 61 to 62. On 19 March 1993, the High Court of Justice of England and Wales appointed provisional liquidators to EAIC. The provisional liquidators developed a run-off plan for EAIC which included the implementation of a "reserving" or "run-off" scheme of arrangement under section 425 of the Companies Act 1985 under which EAIC continued in run-off and made payments to creditors *pro rata* on their agreed claims known as "**Established Scheme Liabilities**". This Scheme ("**the Original EAIC Scheme**") became effective on 8 February 1995.

The Original EAIC Scheme was amended by an amending scheme of arrangement which became effective on 31 August 2000 (the "**Existing EAIC Scheme**"). Thomas Alexander Riddell and Michael Steven Walker, both UK licensed insolvency practitioners in the UK firm of KPMG LLP, are the Scheme Administrators of the Existing EAIC Scheme. The current Payment Percentage under the Existing EAIC Scheme is 35 per cent.

2.2 Why is EAIC proposing this Scheme?

Since EAIC became insolvent in 1993, good progress has been made in the realisation of its assets. Assets totalling approximately £331 million have been collected or secured which represents approximately 84 per cent of EAIC's 31 December 1993 total gross realisable asset of £396 million.

Total gross assets at 31 December 2008 are £313 million. The majority of these remaining assets are reinsurance claims of £178 million (valued before the application of set-off). The EAIC Scheme Administrators will pursue these claims, some of which will be subject to discount, through normal credit control procedures or under the Scheme through the application of set-off. The EAIC Scheme Administrators believe that the likely future costs of collecting EAIC's remaining assets in the ordinary course under the Existing EAIC Scheme would outweigh the recoveries.

The EAIC Scheme Administrators therefore believe that it is not cost-effective, or in the best interests of creditors, to continue with the Existing EAIC Scheme in its present form. The EAIC Scheme Administrators are now proposing a "closing" scheme (by way of amendment to the Existing EAIC Scheme) which will have the effect of estimating and crystallizing all of EAIC's contingent liabilities apart from:

(i) the Protected Scheme Claims of EAIC's Protected Policyholders (which claims will continue to be dealt with in much the same way as under the Existing EAIC Scheme and which will, subject to eligibility, still qualify for payment from the FSCS whenever they mature in the ordinary course); and

(ii) the Marsh Mac Protected Liabilities (as to which we refer you to Section 6.3 of this Explanatory Statement).

The EAIC Scheme Administrators believe that this will create significant benefits for creditors, including the following:

- the establishment of EAIC's remaining liabilities will be accelerated;
- EAIC has substantial reinsurance placed with many other Scheme Companies. Agreement has been reached with those Scheme Companies to crystallise and pay these balances as part of the overall Pools closure mechanism. It will therefore be possible to collect this more quickly and effectively under the Scheme than otherwise;
- ultimate distributions to Scheme Creditors can be declared and paid much earlier than in a continuing run-off;
- uncertainty of claim valuation and final payment will be reduced; and
- there are likely to be significant net savings in administrative expenses.

Furthermore, the EAIC Scheme Administrators estimate that if this amending Scheme is implemented, it will result in a higher ultimate payment percentage for EAIC's Scheme Creditors than if the Existing EAIC Scheme were not amended and EAIC's liabilities were run off in the normal course.

The EAIC Scheme Administrators have a duty to close the EAIC estate and distribute its assets to creditors at a time when the ultimate Payment Percentage is expected to be maximised. A significant proportion of EAIC's liabilities arise from participation in the Pools. EAIC accounts for approximately 70 per cent. of the Pools' liabilities. It would be more costly and difficult to close EAIC without the other Scheme Companies also closing their involvement in the Pools at the same time.

For the reasons set out in the letter from PRO at pages 11 to 14, the other Scheme Companies — as participants in the Pools — would also like to finalise their liabilities arising from the Pools. With this in mind, for the past three years EAIC and the other Scheme Companies have been working together towards the common objective of bringing finality to their liabilities arising from the Pools. The EAIC Scheme Administrators firmly believe that for EAIC's creditors the most efficient and beneficial way of closing EAIC is to finalise the liabilities of the Pools in a unified manner.

Whilst it should be noted that two members of the Pools described in paragraph 6 of Appendix A of the Scheme, whose share of the Pools liabilities amounts to less than 3 per cent (and less than 1 per cent of the total Scheme liabilities), are not proposing to scheme, these two Pool members are willing to consider commuting with creditors of the Pools on parallel terms as if they were in the Scheme in order to preserve the benefits for policyholders of the unified closure of the Pools business.

In the event that EAIC's Scheme was approved by the requisite majorities of Scheme Creditors, but one or more of the other Scheme Companies' Schemes were not, or if the Scheme were to be sanctioned by the Court in respect of EAIC but not in respect of one or more of the other Scheme Companies, the EAIC Scheme Administrators would only continue to seek to make the EAIC Scheme effective if, having taken into account the position of the

other Scheme Companies, they believed that to do so would be in the best interests of EAIC's Scheme Creditors.

Possible advantages and disadvantages of the Scheme to Scheme Creditors are listed and explained at Sections 4.5 and 4.6 of this Explanatory Statement.

2.3 **Conclusion**

If implemented, the proposed Scheme will amend the Existing EAIC Scheme and have the effect of concluding the run-off of EAIC's and the other Scheme Companies' involvement in the Pools much sooner than would otherwise be the case. The EAIC Scheme Administrators believe that the benefits to EAIC's creditors of the Pools being closed in a unified way, as is being proposed, outweigh any potential disadvantages. If the Scheme is not implemented for EAIC, the Existing EAIC Scheme will continue in force without amendment and it is estimated that it might take at least another 17 years to conclude, at significant ongoing cost.

The EAIC Scheme Administrators, with the support of the current EAIC Creditors' Committee (as established under the Existing EAIC Scheme), therefore recommend the proposed EAIC Scheme and its implementation at the same time as the other Scheme Companies' Schemes. This would result in a bigger dividend being paid to EAIC's Scheme Creditors than would be the case if EAIC's Scheme were implemented on its own.

Yours faithfully

for **ENGLISH & AMERICAN INSURANCE COMPANY LIMITED**

.....	.....
M S Walker	T A Riddell
Joint Scheme Administrator	Joint Scheme Administrator

3. **LETTER FROM PRO — THE PROPOSED SCHEME MANAGER**

TO: SCHEME CREDITORS OF THE POOLS

We administer on behalf of the Scheme Companies: (i) t -off of the Pools Business; and (ii) the run-off of non-Pools Business for EAIC. We are writing this letter on the Scheme Companies' behalf.

The administration of the Pools Business has for many years been a cohesive and unified process. Given the complex nature of the underwriting and reinsurance arrangements, the Scheme Companies have ensured that, despite the insolvency of EAIC and ICS in 1993 and of Home in 2002, the run-off has remained under a unified and collaborative administration.

In their letter to Scheme Creditors at pages 8 to 10, the EAIC Scheme Administrators have summarised the reasons why they, with the support of the current EAIC Creditors' Committee, wish to amend the Existing EAIC Scheme.

Although Scheme Creditors do not have to vote the same way on each Scheme Company's Scheme and the Schemes are not legally linked, in practice taking the opportunity to finalise all the Scheme Companies' Pools Business (as such term is defined on page 14 below) simultaneously will offer advantages to Scheme Creditors.

There would be many difficulties for policyholders, reinsurers and all of the Scheme Companies should the Pools fragment, including the duplication of effort and increased costs to all parties, and the likely reduction in EAIC's ultimate dividend. If fragmentation of the Pools occurred, policyholders and/or their agents would need to make separate claims presentations and those claims would need to be separately agreed by the fragmented Pools companies. Fragmentation would also inevitably give rise to dela lement of policyholders' claims and potentially also to increase costs to policyholders and/or their brokers. Collection of the Pools' remaining reinsurance would also need to be separated and would be burdensome and less efficient for reinsurers, brokers and the Scheme Companies. If, however, the Pools remain unified, claims handling and reinsurance collection can remain cohesive and costs can be minimised. The Scheme Companies have therefore decided to promote a collective scheme in order to bring about a unified exit from the Pools.

Whilst it should be noted that two members of the Pools are not proposing to scheme, in order to preserve the benefits for policyholders of the unified closure of the Pools business, the two Pool members (described in paragraph 6 of Appendix A of the Scheme) are willing to consider commuting with creditors of the Pools on parallel terms as if they were in the Scheme.

The principal benefits to Scheme Creditors of a collective Pools scheme being implemented include the following:

- acceleration and increase of the dividends to be paid by EAIC;
- acceleration of the payments made to General Creditors and E&A Pool Creditors of ICS and greater payments being made to the E&A Pool Participants;

- valuation and settlement of Scheme Claims under the Scheme much earlier than would be the case in the normal course of run-off; and

- a ls and the associated costs and disruption which would result. Such costs and disruption would affect both the Scheme Companies and Scheme Creditors.

Possible advantages and disadvantages of the Scheme to Scheme Creditors are listed and explained at Sections 4.5 and 4.6 of this Explanatory Statement.

All of the Scheme Companies have sought to create a Scheme process that is fair and transparent to creditors and have taken advice from leading professional firms to achieve this. This has resulted in, amongst other features, Scheme Creditors being given:

- early notice of the Scheme Companies' intention to enter into the Scheme (including a four month notice period for the meeting to vote on the Scheme);

- substantial period of time within which to collate and to submit their Scheme Claims;

- disclosure of the Estimation Guidelines (please see Appendix B to the Scheme) that will be used by the Scheme Actuary to value Scheme Claims which are referred to him. The Estimation Guidelines are designed to derive a valuation of a Scheme Creditor's claim should that Scheme Creditor not be able to agree its claim with the Scheme Manager. The Estimation Guidelines have the flexibility to require the Scheme Actuary to consider a Scheme Creditor's own methodology for estimating its Scheme Claims;

- the opportunity to cast their votes and, once the Scheme becomes effective, to submit their claims into the Scheme, on a pool-level basis – i.e. they will be able to specify a 'block' amount – for voting and/or for claim purposes, representing the aggregate value of their claims against all the Scheme Companies and authorise the Scheme Manager to allocate that 'block' value to each individual Scheme Company in accordance with the Scheme Manager's own books and records.

- the opportunity (by ticking the relevant box on their voting form) to migrate their voting values automatically into their claim form without the need to complete a Claim Form once the Scheme becomes effective.

In addition, an independent Chairman has been appointed to oversee the meeting to vote on the Scheme. The chairman will be entitled at his discretion to consult with a panel of experienced professionals (including individuals with extensive legal and actuarial experience) in relation to the assessment of votes.

A Website has been created to enable Scheme Creditors to input information relating to their Scheme Claims and Insurance Contracts. The Website at www.englishandamericanpools.com is designed to assist Scheme Creditors by making the process of submitting claims information as straightforward and efficient as possible and we would strongly encourage Scheme Creditors to make use of it. Scheme Creditors who

have not already done so are urged to contact us (contact details on page iv) for a Website password and username to enable them to access their secure part of the Website.

The proposed valuation approach for EAIC, ICS, Home and the other Scheme Companies is identical, with the limited exception of EAIC's Protected Scheme Claims and ICS Protected Scheme Claims, and certain claims by other Scheme Companies against ICS. This includes the same mechanism for agreeing or valuing Scheme Claims and, by necessity, given the common reinsurance contracts that exist across the Pools, the same calculation of reinsurance balances for set-off. All of the Scheme Companies will agree or value their future Liabilities to Scheme Creditors on a net present value basis as at the Bar Date. Once a Scheme Creditor's Net Ascertained Claim has been established by the Scheme Companies, each solvent Scheme Company will pay this valuation in full. Interest will be paid where payment is not made within 12 calendar months of the Bar Date.

In all the circumstances, the Scheme Companies therefore recommend the proposed Scheme to their Scheme Creditors.

Yours faithfully

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PRO INSURANCE SOLUTIONS LIMITED

For and on behalf of the Scheme Companies

4. AN OVERVIEW OF THE POOLS SCHEME PROPOSAL

This Explanatory Statement describes a Scheme to be proposed by the Scheme Companies listed at the front of this document in relation to all of the Scheme Companies' Pools Business. The Scheme will also apply to all of the Liabilities of EAIC and City International Insurance Company Limited, subject to certain exceptions detailed in Appendix A to the Scheme and at paragraph 4.5 of Schedule 1 to this Explanatory Statement.

A description of the Pools Business and of the additional business written by EAIC, and by City International Insurance Company Limited to be included in the Scheme is at pages 63 to 64 of this Explanatory Statement.

The Liabilities which will be subject to the Scheme are formally defined in Appendix A to the Scheme, and are referred to in the Scheme as "Pool Liabilities" or "Other Liabilities". "Pool Liabilities" refers to liabilities arising from business written by the Scheme Companies through the EAUA Pools, the TAUS Pool, the Transglobe Re Pool and the E&A Re Pool, and is referred to in this Explanatory Statement as "**Pools Business**". "Other Liabilities" are described in more detail in Appendix A to the Scheme.

The provisions of the Existing ICS Scheme for the agreement and payment of Oberon Pool Claims (as defined therein) by SPRE Limited (formerly St Paul Reinsurance Company Limited) are not amended by the Scheme.

4.1 What is a scheme of arrangement?

A scheme of arrangement, such as that proposed here, is an arrangement between a company and some or all of its creditors (or any class of them) entered into pursuant to Part 26 of the Companies Act 2006. A scheme of arrangement becomes legally binding on a company and all its creditors or any class of them if:

- a majority in number, representing not less than 75 per cent. in value, of the creditors or class of creditors present and voting in person or by proxy vote in favour of the scheme of arrangement at a meeting or meetings convened with the permission of the Court;
- the Court subsequently sanctions the scheme of arrangement; and
- an office copy of the order of the Court to that effect is delivered for registration to the Registrar of Companies in England and Wales.

A separate scheme of arrangement is being proposed for each Scheme Company.

The voting procedure is separately described in the covering letter from PRO which accompanies this document and which also includes notice of the meeting to vote on the Scheme. A copy of this letter can be found on the Website. A specimen voting and proxy form is set out in Schedule 8 at pages 83 to 104 of this Explanatory Statement.

4.2 Why are the Scheme Companies proposing the Scheme?

The Pools have now been in run-off for some 16 years. PRO believes that in the normal course it would take at least another 17 years to run off the remaining Liabilities which it is proposed

to include in the Scheme. EAIC, ICS, Home and the solvent Scheme Companies consider it is in their interests and in the interests of Scheme Creditors to try to finalise their liabilities arising out of the Pools in a much shorter time frame than in a normal course run-off.

A large part of EAIC's realisable assets has now been collected or secured and the EAIC Scheme Administrators believe that, in view of this and the future costs of continuing its run-off, it is no longer in the best interests of EAIC's creditors to continue with the Existing EAIC Scheme in its current form. EAIC therefore wishes to amend the Existing EAIC Scheme and to implement the Scheme in conjunction with the solvent Scheme Companies.

ICS, Home and the solvent Scheme Companies consider that, given their complex pool inter-relationships with EAIC in the Pools, it would be appropriate and administratively beneficial to both Scheme Creditors and the Scheme Companies to promote their own closing Schemes in respect of their Pools Business at the same time as EAIC. To that end, a unified Pools closure scheme for the Scheme Companies is being proposed and has been designed to:

- enable the Scheme Companies and their Scheme Creditors to terminate all their Pools involvements with each other simultaneously;
- provide a mechanism for fairly valuing Scheme Creditors' claims including outstanding claims and IBNR claims;
- result in these claim values (discounted as appropriate) being paid in full by the solvent Scheme Companies earlier than would otherwise be the case;
- result in these claims being paid at a higher EAIC Payment Percentage in respect of EAIC, earlier than would otherwise be the case;
- accelerate payments to General Creditors and E&A Pool Creditors and accelerate and maximise the payments to E&A Pool Participants in the case of ICS; and
- result in these claims being admitted to proof in the Home Liquidation earlier than would otherwise be the case.

4.3 **What liabilities are included in the Scheme?**

The Liabilities which will be subject to the Scheme are defined in the "Scope of Scheme" at Appendix A to the Scheme at pages 247 to 252 and described in Schedule 1 at pages 61 to 65 of this Explanatory Statement. All of the Liabilities of EAIC and City International Insurance Company Limited are included, subject to certain business which is to be excluded from the Scheme, as described in paragraph 4 of Appendix A to the Scheme. With respect to the remaining Scheme Companies, the Scheme will only apply to their Liabilities arising out of the Pools.

For the avoidance of doubt, any references to a loss notified to a Scheme Creditor in the Scheme (including the Estimation Guidelines, the voting forms, the claim forms or in other related documents) include first-party losses where the Scheme Creditor has incurred the loss themselves, as well as third-party losses of which it has been notified.

4.4 **How does the Scheme assist Scheme Creditors?**

The EAIC Scheme Administrators have consulted at length with the current EAIC Creditors' Committee over the contents of the Scheme. In addition, the Scheme Companies have contacted many Scheme Creditors to discuss the Scheme and have taken into account feedback from those creditors and developments with respect to recent solvent schemes. The Scheme will have the following features, which the Scheme Companies believe will be of assistance to Scheme Creditors:

- each Scheme Creditor will ha ll provide them with:

  (a) details of Unpaid Agreed Claims for all Scheme Companies as recorded on the proposed Scheme Manager's systems if applicable (please see Sections 5.3 and 10.8 for further details); and

  (b) an efficient means for them to collate their voting information and to review and submit their Scheme Claims;

- it is anticipated that voting on the Scheme will take place in April 2010 - more than four months after the initial notification of the intention to propose a Scheme was provided to Scheme Creditors. This gives a prolonged period in which Scheme Creditors can identify, collate and submit claims information;

- an independent Chairman has been appointed to oversee the meeting to vote on the Scheme. The Chairman will be entitled at his discretion to consult with a panel of experienced professionals (including individuals with extensive legal and actuarial experience) in relation to the assessment of votes;

- all claims information entered by the Scheme Creditor on the Website for voting purposes can, at the Scheme Creditor's election, be automatically migrated onto Claim Forms on the Website (thus avoiding the need to re-submit data) (although the amount used for voting purposes will not bind either the Scheme Creditor or the Scheme Companies);

- if a Scheme Creditor elects to migrate the vote values onto a Claim Form then there is no need to also complete and submit an additional Claim Form. Please see the Voting Form and guidance notes contained in Schedule 8 for further details;

- the Bar Date (the last date for submitting Claim Forms) has been set at 180 days after the Effective Date to give ample time for the submission of Claim Forms. After that, up to a further 270 days are allowed for negotiation and agreement of Scheme Claims with the Scheme Manager (with further extension periods also possible at the Scheme Manager's discretion);

- detailed, but flexible, Estimation Guidelines have been created to enable Scheme Creditors to understand how the IBNR or notified outstanding elements of their Scheme Claim would be valued first by the Scheme Manager in consultation with the Scheme Actuary upon receipt of those claims and, if not agreed with the Scheme Creditor, by the Scheme Adjudicator. The Estimation Guidelines appear at Appendix B of the Scheme; and

- Scheme Creditors of the solvent Scheme Companies will be paid all Unpaid Agreed Claims (after any applicable set-off and/or relevant security interest) regardless of whether they submit a claim in the Scheme (please see Sections 5.3 and 10.8 for further details).

4.5 **What are the advantages of the Scheme for Scheme Creditors?**

The principal benefits to Scheme Creditors of a collective Pools scheme being implemented include the following:

- acceleration and increase of the dividends to be paid by EAIC;
- acceleration of the payments made to General Creditors and E&A Pool Creditors of ICS and greater payments being made to the E&A Pool Participants;
- valuation and settlement of Scheme Claims under the Scheme much earlier than would be the case in the normal course of run-off; and
- avoidance of the fragmentation of the Pools and the associated costs and disruption which would result. Such costs and disruption would affect both the Scheme Companies and Scheme Creditors.

Further details in respect of each of these benefits are set out below.

Higher final dividend

EAIC's Scheme Creditors should receive a higher final dividend, and ICS's Scheme Creditors should receive dividends or other payments, much sooner than would be the case if either (i) the Existing EAIC Scheme and the Existing ICS Scheme were to continue in their existing forms, or (ii) if EAIC and/or ICS were to implement stand-alone "cut-off" schemes. This principally results from the following features:

- ***Maximisation of reinsurance assets***

  Within the Pools, EAIC and ICS each has substantial reinsurance placed with many of the other Scheme Companies. It will be possible to value and collect this more quickly and effectively under the Scheme than otherwise.

  Additionally, collecting outwards reinsurance at the same time as the solvent Scheme Companies will be easier than if EAIC and ICS each attempted to collect this reinsurance on its own.

- ***Cost savings***

  There will be substantial cost savings through sharing the costs of the Scheme (for instance, the cost of employing advisers, actuaries, claims adjusters and other experts) with the other Scheme Companies.

Scheme Creditors of all the Scheme Companies should also be aware of the following potential advantages in the way in which the Scheme would operate:

Benefits of unified closure

If all the Schemes are implemented, fragmentation of the Pools and the associated costs and disruption which would result will be avoided. Such costs and disruption would affect both Scheme Creditors and the Scheme Companies. Scheme Creditors would be able to submit their claims at "Pools level" and finalise them on that basis.

Although the administration of the Pools has remained a unified and cohesive process, the inevitable issues caused by the insolvency of each of EAIC, ICS and Home have led to difficulties for many creditors in administering the submission of claims and the allocation of funds received from the solvent and insolvent pool members. A unified Scheme would produce a speedy closure and reduce this administrative burden for Scheme Creditors.

In order to preserve the benefits for policyholders of the unified closure of the Pools business, whilst two members of the Pools (whose share of the Pools liabilities amounts to less that 3 per cent (and less than 1 per cent of the total Scheme liabilities)), are not proposing a scheme, these Pool members are willing to consider commuting with creditors of the Pools on parallel terms as if they were in the Scheme.

Potential to receive more than in the normal course of run-off

The Scheme will place a once-and-for-all value on future claims, either by agreement or, if that is not possible, by valuation through adjudication (in the la). As a result, Scheme Creditors achieve certainty and finality and could receive more than they would have received had the Scheme Companies' business been run off in the normal course.

Early payment

A fair valuation and early settlement of solvent Scheme Companies' collective Liabilities as valued under the Scheme will reduce Scheme Creditors' exposure to credit risk. Additionally, if payment is not made within 12 calendar months of the Bar Date, the Scheme provides that interest will be paid.

4.6 **What are the disadvantages of the Scheme for Scheme Creditors?**

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

Bar Date for submission of Scheme Claims

Other than in respect of Protected Scheme Claims against EAIC or ICS, Scheme Companies cannot accept Claim Forms submitted after the Bar Date and failure to meet this deadline will result in a Scheme Creditor losing its entitlement in respect of any Scheme Claim other than Unpaid Agreed Claims listed on the Claim Form by the Scheme Manager (please see Sections 5.3 and 10.8 for further details). Provided a Claim Form has been submitted by the Bar Date, supporting information can be accepted up to 7 days after the Bar Date.

Replacement of cover with a value that may be less than you would receive in the normal course of run-off

Once the Scheme has been fully implemented, a Scheme Creditor's cover under Insurance Contracts will have been removed. In return, the Scheme puts a present value on future claims, either by agreement or, if that is not possible, by valuation through adjudication (in the latter case, by reference to the Estimation Guidelines). As a result, a Scheme Creditor could receive less than they would have received had the relevant Scheme Company's business been run-off in the normal course.

Scheme Claim values applied to outward reinsurance programme

For Scheme Creditors who also reinsure the Pools, Scheme Claim values calculated under the Scheme may be used to establish outwards reinsurance claims values for set-off with those Scheme Creditors. However, the time value discount will be passed on to those reinsurers. Undiscounted Agreed Claims will be processed through the reinsurance programme and discounting, at the rates in the Estimation Guidelines, will be applied to the resulting value where appropriate.

Stay on Proceedings

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 Scheme Adjudication process. The provisions in the Existing EAIC Scheme and the Existing ICS Scheme regulating Proceedings against EAIC and ICS respectively will be amended by those in the Scheme.

Please also refer to Section 10 of this document at pages 54 to 60 to which contains additional questions and answers.

5. HOW DOES THE SCHEME WORK? — A DETAILED EXPLANATION

(*References to Clause numbers in the following sections refer to Clauses in the Scheme*).

5.1 Summary

The purpose of the Scheme is to terminate the run-off of Scheme Claims (except, in the case of EAIC and ICS, of Protected Scheme Claims) by valuing all Scheme Claims (including contingent and prospective claims) on an accelerated basis by reference to the Estimation Guidelines. These values will be discounted in the manner described in the Estimation Guidelines and will also be adjusted to take account of any set-off and other items set out in Clause 2.7.

The proposed Scheme is a "cut-off" scheme whereby Scheme Creditors will have until 17:00 hours (English time) on the day falling 180 days after the Scheme becomes effective (t) to submit their Scheme Claims. All supporting information must be submitted within 7 days of the Bar Date. In order to arrive at an Agreed Claim, the Scheme provides a period of up to 270 days after the Bar Date for the Scheme Creditor and the Scheme Manager to reach an agreement. This period can be extended at the discretion of the Scheme Manager in certain circumstances. If agreement cannot be reached, the Scheme then provides for an Adjudication process to resolve any disputes, whether legal, factual or relating to valuation. A flow chart showing the claims agreement process is included at Schedule 10 to this document.

Although set out in one document, the Scheme is in law a separate scheme of arrangement in relation to each Scheme Company. The Scheme proposed by each Scheme Company is in substantially simila lecting the fact that each is insolvent and effecting the amendment of the Existing EAIC Scheme and the Existing ICS Scheme. Provisions are also included rela -specific provisions are set out in Clauses 10 to 27. The process for valuing Scheme Claims is the same for EAIC, ICS and Home as for all of the other Scheme Companies, with the limited exception of Protected Scheme Claims against EAIC and ICS.

5.2 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. Clause 2.8.4 provides that if (as will often be the case) Scheme Creditors are creditors of more than one Scheme Company, it is a term of each Scheme that they must also abide by the terms of the other Schemes which become effective.

Once the Scheme is effective, Clause 4.1.1 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 Adjudication procedures 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 (Clause 4.1.2).

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 (Clause 4.1.4). 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 should be repaid to the Scheme Company (Clause 4.1.6).

The Scheme will not affect a Scheme Creditor's right to enforce any letter of credit or other Security or, in the case of EAIC and ICS, EAIC Security and ICS Security, respectively, provided it is done in accordance with the terms on which the Security, EAIC Security or ICS Security was established and in the case of Home, subject to New Hampshire insolvency law (including, but not limited to, the Home Claims Procedure Order). Where there is Security provided by one of the Scheme Companies other than EAIC which is surplus to what is required to meet the purpose for which it is provided, a Scheme Creditor shall release or cancel the Security in respect of the surplus at the request of the Scheme Manager. Furthermore, the Scheme contains a mechanism which authorises the Scheme Manager to procure such release or cancellation.

5.3 **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 which were used to advertise notice of the Meetings to vote on the Scheme, or in other publications if that is not possible (Clause 2.2.2). The advertisement will also ask those Scheme Creditors who have not already sought access to their secure area of the Website and who wish to access their Claim Form on it to contact the Scheme Manager for details of their username and Website password. Those Scheme Creditors who do not wish to access their Claim Form on the Website but wish to have a copy on paper, CD-ROM or by E-mail, should notify the Scheme Manager accordingly.

The Scheme Manager will also (so far as it is reasonably able) send to every known Scheme Creditor for whom it has what it believes to be a valid address within 14 days of the Effective Date notice that the Scheme has become effective together with details of the Bar Date, how to access their Claim Form on the Website and how to obtain their username and Website password to access their secure part of the Website (Clause 2.2.1). If Scheme Creditors do not wish to receive correspondence relating to the Scheme they should send a written request to this effect by Post, E-mail or fax to the Scheme Manager.

To assist Scheme Creditors in making their Scheme Claim, their Claim Form, as prepared by the Scheme Manager, will include details of Unpaid Agreed Claims, as recorded on the Scheme Manager's systems as at the Effective Date (Clause 2.2.3). Scheme Creditors should update these, adding any claims that they have recorded as due as at the Effective Date and which are not shown on the Claim Form.

In relation to Unpaid Agreed Claims, the Scheme Manager will have written to all brokers in order to seek to reconcile all relevant unpaid balances recorded on the books of the Scheme Companies. Where a broker has provided a broker reconciliation statement as requested, the Scheme Manager has sought to match those balances with those held on the Scheme Manager's

systems. Any such matched but unpaid balances will be included on the Claim Forms uploaded onto the Website as Unpaid Agreed Claims.

Scheme Creditors should be aware that all unmatched unpaid balances (including where a broker has failed to respond and/ or provide a reconciliation statement as requested) will not be automatically included on the Claim Forms uploaded on the Website.

The Claim Form as prepared by the Scheme Manager will not show figures for outstanding claims, nor for IBNR claims. These need to be filled in by Scheme Creditors, as at the Effective Date.

A Scheme Creditor may elect to incorporate into its Claim Form the Claims information (including supporting documentation) which it provided in the Voting Form that it submitted for the purpose of voting on the Scheme ("**Claim Form Election Procedure**"). In order to make this election, a Scheme Creditor should follow the instructions for completion of the Voting Form (a copy of which is included at Schedule 8, page 83 of this document).

The Scheme Company would urge Scheme Creditors to use the Claim Form Election Procedure only where they have provided full details of their Claims (together with any relevant supporting information). Claims which are not adequately substantiated in the Voting Form (or indeed in any Claim Form) may ultimately not be agreed by the Scheme Company.

The fact that a Scheme Creditor uses the Claim Form Election Procedure does not prejudice either the Scheme Creditor's right under the Scheme to revise its Claim Form (on or before the earlier of the Bar Date or the date upon which the Scheme Creditor is notified that its Scheme Claim has become an Agreed Claim) or the Scheme Company's right under the Scheme to request the Scheme Creditor to provide clarification to substantiate its Scheme Claims.

The Scheme Manager recognises that most Scheme Creditors' records of their claims against the Scheme Companies in respect of Pools Business will probably be maintained on an 'aggregate' basis – i.e. balances will reflect their aggregate claims against the Pool as a whole, rather than broken down by individual Scheme Company. Whilst Scheme Creditors are entitled under the Scheme to complete their Claim Forms by specifying their claim against each Scheme Company, they may find it easier to complete the Claim Forms on the basis of their aggregate claim against all the Pool companies and then authorise the Scheme Manager (by ticking the applicable box on the Claim Forms) to allocate that aggregate claim amongst the Scheme Companies on the basis of the information and records maintained by the Scheme Manager in relation to the business in question, which the Scheme Manager must do on a bona fide basis. A similar procedure is made available to Scheme Creditors for the purpose of voting on the Scheme at the outset – see the voting forms and guidance notes attached to this document for details at Schedule 8.

5.4 **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 —17:00 hours in the UK on the first Business Day falling 180 days after the Scheme has become effective — by which Scheme Claims and all supporting information must be submitted by Scheme Creditors and received by the Scheme Manager. Scheme Claims must be submitted, either through the

Website, or by Post, E-mail or fax, by means of a Claim Form together with supporting evidence.

Scheme Creditors are strongly encouraged to submit their claims information by entering it on Claim Forms on the Website and sending any supporting evidence separately (Clause 2.3). The Claim Form contains instructions and guidance notes to assist in its completion. A helpline is also available to provide guidance — please see the contact details for the Scheme Manager at page iv.

The Claim Forms on the Website should be particularly helpful to Scheme Creditors, as these will maintain each batch of data filled in, allowing the user to complete the Claim Form in stages.

If a Scheme Creditor submits more than one Claim Form (either in paper form or by submitting electronically via the Website) 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 (Clause 2.3.1(e)).

If, at any point before the Bar Date, a Scheme Creditor has finalised its submissions and would like the Scheme Manager to start processing its Claim Form, it can ask for this work to be carried out, which 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 a Claim Form by the Bar Date, their Claim Form as prepared by the Scheme Manager (including any Unpaid Agreed Claims) shall be automatically deemed to be submitted immediately before the Bar Date (Clause 2.3.2). The Scheme Creditor will lose its entitlement to assert any additional Scheme Claims in such circumstances.

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 submit a Claim Form by the Bar Date. However, submitting the Claim Form sooner by way of confirmation may speed up payment of a Scheme Creditor's Scheme Claim.

Supporting evidence must be supplied in order to substantiate the additional amounts entered on the Claim Forms (Cla) and Scheme Creditors are deemed to warrant that such evidence is correct (Clause 2.3.5). 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 (Clause 2.1.3(c)). 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 a claim. Guidance on supporting documentation can also be found in the Estimation Guidelines. A specimen Claim Form together with the guidance notes and instructions can be found at Appendix C of the Scheme

The Bar Date does not apply to ICS's or EAIC's Protected Policyholders, who will be entitled to submit Protected Scheme Claims to the Scheme Manager (or a successor engaged by the

FSCS after the Completion Date) after the Bar Date and receive payment from the FSCS in respect of eligible Protected Scheme Claims (please see Section 6.2 below for further explanation of the application of the Scheme to Protected Policyholders).

5.5 **Agreement of Claim Forms**

5.5.1 Scheme Manager agrees with Claim Form

Once a Scheme Creditor submits its completed Claim Form to the Scheme Manager, any alterations and new information on it, including all amounts for outstanding and IBNR claims, will be considered by the Scheme Manager. If the Scheme Manager agrees with the amounts submitted on the Claim Form, it will inform the Scheme Creditor of this within 180 days of the Bar Date. Subsequently a Valuation Statement will be issued to the Scheme Creditor and the values on the Claim Form will then become binding (Clause 2.4.1).

5.5.2 Scheme Manager requires further time to agree Claim Form

If the Scheme Manager requires further time to review the values submitted on the Claim Form it may (in its absolute discretion) contact the Scheme Creditor concerned within 180 days of the Bar Date to notify the Scheme Creditor that it requires an extension period to finish its review of the Claim Form (t). This initial Extension Period can be up to 90 days in duration (Clause 2.4.5(a)). Additionally or alternatively, the Scheme Manager may seek agreement from the Scheme Creditor to a longer extension period (Clause 2.4.5(b)).

If agreement is not reached within the specified timeframe, the Scheme Manager will send out a Provisional Valuation Statement following the same procedure as set out below (see Cla (c)). If agreement is reached within the Extension Period or additional Extension Period, the Scheme Manager will notify the Scheme Creditor of its agreement by Post, E-mail or fax and the values on the Claim Form shall become binding.

5.5.3 Scheme Manager does not agree with Claim Form

If the Scheme Manager does not agree with the amounts submitted on the Claim Form, the Scheme Manager may by no later than 180 Days after the Bar Date send the Scheme Creditor a copy of a Provisional Valuation Statement completed in such a manner as it is prepared to accept and will inform the Scheme Creditor it has 42 days within which to respond or the items which have been completed on the Provisional Valuation Statement (the "**Provisional Agreed Items**") will become binding.

The Scheme Creditor then has 42 days of receipt of this communication to respond, either confirming that it agrees with the Provisional Agreed Items shown on the Provisional Valuation Statement or identifying those Provisional Agreed Items which it disputes and which are to be referred to the Scheme Adjudicator as a disputed matter. If the Scheme Creditor indicates that any of the Provisional Agreed Items are to be referred to the Scheme Adjudicator as a disputed matter, the Scheme Manager shall refer such disputed Provisional Agreed Item to the Scheme Adjudicator as a Disputed Claim. If, and to the extent that, the Scheme Creditor (a) does not indicate that it disputes specific Provisional Agreed Items shown on the Provisional Valuation Statement or (b) if it does not respond to the communication from the Scheme Manager this will be deemed to be determinative and to that extent the Provisional

Agreed Items as set out in the Provisional Valuation Statement shall become final and binding upon the Scheme Company and the relevant Scheme Creditor (see Clause 2.4.5(c)).

5.5.4 Contents of Provisional Valuation Statements

A Provisional Valuation Statement shall include details of Agreed Claims but shall only include details of the items referred to in Clauses 2.7.1(ii) to 2.7.1(viii) a

(i) to 2.7.1(viii), Clause 2.6 shall not apply. If that Provisional Valuation Statement then becomes binding on the Scheme Creditor and the Scheme Company, the Scheme Manager will then issue a Valuation Statement to that Scheme Creditor.

Where a Provisional Valuation Statement has been completed by the Scheme Manager to include Scheme Debts and the Scheme Creditor disputes this item in accordance with the provisions of Clause 2.4.5(c), the Scheme Manager shall have discretion to defer resolution of such disputed matter (a) if he considers, acting reasonably, that it would be premature to submit such disputed matter to the Scheme Adjudicator at that time. The Scheme Manager shall provide the Scheme Creditor with written notice of such determination as soon as reasonably practicable and the Scheme Creditor will be sent a Valuation Statement concerning this item at a later stage in accordance with the provisions of Clause 2.4.6(iii), 2.6 and 2.7.1. Any other items not relating to Scheme Debts contained on such Provisional Valuation Statement which were disputed by the Scheme Creditor in accordance with Clause 2.4.5(c) shall be referred to the Scheme Adjudicator as a Disputed Claim.

5.5.5 Ability of Scheme Manager to refer Claim Form to the Scheme Adjudicator at any time

In addition to the powers to refer matters to the Scheme Adjudicator in accordance with Clause 2.4.5, the Scheme Manager may refer a Claim Form to the Scheme Adjudicator as a Disputed Claim at any time the Scheme Manager believes that it will be impossible or impracticable to reach agreement with the Scheme Creditor. If a Disputed Claim is referred to the Scheme Adjudicator in any of the circumstances stated above, the Scheme Manager will simultaneously send notice to the Scheme Creditor confirming that the relevant Scheme Claim has been referred for Adjudication.

The role of the Scheme Adjudicator is very important because it effectively replaces any right to litigate or arbitrate in respect of disputes. This process has been designed to deal with claims expeditiously, economically and fairly.

5.5.6 Ability of Scheme Manager to request further clarification

The Scheme Manager may request further clarification from a Scheme Creditor any time up to 138 days after the Bar Date. The Scheme Creditor must provide any such clarification requested within 42 days of the request being made (Clause 2.4.).

5.6 **Adjudication**

The first Scheme Adjudicator under the Scheme will be George Maher, a partner in the firm of Towers Perrin, whose powers, duties, functions and rights are conferred upon him by the Scheme. The Scheme Adjudicator will deal with Disputed Claims in accordance with the Dispute resolution procedure set out in Clause 2.5 of the Scheme. A copy of Mr Maher's curriculum vitae, describing his qualifications and experience, can be accessed via the Website and is attached to this Explanatory Statement at Schedule 9.

The Scheme Adjudicator's decision will be final and binding on the Scheme Company and the Scheme Creditor to the extent permitted by law.

The Scheme Adjudicator will act as an independent expert and not as an arbitrator and his specific function will be to adjudicate any Disputed Claim referred to him in accordance with the terms of the Scheme. In this regard, the Scheme Adjudicator will be entitled to engage such appropriate professional advisers as he considers necessary.

The Scheme obliges the Scheme Adjudicator to notify conflicts of interest to the Scheme Company. It also provides for the appointment of an alternate Scheme Adjudicator to deal with those Scheme Claims where conflicts of interest have arisen.

Any remuneration, costs, charges and expenses incurred by the Scheme Adjudicator shall be paid by the Scheme Manager. The Scheme Creditor's and the Scheme Companies shall be obligated to reimburse the Scheme Manager for any amounts so paid. The Scheme Adjudicator, in respect of a particular Disputed Claim, may apportion his remuneration, costs, charges and expenses between the Scheme Company and the Scheme Creditor in his absolute discretion, in which case the Scheme Company and the Scheme Creditor shall be obligated to reimburse the Scheme Manager in respect of their share. The Scheme Company may, in its absolute discretion, deduct any amount to be paid by the Scheme Creditor to the Scheme Manager from the Scheme Creditor's aggregate Agreed Claim when calculating its Net Ascertained Claim pursuant to Clause 2.7, or, in the cases of EAIC and ICS, from dividends payable to the Scheme Creditor.

The Scheme Adjudicator is not a Scheme Creditor, shareholder or director of any Scheme Company. The Scheme Adjudicator's remuneration is not dependent on the level a
laims are adjudicated under the Scheme.

Scheme Creditors will not be entitled to challenge acts done or omitted to be done in good faith and with due care by the Scheme Adjudicator in performing his duties or functions under the Scheme and the Scheme Adjudicator will not be liable for any loss unless such loss is attributable to his negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty subject to the terms of the Scheme Adjudicator's engagement letter with the Scheme Manager.

The Scheme Manager shall provide the Scheme Adjudicator with a copy of the documentation it has relevant to the Scheme Claim (including the Claim Form and any correspondence). The

Scheme Adjudicator will also have access to all of the Scheme Company's records and information which the Scheme Adjudicator considers he needs to resolve the dispute in relation to the Scheme Claim (Clause 2.5.1). The Scheme Adjudicator may also (i) request clarification with respect to the information provided from the Scheme Creditor and/or the Scheme Manager pursuant to Clause 2.5.2, which the Scheme Creditor and/or Scheme Manager will have 30 days to provide (Clause 2.5.2(a)) and/or (ii) request the Scheme Manager, Scheme Company and/or Scheme Creditor and/or their authorised representative to appear before him within 30 days of receipt of notice from the Scheme Adjudicator (Clause 2.5.2(b)).

The Scheme Adjudicator will base his decision on the supporting evidence available to him at the end of these periods (alt
- Clause 2.5.3), and is entitled to consult with professional advisers (Clause 2.5.4).

The Scheme Adjudicator will inform the Scheme Manager and the Scheme Creditor of his determination in relation to a Disputed Claim in writing within 60 days of the later of: (i) the receipt of documents provided by the Scheme Manager pursuant to Clause 2.5.1; (ii) the receipt of any cla la (a), (iii) the conclusion of any appearance before him pursuant to Clause 2.5.2(b); or (iv) the failure of the relevant party to provide such clarification or appear before him pursuant to Clause 2.5.2 (a) or (b), as appropriate.

The Scheme Adjudicator's decision is final and binding (except where the la) (Clause 2.5.8).

The duties and functions of the Scheme Adjudicator are set out in Clause 6.2. These duties and any liabilities of the Scheme Adjudicator under the Scheme are limited by Clause 6.3.

A flow chart summarising the claims agreement process is included at Schedule 10 to this document.

5.7 **Application of the Estimation Guidelines to Scheme Claims**

The first Scheme Actuary will be Philip Tippin of KPMG LLP, whose curriculum vitae is available via the Website.

The Scheme Actuary shall provide such advice and assistance to the Scheme Company and the Scheme Adjudicator in respect of the valuation of Scheme Claims and the application of the Estimation Guidelines as each may request in the discharge of its functions under the Scheme.

The duties and functions of the Scheme Actuary are set out in Clause 5.3. These duties and any liabilities of the Scheme Actuary under the Scheme are limited by Clause 5.7.

5.8 **Valuation Statements**

A Valuation Statement will be sent or made available to each Scheme Creditor within 42 days of the last of:

- agreement or valuation of a Scheme Creditor's Scheme Claim, and conversion into the relevant currency;

- where applicable, calculation of the value of the Scheme Creditor's Scheme Debts;
- where applicable, the making of a Final Award in respect of any Proceedings commenced or continued by the Scheme Creditor in accordance with the Scheme; and
- resolution of any outstanding Disputed Claims by the Scheme Adjudicator.

The Valuation Statement will set out the total value of a Scheme Creditor's Agreed Claims established under the procedures for agreement, adjudication and actuarial estimation explained above and, for those who are also reinsurers of the Scheme Companies, will set out their set-off balances as described below (Clause 2.7.1).

The Valuation Statement will set off any amounts in rela (Cla (ii)). Scheme Debts are amounts which are, or may become, payable from a Scheme Creditor to a Scheme Company in connection with the business subject to the Scheme, generally under contracts of reinsurance, although such debts could arise by virtue of an obligation to return premium or over-payments by the Scheme Company. The calcula ligations will take account of Scheme Claims agreed by the Scheme Manager as well as those which have been established by the Estimation Guidelines under the Scheme.

Under the Scheme, set-off will be carried out as between the Scheme Company and its Scheme Creditors, rather than at pool level.

However, Scheme Creditors will also have made available to them a statement aggregating their Valuation Statements issued in respect of the Scheme Companies other than EAIC, ICS and Home (a "**Combined Valuation Statement**") in each applicable currency. The aggregation of amounts in respect of different Scheme Companies on a Combined Valuation Statement may result in 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. By signing and returning their Combined Valuation Statement, a Scheme Creditor indicates its agreement to such set-off and to receiving a single payment on behalf of all the solvent Scheme Companies. Once the Valuation Statement or Combined Valuation Statement is signed and returned to the Scheme Manager, the Scheme Creditor's Net Ascertained Claim will be paid as soon as reasonably practicable, and in any event within 42 days of the date that the Valuation Statement or Combined Valuation Statement became binding.

The Valuation Statement will also show other balances including:

- payments made by or to a Scheme Creditor in respect of its Agreed Claims or Scheme Debts prior to the date of the Valuation Statement (Cla (iii));
- any part of an Agreed Claim that has already been satisfied by drawdown of Security, ICS Security or EAIC Security and the value of any remaining Security, ICS Security or EAIC Security. (Clause 2.7.1(iv));

- except in the case of EAIC and ICS, in relation to which Clauses 12.3 and 19.2.2(ii) or 19.4.1 apply, any deductions following a costs award by the Scheme Adjudicator (Clause 2.7.1(v));

- except in the case of EAIC and ICS, in relation to which Clauses 12.3 and 19.2.2(ii) or 19.4.1 apply, amounts treated as having been for the purpose of Clauses 4.1.4 obtained by a Scheme Creditor in breach of the Scheme (Clause 2.7.1(vi));

- Tax, if applicable (Clause 2.7.1(vii)); and

- any other amounts in relation to Scheme Claims or Scheme Debts that ought in the opinion of the Scheme Manager to be taken into account for the purpose of calculating the Scheme Creditor's Net Ascertained Claim or the Scheme Creditor's Net Debt, as the case may be (Clause 2.7.1(viii)).

Scheme Creditors' Scheme Claims against EAIC, ICS and Home will be valued simultaneously with other Scheme Claims, but will be shown on separate Valuation Statements. There are potential differences in the treatment of certain items which may appear on a Valuation Statement as between EAIC, ICS or Home and other Scheme Companies — for example, in rela -off (Clauses 11.2, 18.1 and 25.1.2). Payments made by EAIC or ICS to Scheme Creditors under the Existing EAIC Scheme and the Existing ICS Scheme will be taken into account in calculating further payments (Clauses 12.3, 19.2.2(ii) or 19.4.1).

The amount shown on a Valuation Statement after the adjustments described above is the Scheme Creditor's "**Net Ascertained Claim**" (or "**Net Debt**" if it is an amount in favour of the Scheme Company). A Valuation Statement becomes binding upon the Scheme Creditor unless disputed within 42 days of the date of the Valuation Statement (Clause 2.7.4 (a)). Save as provided in Cla luation Statement can only be disputed as regards inwards claim values 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 a "**Manifest Error**" (Clause 2.7.4 (b)).

Calculations or amounts which the Scheme Creditor may not have seen before, such as Scheme Debts, discounting, the application of set-off and withholding tax, can be disputed on substantive grounds as well as on grounds of Manifest Error (but not so as to dispute inwards claims values that have become binding or such values being applied to contracts by which the Scheme Company is reinsured in respect of such agreed claims for the purposes of set-off). If agreement cannot be reached the substantive disputes will be resolved by Adjudication (Clause 2.7.5).

5.9 **Currency conversion**

The Scheme will operate in three main currencies: US Dollars, Pounds Sterling and Canadian Dollars. Net Ascertained Claims and Net Debts will be denominated in one of these currencies, in accordance with the currency of the relevant Insurance Contract. Claims in all other currencies will be converted into one of these currencies. If a Scheme Creditor would like a different currency to be used, they can seek to agree this with the Scheme Manager. If set-off needs to be calculated for the purpose of preparing a Provisional Valuation Statement or a Valuation Statement, the Scheme Manager will carry out the calculation for the amounts in

each separate Scheme Currency to be shown on the Provisional Valuation Statement or Valuation Statement. If any of these calculations results in a balance in favour of the Scheme Company, all of the amounts will be converted into US Dollars and the Net Ascertained Claim or Net Debt will also be denominated in US Dollars. All conversion will be at the Scheme Rate in force at the end of the quarter day before the Provisional Valuation Statement or Valuation Statement is prepared (Clause 2.7.3). However, a Scheme Creditor is not permitted to challenge any item included in a Valuation Statement if that item has already become binding on the Scheme Creditor through the Provisional Valuation Statement procedure and/or dispute adjudication procedure.

5.10 **Lloyd's Syndicates**

Due to the practical difficulties involved in identifying set-off at Lloyd's names level, the Scheme takes the approach usually adopted in London market schemes of arrangement, which is to apply set-off at syndicate level, rather than to individual names. Set-off at syndicate level will be permitted across different underwriting years (Clause 4.7).

5.11 **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 (Clause 4.8.1). If such allocation is not received by the Scheme Manager within the specified time, the provisions of Clause 4.8.3 may be applied, resulting in such persons (or their principals) not being entitled to claim in the Scheme. 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 (Cla). If the Scheme Manager requests supporting information relating to the Scheme Claims allocated to each principal to be provided by the pool manager, managing agents, line-slip holder or holder of a broker cover authority and sufficient information is not provided within 30 days of such request, neither such persons (nor their principals) will be entitled to claim in the Scheme (Clause 4.8.3).

5.12 **Payment of Net Ascertained Claims**

The method and timing of payment of Net Ascertained Claims, except in relation to EAIC, ICS and Home, each of which has its own provisions (described in the following Section), are set out at Clause 3.1.2. Payment by Scheme Companies other than EAIC, ICS or Home, whether by cheque or (if requested) telegraphic transfer, will be made in full within 42 days of a Valuation Statement becoming binding. Clause 3.1.3 deals with the procedure for cheques that are not cashed or that are lost. If these are not claimed or a reissue sought (or in the case of a telegraphic transfer, non-receipt of payment is not notified to the Scheme Manager) within six months, the payment obligation will be deemed to have been satisfied. If a Scheme Creditor has signed and thereby indicated its agreement to a Combined Valuation Statement, it will receive a single payment in respect of the net amount shown on the Combined Valuation Statement.

Payments to EAIC's Scheme Creditors in respect of Net Ascertained Claims will be at a Payment Percentage determined with reference to its available assets. Payment of these claims

will be made by the EAIC Scheme Administrators separately from those in respect of other Scheme Companies, within 90 days of a Provisional Valuation Statement or Valuation Statement becoming binding and with any further payments being made within 90 days of any increase in the Payment Percentage (Clause 12.3.1 and 12.3.2). Clause 12.4.3 deals, in relation to payments to EAIC's Scheme Creditors, with cheques that are not cashed or payments which have not been claimed. If these are not cashed or otherwise claimed within six months of the cheque being sent by Post or payment made in such other manner as determined by the EAIC Scheme Administrators, the payment obligation will be deemed to have been satisfied.

Payments in full will be made to ICS's General Creditors and E&A Pool Creditors in respect of Net Ascertained Claims if the Creditors' Fund is considered sufficient to allow it. If it is not, payment will be made at an ICS Payment Percentage determined with reference to the available assets in the Creditors' Fund. Payments will be made thereafter as soon as reasonably practicable after the later of the date that the relevant Provisional Valuation Statement or Valuation Statement became binding or the date that the ICS Payment Percentage was set (subject to the provisions of Clause 19.4.1). If the ICS Payment Percentage increases, the Scheme provides a mechanism for top-up payments to be made (Clause 19.4.2). The ICS Payment Percentage may not exceed 100 per cent.

E&A Pool Participants will receive payments of their Final Entitlements from the Available General Assets, including any surplus transferred from the Creditors' Fund, calculated with reference to their Net Ascertained Claims and the payments previously made to them under the Existing ICS Scheme.

Clause 21.1.2 provides, in relation to payments to ICS's Scheme Creditors, that the sending of a cheque will be good discharge of the obligation to make the relevant payment.

In rela laim shall be eligible to be admitted to proof in the Home Liquidation, subject to compliance by the Scheme Creditor with the provisions regarding the filing of claims contained in the Home Claims Procedure Order (a copy of which is on the Website) and subject to any rights of set-off or counterclaim which Home may be entitled to assert against the Scheme Creditor in respect of policies or contracts which are not subject to the Scheme.

A Scheme Creditor's entitlement to rank for payment of a distribution from Home under the Home Liquidation in respect of its Net Ascertained Claim (including, but not limited to, questions of priority, currency, timing and good discharge) shall be governed by the provisions of New Hampshire insolvency law (including, but not limited to, the Home Claims Procedure Order).

5.13 **Cessation of normal course payments**

Subject to Clause 19.1 in relation to ICS, the Scheme Companies shall be entitled not to pay or discharge Scheme Claims in the normal course of business from the Effective Date (Clause 3.2).

5.14 **Effect of payments**

Except in the case of EAIC, ICS or Home, payment or deemed payment of a Net Ascertained Claim will be in full and final settlement of all and any Scheme Claims and Net Ascertained Claims of the relevant Scheme Creditor against a Scheme Company (Clause 2.8.1).

The liability of EAIC in respect of Scheme Claims and Net Ascertained Claims (except for Protected Scheme Claims) will be extinguished, if it has not been already, on the Completion Date as explained at Section 5.18 below.

The liability of ICS in respect of Scheme Claims and Net Ascertained Claims (except for Protected Scheme Claims) will be extinguished, if it has not been already, when the Scheme terminates pursuant to Clause 24.2.

The liability of Home in respect of Net Ascertained Claims (including with respect to dividend payments (if any)) will be determined by the provisions of New Hampshire insolvency law (including, but not limited to, the Home Claims Procedure Order).

5.15 **The Scheme Manager**

The first Scheme Manager will be PRO, which has been handling the administration of the Pools since 1993. Details of PRO's experience and history are set out on the Website. The Scheme Manager has responsibility for implementing the Scheme process on behalf of the Scheme Companies. As there are 16 Scheme Companies, this is intended to provide Scheme Creditors with a single point of contact and the knowledge that one company 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 5.1) and has a duty to act in good faith.

The duties and functions of the Scheme Manager are set out in Clauses 5.1 and 5.2. These duties and any liabilities of the Scheme Manager under the Scheme are limited by Clause 5.7.

5.16 **Extension of time limits**

The Scheme Manager may, at its discretion, extend any of the time limits set by the Scheme, apart from the Bar Date. These extensions are limited, other than in cases of force majeure, to an additional period equal to the original time limit, or longer if the Scheme Manager and Scheme Creditor agree or in the case of force majeure (Clause 9.9.1). The Bar Date, however, can only be extended if there has been a substantive failure of the Website (Clause 9.9.2). This is because the Bar Date is so critical to the whole process of commencing work to value Scheme Claims, and to payment and set-off. As it is hoped that most Scheme Creditors will use the Website to submit their Claim Forms, a substantive failure of the Website would be a fundamental issue that would justify a decision to move the Bar Date back.

5.17 **Prohibited payments**

In some cases a Scheme Company may be prevented by a law or regulation, such as the sanctions regulations imposed by the Office of Foreign Assets Control ("**OFAC**") in the United States, from making payment to a Scheme Creditor under the Scheme. In such case, the Scheme Company will deal with the monies owing to such Scheme Creditor ("**Blocked Monies**") in accordance with such law or regulation, or as instructed by the relevant authority. In the absence of any instructions as to how to deal with Blocked Monies, the Scheme

Company will hold them in an account with a United Kingdom clearing bank until it receives instructions from the relevant authority, or it becomes legal to pay the monies to the relevant Scheme Creditor. If neither of these has occurred upon the completion of the Scheme, the Blocked Monies will revert to the Scheme Company and the relevant Scheme Creditor shall have no further claim on the Scheme Company in respect of such monies (Clause 9.10).

5.18 **Completion of the Scheme**

Except in the case of EAIC, ICS and Home, the Scheme will be completed when the Scheme Manager certifies to the Scheme Company that the Scheme has been implemented in accordance with its terms (Clause 9.2). Notice of impending completion will be sent to each Scheme Creditor that was entitled to receive a Provisional Valuation Statement or Valuation Statement 56 days prior to the date on which it is proposed that the Scheme will be decla (Clause 9.2.1).

The Completion Date in respect of EAIC will occur when: (i) the EAIC Scheme Administrators receive notice from the Scheme Manager that it believes the Scheme has been implemented in accordance with its terms; and then (ii) with the consent of the EAIC Creditors' Committee, the EAIC Scheme Administrators will determine a proposed Completion Date and send Scheme Creditors who were entitled to receive a Valuation Statement notice of the proposed Completion Date at least 56 days before that date (Clause 15.1.1).

The Completion Date in respect of Home will be when the Home Liquidator gives notice to the Scheme Manager that all Provisional Valuation Statements or Valuation Statements have become final and binding and Home has complied with the provisions of the Scheme (Clause 26.1.1).

The ICS Scheme shall terminate when either the last payment of a Final Entitlement to an E&A Pool Participant by the ICS Scheme Administrators has been made or upon the Scheme Creditors passing a Creditors' Resolu (with the prior agreement of the ICS Scheme Administrators or the Court) that the Scheme be terminated.

Once the Scheme has been declared completed, all Scheme Claims will be deemed to have been paid and Scheme Creditors will have no further rights under the Scheme or in respect of Scheme Claims, save in respect of Home, whose Scheme Creditors' rights in respect of their Net Ascertained Claim (including in respect of distributions to be paid by Home) will be governed by New Hampshire insolvency law (including, but not limited to the Home Claims Procedure Order).

All Released Parties, Home Released Parties, EAIC Released Parties and ICS Released Parties will, upon completion of the Scheme in relation to the other Scheme Companies and in rela IC respectively, be released absolutely from all of their Liabilities and obligations under or in connection with the Scheme in so far as the law permits, except in cases of fraud or dishonesty. Any obligation under the Scheme which has not been fulfilled by the Completion Date will be deemed to have been correctly and fully performed and Scheme Creditors will not have any claims in respect of any such obligation.

Except in the case of EAIC, ICS or Home, 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 (Clause 9.4). If the Scheme continues in relation to an insolvent Scheme Company, it clearly would not be possible for it to pay claims in full, and it would pay whatever is permitted in accordance with the insolvency procedure which applies to it (Clause 9.4.1).

Some Scheme Creditors of a Scheme Company (other than EAIC, ICS or Home) might (subject to eligibility) be potentially entitled to claim compensation payments from the FSCS in respect of Scheme Claims against that Scheme Company in the event of its insolvency. If the Scheme becomes effective, the valuation of Scheme Claims pursuant to the Scheme will preclude eligibility to claim and receive such compensation payments in respect of such Scheme Claims.

5.19 **Employer's Liability covers**

The Scheme Companies wrote a small number of policies through the Non-Marine pool which included cover in respect of employer's liability risks. These covers may constitute 'compulsory insurance' under UK law. The Scheme Companies (with the exception of Nippon Insurance Company of Europe Limited, which has excluded employer's liability risks from the Scheme altogether) have included these covers in the Scheme. In the case of EAIC's and ICS's shares of those employer's liability covers, the Financial Services Compensation Scheme will, if necessary, pay any obligations which fall due to policyholders in the ordinary course, as already described in this Explanatory Statement, so EAIC's and ICS's shares of those covers will not be subject to the mandatory acceleration and valuation mechanisms of the Scheme. In the case of the other five Scheme Companies' shares of those employer's liability policies which are included in the Scheme, in contrast, those will be subject to the mandatory acceleration and valuation provisions of the Scheme. However, in view of the 'compulsory' nature of those covers, those Scheme Companies have arranged for replacement cover to be put in place (to be provided by a third party insurer which is authorised to write insurance business in the EU and which is rated as at least equivalent to the rating of 'Secure' by AM Best). This replacement cover will come into effect upon the Effective Date of the Scheme and will result in the affected Scheme Creditors continuing to have in place compulsory employer's liability insurance to which they can have recourse if a claim should arise in the future. The replacement cover will take the form of a deed poll (to be executed by the affected Scheme Companies and by the replacement insurer). This will be in substantially the form set out at Appendix F of the Scheme. The replacement cover will be on substantially the same terms as those originally contained in the employer's liability covers written by the Scheme Companies, save that the replacement cover will contain certain financial limits. However, it is not expected that these limits will have any impact in practice upon the values of that replacement cover.

The deed poll also provides that if, contrary to the Scheme Companies' expectations, further compulsory employer's liability insurance covers ('Additional Covers') – i.e. beyond the small number of instruments described in this paragraph – should come to light prior to the Bar Date under the Scheme, the replacement insurer will in certain circumstances be obliged to provide replacement cover to the insureds under those Additional Covers and in all other circumstances will have a discretion so to do. The deed poll provides that, should such an Additional Cover

come to light in the manner described in the deed poll but the replacement insurer does not confirm that replacement cover is to be made available to the insured under such Additional Cover, that Additional Cover will be deemed to be excluded from the Scheme (and so will remain in effect, unimpaired by the Scheme).

In view of the distinct treatment afforded (by the combination of the Scheme and the deed poll) to the insureds under these employer's liability covers written by the five relevant solvent Scheme Companies, the Court has directed that separate class meetings of those affected insureds should be convened to vote on the Scheme proposal. If and to the extent that either (i) those insureds as a class do not vote in favour of the Scheme by the requisite statutory majorities, or (ii) t

lar class of creditors, those employer's liability covers written by the affected Scheme Company concerned will be excluded from the Scheme but the Scheme will otherwise be unaffected.

5.20 **Reversion to run-off**

A solvent Scheme Company may terminate its Scheme at any time on or before the 180th day after the Bar Date, if it determines (in the judgement of the directors of the Scheme Company, acting reasonably and taking into account the level at which they reasonably consider Scheme Claims may ultimately be agreed or otherwise determined in accordance with the Scheme) that the total Scheme Claims submitted by Scheme Creditors on or prior to the Bar Date (or treated as so submitted) are either: (i) materially in excess of the sum of (a) technical provisions; (b) provisions for other risks or charges; and (c) creditors claims provided for in a Scheme Company's balance sheet as at 31 December 2008; or (ii) materially in excess of its capital resource requirements, in accordance with the applicable rules, then the Scheme Company shall notify the Scheme Creditors that the Scheme shall terminate with respect to that Scheme Company (Clause 9.5).

If this happens, any Agreed Claims that have not become Net Ascertained Claims under the Scheme shall no longer be binding upon the Scheme Company or the Scheme Creditors concerned. The business of the Scheme Company will revert to run-off and any Net Ascertained Claims (whether or not they have yet been paid) will continue to be binding on the Scheme Company and the Scheme Creditor except where the Scheme Creditor concerned opts otherwise, whereupon that Scheme Creditor and the Scheme Company will (on condition that the Scheme Creditor first reimburses to the Scheme Company any payments already made under the Scheme in respect of its Net Ascertained Claim) no longer be bound by such determination.

5.21 **Governing law and jurisdiction**

The Scheme 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 Document or any associated document or form or out of any action taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme (Clause 9.11). This should not be confused with the adjudication procedures under the Scheme, as this provision only applies to the interpretation and enforcement of the terms of the Scheme itself. The Scheme does not affect the validity of any provisions determining law and jurisdiction in an Insurance Contract (Clause 9.11.1).

The Scheme Companies, however, still have power to take Proceedings in any other country which has jurisdiction under its own laws to hear those Proceedings (Clause 9.11.2). It is envisaged that this power may be used if necessary to endeavour to prevent a Scheme Creditor from taking steps in another jurisdiction which contravene the provisions of the Scheme.

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6. PROVISIONS RELATING SOLELY TO EAIC

6.1 Changes from the Existing EAIC Scheme

Although EAIC will be part of the same Scheme process as the solvent Scheme Companies, there are certain provisions which are unique to it, because of its insolvency and the fact that the Scheme will act as a "closing scheme" and will amend the Existing EAIC Scheme. The major changes from the Existing EAIC Scheme are explained in the following Sections.

6.1.1 Claims estimation

The Scheme is being proposed in conjunction with other Scheme Companies which underwrote within the Pools. The other Scheme Companies wish to terminate the run-off of their Scheme Claims by means of a solvent scheme. As explained more fully elsewhere in this document, this will involve the estimation of the value of all of their remaining outstanding and contingent liabilities to Scheme Creditors and the payment of that estimated value in full.

This represents an important change for EAIC's Scheme Creditors because they will now be required to notify EAIC (and, where applicable, the other Scheme Companies) of any further claims (including future and contingent claims) t /or estimates of their value before the Bar Date, after which no new Scheme Claims will be accepted.

The provisions in the Scheme for claims submission and agreement, valuation of outstanding and IBNR claims and resolution of disputes are the same as for the other Scheme Companies and are explained earlier in this Explanatory Statement. This is with the exception of minor modifications in relation to the application of set-off as explained below.

6.1.2 Set-off

The Existing EAIC Scheme granted Scheme Creditors essentially the same rights of set-off which they would have enjoyed if EAIC had been placed in liquidation on the Record Date, the date of the Existing EAIC Scheme. As the Existing EAIC Scheme is a "run-off scheme", an account is maintained in respect of a Scheme Creditor who had or might have rights of set-off, and debits and credits were entered on it as amounts fell due for payment to or from EAIC. In addition, the Existing EAIC Scheme allows the original EAIC Scheme Administrators to delay admitting as an "Established Scheme Liability" a Scheme Creditor's claim if they anticipate that debts might fall due to EAIC from that Scheme Creditor in the future. This avoids the risk that the payments which would otherwise be made to that Scheme Creditor result in overpayments to it once its net claims are subsequently reduced through the application of further set-off.

The Scheme is an "estimation scheme" which (except in rela -and-for-all valuation of all amounts actually, prospectively or contingently due to or from EAIC from or to a Scheme Creditor, resulting in a Net Ascertained Claim (if in favour of the Scheme Creditor) or in a Net Debt (if in favour of EAIC). Set-off under the Scheme will, t lied to

definitive valuations of prospective and contingent debit and credit items. This will have a similar result to what has occurred in practice in the operation of the original EAIC Scheme Administrators' discretion to decline to admit claims under the Existing EAIC Scheme, as described above.

6.1.3 **Stay of proceedings**

Except in relation to Protected Scheme Claims (where the existing stay on proceedings will continue), the stay on proceedings by Scheme Creditors imposed by the Existing EAIC Scheme will be replaced by a more general stay which, in effect, channels all claims through the claims valuation process provided for by the Scheme. This is the corollary of moving from a "reserving" scheme to a "cut-off" scheme.

The stay which will apply in respect of Protected Scheme Claims is substantially in the form which applied generally under the Existing EAIC Scheme. The stay is lifted six months after the Scheme Manager, or its successor with responsibility for dealing with Protected Scheme Claims, has received documents prescribed by the Scheme which should be sufficient for a Protected Scheme Claim to be agreed.

6.1.4 **Payment Percentage**

Payments to EAIC's Scheme Creditors in respect of Net Ascertained Claims will be at a Payment Percentage, as described at Section 5.12 of the Explanatory Statement. As the Payment Percentage will be determined by reference to EAIC's available assets, the EAIC Scheme Administrators will have the power to suspend payments under the Scheme for such period as they consider appropriate if information becomes available to them concerning the financial position of EAIC as a result of which they need to consider whether or not to set a reduced Payment Percentage. As soon as practicable during, and in any event at the end of, such period, the EAIC Scheme Administrators will be required to set a reduced Payment Percentage or conclude that the Payment Percentage need not be reduced, following which the suspension of payments shall be lifted.

6.1.5 **The EAIC Scheme Administrators and the EAIC Creditors' Committee**

The EAIC Scheme Administrators and the EAIC Creditors' Committee will remain in place. The provisions relating to the EAIC Scheme Administrators and the EAIC Creditors' Committee remain unamended from the corresponding provisions in the Existing EAIC Scheme. The EAIC Scheme Administrators are licensed insolvency practitioners and are required to act in good faith and with reasonable care in the interests of EAIC's Scheme Creditors as a whole.

The EAIC Scheme Administrators, their Employees and Delegates, the EAIC Creditors' Committee and the directors of EAIC will each be entitled to an indemnity out of the assets of EAIC in relation to certain Liabilities arising under the Scheme as set out in Clause 15.2.7. EAIC may also, with the approval of the EAIC Creditors' Committee, purchase and maintain insurance against such Liabilities for the benefit of the indemnified parties.

6.1.6 **Effect of insolvency**

In the unlikely event that EAIC were to go into liquidation or become subject to any other insolvency proceeding during the life of the Scheme, the Scheme is expressed to continue so far as the law permits. If the EAIC Scheme Administrators were to consider that they could not, by reason of an Insolvency Event, continue to fulfil their functions under the Scheme, they would be able to vacate office. The order of priority of payments set out in Clause 15.4 (to the extent they would be applicable) would then bind a liquidator as a consequence of the Insurers (Reorganisation and Winding Up) Regulations 2004.

6.2 **The Policyholders Protection Act 1975**

Protected Policyholders may be eligible to receive payments from the FSCS in respect of Protected Scheme Claims pursuant to the Policyholders Protection Act 1975 and the Financial Services and Markets Act 2000.

The Policyholders Protection Board (the "**PPB**") agreed to be bound by and to participate in the Existing EAIC Scheme. The PPB participated in the Existing EAIC Scheme on the basis that once a Scheme Claim had become an "Established Scheme Liability" (as defined in the Existing EAIC Scheme) and a payment had been made by EAIC at the prevailing Payment Percentage, subject to the PPB being satisfied that the claim in question qualified for compensation payments from it, it would "top up" the payment made by EAIC to the "Protected Percentage" (the maximum percentage which it would be statutorily obliged to pay if EAIC had been placed in liquidation) in consideration for taking an assignment of the Protected Policyholder's Scheme Claim, including the right to receive further payments from EAIC in respect of it in the event that the Payment Percentage was adjusted.

The Policyholders Protection Act 1975 was repealed by the Financial Services and Markets Act 2000 (Consequential Amendments and Repeals) Order 2001. The statutory functions of the PPB have been transferred to the FSCS, which has participated in the Existing EAIC Scheme as the successor to the PPB.

The FSCS has agreed to the amendment of the Existing EAIC Scheme and to be bound by and to continue to participate in the Existing EAIC Scheme as amended, so as to take the form of the Scheme. The basis of participation of the FSCS in the Scheme will not differ substantially from its participation in the Existing EAIC Scheme, as far as the exercise of its compensation functions are concerned, and thus there should be no substantive difference in so far as Protected Policyholders should continue to receive the Protected Percentage of their Scheme Claims after they have fallen due for payment in the ordinary course of business.

A significant difference between the Existing EAIC Scheme and the proposed amended Scheme is that, under the Scheme, Protected Policyholders will no longer receive payments from EAIC. Instead, once a present obligation of EAIC to pay an ascertained sum of money has been established in respect of a Protected Scheme Claim and the FSCS has accepted it as eligible for protection, the FSCS will pay the Protected Percentage of the Scheme Claim to the Protected Policyholder. Payment will generally be made by the FSCS in the currency of the claim, subject to the Capped Sterling Equivalent as provided in Clause 13.2.3.

In consideration of agreeing to do this, the FSCS will be eligible to receive the Payment Percentage from EAIC in respect of the "FSCS Amount". The FSCS Amount will be an estimate of the aggregate value of Agreed Protected Claims in respect of which it will or might be required to make compensation payments in the future. The FSCS Amount will be an amount agreed between the EAIC Scheme Administrators and the FSCS calculated with reference to the available information regarding "Protected Scheme Claims" (including those Scheme Claims with the potential to become Agreed Protected Claims), including that contained on Claim Forms submitted prior to the Bar Date.

The Bar Date under the Scheme will not apply to Protected Scheme Claims (although a Protected Policyholder of EAIC in respect of a Protected Scheme Claim may also be a Scheme Creditor of the other Scheme Companies in respect of the underlying claim in which case the Bar Date will still apply in relation to the claim against the solvent Scheme Companies). A Scheme Creditor will be entitled to receive compensation payments from the FSCS in respect of a Protected Scheme Claim which has become an Agreed Protected Claim, subject to the terms of the Scheme, whenever it falls due for payment, whether before or after the Bar Date, and whether or not it was included on a Claim Form submitted by the Scheme Creditor before the Bar Date.

Although the failure to complete and return a Claim Form will be without prejudice to the right of a Scheme Creditor to receive compensation payments from the FSCS in respect of an Agreed Protected Claim, it is in the best interests of Scheme Creditors to submit a Claim Form before the Bar Date in case there is any question as to whether the Scheme Claim is a Protected Scheme Claim and hence could mature into an Agreed Protected Claim. Scheme Creditors are strongly urged to submit Claim Forms prior to the Bar Date.

If a Scheme Claim has been submitted to the Scheme Manager as a Protected Scheme Claim and taken into account in calculating the FSCS Amount, but when it matures it transpires that it is not an Agreed Protected Claim, the FSCS is obliged under the terms of the Scheme to pay over to the Scheme Creditor concerned the amount it received from EAIC in respect of the part of the FSCS Amount represented by the Scheme Claim in question. If the Scheme Creditor has not submitted a Claim Form and its Scheme Claim is not an Agreed Protected Claim, it will have no right to payment from either EAIC or the FSCS.

If there is doubt as to whether a Scheme Claim which is submitted on a Claim Form in accordance with the Scheme before the Bar Date and which has not yet fallen due for payment is a Protected Scheme Claim, the Scheme Creditor may elect to disclaim any right to compensation from the FSCS and instead to receive the Payment Percentage on an estimate of the value of his Scheme Claim in the same way as other Scheme Creditors. The consequence of a Scheme Creditor electing to be treated in this way is that he will not subsequently be entitled to receive compensation from the FSCS.

Under the Scheme, until the "Completion Date" the EAIC Scheme Administrators will ensure that the Scheme Manager handles Protected Scheme Claims for the purposes of establishing EAIC's liability (if any) in respect of them and that they have fallen due for payment (although the FSCS will ultimately determine whether or not such claims are Agreed Protected Claims and eligible for compensation). After the Completion Date EAIC's claims handling rights will

be transferred to the FSCS, which will be responsible for the terms on which the Scheme Manager or any other person continues to fulfil that role.

The FSCS's obligations and a summary of certain provisions of the Policyholders Protection Act appear in Schedule 7 at pages 77 to 82.

Entitlement to protection under the Policyholders Protection Act is ultimately a matter for the FSCS and nothing in this document is to be taken as an acceptance or admission by the FSCS that a Scheme Creditor is or would have been entitled to protection under the Policyholders Protection Act.

Policyholders who believe they may be entitled to the benefit of protection under the Policyholders Protection Act should contact the FSCS at the address appearing at page iv. If you are in any doubt as to whether you are a Protected Policyholder you should consult your own legal adviser without dela

ly required under the Scheme to make payments to Protected Policyholders in respect of Agreed Protected Claims. No payments will be made by the FSCS in respect of outstanding claims or IBNR claims, unless and until such claims become Agreed Protected Claims.

A Protected Policyholder of EAIC in respect of a Protected Scheme Claim may also be a Scheme Creditor of the other Scheme Companies in respect of the same underlying claim. There will be no right to compensation from the FSCS in respect of the claim as against the other Scheme Companies because they are solvent, and so in respect of the solvent Scheme Companies a Protected Policyholder of EAIC will have an ordinary Scheme Claim. Insofar as it is not an agreed claim, it will be subject to the estimation of its value, with reference to which payment will be made by the solvent Scheme Companies. In order to be eligible for payment, the claim must be included on a Claim Form submitted to the solvent Scheme Companies before the Bar Date.

6.3 **Policies issued by the Institute of London Underwriters - parental guarantees and certain policies which are to be excluded from the Scheme.**

As mentioned elsewhere in this document, EAIC was a member of the Institute of London Underwriters ("**ILU**") for a number of years. During the period of EAIC's membership a number of EAIC's holding companies or former holding companies (namely, The Marsh & McLennan Companies, Inc ("**Marsh Mac**"), Bowring Services Limited, English & American Group Limited ("**EAG**") and English & American Insurance Holdings Limited ("**EAIH**")) executed guarantees addressed to the ILU in relation to certain of EAIC's liabilities arising under policies signed and issued by the ILU on EAIC's behalf. EAIC was not itself party to any of these guarantee agreements.

6.3.1 **The Marsh & McLennan Companies, Inc**

Marsh Mac secured an irrevocable letter of credit in favour of the ILU (issued by a JP Morgan group company) which is available to satisfy EAIC's proportion of any valid claim of a creditor of EAIC properly due and payable by EAIC under policies signed and issued by the ILU on EAIC's behalf with an inception date between 3 July 1980

and 6 October 1983 (both dates inclusive) (the "**Marsh Mac Protected Liabilities**"), the period during which Marsh Mac was the parent company of EAIC. The then provisional liquidators of EAIC were informed by the ILU that payment under the letter of credit would be made to entitled creditors of EAIC - t

- upon submission to the ILU by the EAIC creditor of a duly executed subrogation receipt in favour of Marsh Mac. The letter of credit was procured and issued pursuant to an agreement between the ILU, Marsh Mac and Bowring Services Limited (which was EAIC's immediate holding company between those dates), which agreement recorded the surrender and discharge of guarantees addressed to the ILU and executed by Bowring Services Limited and by Marsh Mac on 7 July 1980 and 23 July 1980 respectively. The then provisional liquidators of EAIC had reviewed the agreement and had confirmed with the ILU that the guarantees had been validly discharged and surrendered to Marsh Mac and Bowring Services Limited in accordance with their terms.

Thus, policyholders of EAIC may, depending upon the dates when their policies incepted or were issued, have rights of recourse to the letter of credit procured by Marsh Mac as described above and may, therefore, be entitled to additional payments in respect of their claims under this letter of credit arrangement as those claims are agreed in the ordinary course. Prior to publishing the Scheme proposal to creditors, the EAIC Scheme Administrators had invited Marsh Mac to undertake that if these policies were included in the Scheme the letter of credit arrangements would likewise cover the claims valuations attaching to these policies under the Scheme. However, no such undertaking was forthcoming from Marsh Mac. Consequently, the EAIC Scheme Administrators decided that to include hitherto uncrystallised claims under these policies in the Scheme may incur a material risk that holders of these policies would be disqualified from their potential rights of recourse to the letter of credit arrangements in respect of such claims. Consequently, the EAIC Scheme Administrators decided to exclude such claims from the Scheme. As a result, claims arising under these policies which have not crystallised into Established Scheme Liabilities by the Effective Date will remain subject to the Existing EAIC Scheme and will continue to be adjusted by EAIC in the ordinary course. The EAIC Scheme Administrators will reserve a sufficient amount of assets to provide for the cost of adjusting these creditors' claims under the Existing EAIC Scheme and of paying the applicable Payment Percentage to those creditors as their claims become Established Scheme Liabilities under the Existing EAIC Scheme.

6.3.2 **Voluntary opt-in for holders of policies giving rise to Marsh Mac Liabilities**

Whilst the EAIC Scheme Administrators have decided to exclude such claims from the Scheme for the reasons described above, they also recognise that holders of such claims may, in fact, wish to participate in the Scheme in order to receive the Payment Percentage based upon the accelerated valuation which the Scheme will produce. Thus, the EAIC Scheme Administrators intend to make available to those policyholders an 'opt-in' procedure, whereby they agree with the EAIC Scheme Administrators that their claims under those policies will be subject to the Scheme, whilst they also acknowledge that by opting into the Scheme in this manner they may

in fact prejudice their entitlement to claim a payment under the Marsh Mac-procured letter of credit arrangements described above. Policyholders who are interested in taking advantage of this opt-in procedure should contact the EAIC Scheme Administrators at the address shown on page iv of this document.

6.3.3 **EAG/EAIH guarantees**

In June 1987 EAG and EAIH also executed guarantees addressed to the ILU. These instruments (as amended) provided for those companies to guarantee the obligations of EAIC to those holders of policies issued through the ILU during the period of their ownership of EAIC - essentially from 1 September 1983 onwards. EAG and EAIH became insolvent and went into administration. Under a scheme of arrangement promulgated for those companies by the insolvency officeholders appointed to run their affairs, those companies paid a cash sum of £9,783,906 to the then EAIC Scheme Administrators. Under the terms of a trust deed executed on 29 May 2003 between the then EAIC Scheme Administrators and the ILU, the EAIC Scheme Administrators are required to hold that cash payment (plus income accruing thereon) upon trust for the beneficiaries of the guarantees given to the ILU by EAG and EAIH - i.e. the holders of policies issued by EAIC through the ILU from 1 September 1983 onwards. The current value of these funds is approximately £12,592,742. The EAIC Scheme Administrators are obliged, pursuant to that trust deed, to distribute the trust funds rateably amongst those beneficiaries according to the value of their claims which were subject to those guarantees. As and when those creditors' claims are agreed pursuant to the Scheme, therefore, the EAIC Scheme Administrators intend to distribute the trust funds rateably amongst those creditors by reference to their claims as agreed under the Scheme (subject to first paying the costs associated with establishing and managing the trust funds), as an additional payment on top of the payments which they receive from EAIC under the Scheme.

For the avoidance of doubt, those policies which were issued by EAIC through the ILU during the period 7 October 1983 onwards will NOT be excluded from the Scheme, since they will fall outside the ambit of policies to which Marsh Mac's letter of credit arrangements apply.

If any EAIC creditor believes that it may be entitled to a distribution from this trust fund, it should contact the EAIC Scheme Administrators at the address shown on page iv of this document.

6.4 **Completion and release**

The Scheme contains a mechanism for it to be certified complete in respect of all Scheme Claims, other than any remaining Protected Scheme Claims. In practice, this is likely to occur when a Valuation Statement has become final and binding in respect of each Scheme Creditor, the Payment Percentage has been paid (or deemed to have been paid) in respect of each such Valuation Statement on which there is a Net Ascertained Claim, and there is no reasonable prospect of an increase in the Payment Percentage, having regard to the establishment of the Post-Completion Trust referred to below.

When they have received notice from the Scheme Manager that it believes that the Scheme has been so implemented, the EAIC Scheme Administrators will, with the agreement of the EAIC Creditors' Committee, determine a proposed Completion Date and send all Scheme Creditors who were entitled to receive a Valuation Statement notice of the proposed Completion Date at least 56 days before that date.

The Completion Date will not apply to any Scheme Creditor who notifies the EAIC Scheme Administrators that it considers the Scheme has not been implemented in respect of its Scheme Claims until the matter has been investigated and resolved by the EAIC Scheme Administrators.

The Scheme provides for a release, so far as the law permits and except in cases of fraud or dishonesty, of all Liabilities and obligations of the EAIC Released Parties pursuant to or in connection with the Scheme with effect from the Completion Date. The EAIC Released Parties are EAIC and any past or present Scheme Administrator, Scheme Manager, Scheme Actuary, Scheme Adjudicator, Scheme Conflicts Administrator, EAIC Committee Member, Nominated Representative, Designated Representative, FSCS Representative, FSCS Alternate (and any PPB Representative or PPB Alternate under the Existing EAIC Scheme), including any Delegate, Employee or alternate, under the Existing EAIC Scheme or the Scheme, together with any director of EAIC holding office since the Record Date in respect of the period since the Record Date, in each case in their capacities as such. With effect from the Completion Date the EAIC Scheme Administrators shall be entitled to vacate their office.

The Scheme also provides for the establishment of a Post-Completion Trust, or for funds to be otherwise set aside, to meet any possible future obligations of EAIC, including any in respect of any indemnity granted under the Scheme to any other EAIC Released Party. The Post-Completion Trust will provide for the distribution of the residue of the assets in it to Scheme Creditors when the trustees determine that the assets are not required to meet any other obligations. The precise amount and duration of any Post-Completion Trust to be established has not yet been ascertained and will be determined by the EAIC Scheme Administrators during the course of the Scheme. Setting aside such monies will reduce the Payment Percentage that can be distributed to Scheme Creditors in the short term. However, it is unlikely that the overall amount set aside will exceed 1 per cent. of the total Net Ascertained Claims against EAIC. The trust is likely to terminate shortly after the expiry of any limitation period during which Scheme Creditors could make any claim, although it could be terminated sooner. Any residue will be distributed to EAIC Scheme Creditors or to a charity if the costs of distribution outweigh the level of the residue.

Scheme Creditors should be aware that under the Existing EAIC Scheme, the EAIC Scheme Administrators have a power to set aside funds before calcula level of Payment Percentage payable to cover any potential Liabilities of EAIC, including the indemnities which EAIC provided to the EAIC Scheme Administrators and other scheme personnel under the Existing EAIC Scheme. The benefit of the trust mechanism under this Scheme is that it allows the EAIC Scheme Administrators to set aside funds without having to remain in office, thus reducing the costs of administering the Scheme.

The Scheme also provides for a release, so far as the law permits and except in cases of fraud and dishonesty, of all obligations and Liabilities of the EAIC Released Parties (with the exception of EAIC) and the creation of a Post-Completion Trust as referred to above in the event that the EAIC Scheme Administrators reasonably consider, following consultation with the EAIC Creditors' Committee, that they cannot, by reason of a liquidation or other Insolvency Event, continue to fulfil their functions under the Scheme as detailed in Section 6.1.6 above. The remaining assets of EAIC would then fall to be dealt with as set out in Section 6.1.6 above. The EAIC Scheme Administrators shall also be entitled to vacate their office.

7. PROVISIONS RELATING SOLELY TO ICS

Although ICS will be part of the same Scheme process as the solvent Scheme Companies, there are certain provisions which are unique to it, because of its insolvency and the fact that the Scheme will act as a "closing scheme" and will amend the Existing ICS Scheme. The major changes from the Existing ICS Scheme are explained in the following Sections.

7.1 Claims estimation

The Scheme is being proposed in conjunction with other Scheme Companies which underwrote within the Pools. The other Scheme Companies wish to terminate the run-off of their Scheme Claims by means of a solvent scheme. As explained more fully elsewhere in this document, this will involve the estimation of the value of all of their remaining outstanding and contingent liabilities to Scheme Creditors and the payment of that estimated value in full.

This represents an important change for ICS's Scheme Creditors because they will now be required to notify ICS (and, where applicable, the other Scheme Companies) of any further claims (including future and contingent claims) they may have and/or estimates of their value before the Bar Date, after which no new Scheme Claims will be accepted.

The provisions in the Scheme for claims submission and agreement, valuation of outstanding and IBNR claims and resolution of disputes are the same as for the other Scheme Companies and are explained earlier in this Explanatory Statement. This is with the exception of minor modifications in relation to the application of set-off as explained below.

7.2 Set-off

The Existing ICS Scheme is a "reserving scheme", which means that in establishing the value of the assets to be set aside to form the Creditors' Fund, generally speaking no account was taken in respect of a Scheme Creditor who had or might have rights of set-off. The provisions relating to set-off in the Existing ICS Scheme varied for each type of Scheme Creditor. General Creditors continue to be able to apply set-off in accordance with rules which would ordinarily apply to mutual liabilities arising between them and ICS outside of a formal insolvency (except for where a Dividend Trigger Date occurs (as defined in the Existing ICS Scheme)). In addition, the Existing ICS Scheme allows the ICS Scheme Administrators to delay admitting as an "Agreed Liability" a Scheme Creditor's claim if they anticipate that in the future further debts might fall due to ICS from that Scheme Creditor. This avoids the risk that the payments which would otherwise be made to that Scheme Creditor result in overpayments to it once its net claims are subsequently reduced through the application of further set-off.

The Scheme is an "estimation scheme" which (except in relation to Protected Scheme Claims) provides for the once-and-for-all valuation of all amounts actually, prospectively or contingently due to or from ICS from or to a Scheme Creditor, resulting in a Net Ascertained Claim (if in favour of the Scheme Creditor) or in a Net Debt (if in favour of ICS). Set-off under the Scheme will, subject to certain specific exclusions, have been applied to all items which appear on a Valuation Statement which becomes final and binding, including valuations of prospective and contingent debit and credit items.

7.3 **Stay of proceedings**

Except in relation to Protected Scheme Claims (where the existing stay on proceedings will continue), the stay on proceedings by Scheme Creditors imposed by the Existing ICS Scheme will be replaced by a more general stay which, in effect, channels all Scheme Claims through the claims valuation process provided for by the Scheme. This is the corollary of moving from a "reserving" scheme to a "cut-off" scheme.

The stay which will apply in respect of Protected Scheme Claims will be lifted six months after the Scheme Manager, or its successor with responsibility for dealing with Protected Scheme Claims, has received documents prescribed by the Scheme which should be sufficient for a Protected Scheme Claim to be agreed.

The rights of Oberon Pool Creditors and St Paul Re to bring proceedings under the Existing ICS Scheme are unaffected by the Scheme.

7.4 **Payments to General Creditors and E&A Pool Creditors**

Payments to ICS's Scheme Creditors in respect of Net Ascertained Claims may be at an ICS Payment Percentage, as described at Section 5.12 of the Explanatory Statement. If it is not necessary to set an ICS Payment Percentage, Net Ascertained Claims of General Creditors and E&A Pool Creditors will be paid in full. Whether or not an ICS Payment Percentage is implemented depends on estimates of the value of the Agreed Claims of General Creditors and E&A Pool Creditors submitted. If the maximum possible aggregate value of the Agreed Claims reported by the Scheme Manager is greater than the value for the time being of the Creditors' Fund, the ICS Scheme Administrators will set an ICS Payment Percentage in consultation with the ICS Creditors' Committee. In the event that the ICS Payment Percentage is increased, top-up payments shall be made to each Scheme Creditor who has previously received payment pursuant to Clause 19.4.1 of the Scheme. The ICS Payment Percentage may not exceed 100 per cent. Any surplus remaining on the Creditors' Fund after all payments under the Scheme have been made to General Creditors and E&A Pool Creditors will be transferred to the General Assets.

7.5 **Payments to E&A Pool Participants**

The Final Entitlements of the E&A Pool Participants from the Available General Assets (being the General Assets after deducting provision from the Scheme Expenses any other liabilities) will be calculated with reference to the Net Ascertained Claims of each of the E&A Pool Participants and the payments which they have already received under the Existing ICS Scheme.

7.6 **Oberon Pool Creditors**

The provisions in the Existing ICS Scheme for dealing with Oberon Pool Claims will not be amended by the Scheme. Such claims will continue to be handled and, when agreed, paid by St Paul Re.

7.7 **The ICS Scheme Administrators and the ICS Creditors' Committee**

The ICS Scheme Administrators and ICS Creditors' Committee will remain in place. The provisions relating to the ICS Scheme Administrators and the ICS Creditors' Committee remain unamended from the corresponding provisions in the Existing ICS Scheme. The ICS

Scheme Administrators are licensed insolvency practitioners and are required to act in good faith and with reasonable care in the interests of ICS Scheme Creditors as a whole.

The ICS Scheme Administrators, the directors of ICS, the members of the ICS Creditors' Committee and Nominated Representatives, the Scheme Actuary and any Scheme Adjudicator (all as defined in the Existing ICS Scheme) will each be entitled to an indemnity out of the assets of ICS in relation to certain liabilities arising under the Existing ICS Scheme as set out in clause 53 of the Existing ICS Scheme.

7.8 **Effect of insolvency**

In the unlikely event that ICS were to go into liquidation or become subject to any other insolvency proceeding during the life of the Scheme, the Scheme is expressed to continue so far as the law permits until terminated in accordance with the provisions of the Scheme.

7.9 **The Policyholders Protection Act 1975**

Protected Scheme Claims against ICS will be subject to the same provisions of the Scheme as apply to Protected Scheme Claims against EAIC.

7.10 **Termination**

The ICS Scheme shall terminate when either the last payment of a Final Entitlement to an E&A Pool Participant by the ICS Administrators has been made or upon the Scheme Creditors passing a Creditors' Resolution (with the prior agreement of the ICS Scheme Administrators or the Court) that the Scheme be terminated (Clause 24.2).

8. PROVISIONS RELATING SOLELY TO HOME

Although Home will be part of the same Scheme process as the solvent Scheme Companies, there are certain provisions which are unique to it, because of its insolvency and the fact that it is subject to the Home Liquidation, which in turn is governed by New Hampshire insolvency law.

The purpose of the Scheme in respect of Home is to value each Scheme Creditor's Scheme Claims and to facilitate the admission to proof in the Home Liquidation of each Scheme Creditor's Net Ascertained Claim in accordance with the Home Claims Procedure Order.

In short, Net Ascertained Claims will be admitted as agreed claims in the Home Liquidation, subject to (i) the Scheme Creditor having already filed a proof of claim in the Home Liquidation by the statutorily-imposed bar date of 13 June 2004; and (ii) any further rights of set off which Home may have against the Scheme Creditor concerned arising out of non-Scheme contracts. The Scheme Creditor's entitlement (if any) to receive a distribution in the Home Liquidation in respect of its Net Ascertained Claim will, however, be governed by the provisions of New Hampshire insolvency law (including, but not limited to, the Home Claims Procedure Order).

8.1 Completion and release

The Scheme contains a mechanism for it to be certified complete in respect of all Scheme Claims. In practice, this is likely to occur when the Scheme Manager advises Home that no further Net Ascertained Claims against Home are likely to arise under the Scheme.

When he has received notice from the Scheme Manager to this effect, the Home Liquidator will determine a proposed Completion Date and send all Scheme Creditors who were entitled to receive a Valuation Statement notice of the proposed Completion Date at least 56 days before that date.

The Completion Date will not apply to any Scheme Creditor who notifies the Home Liquidator that it considers the Scheme has not been implemented in respect of its Scheme Claims until the matter has been investigated and resolved by the Home Liquidator.

The Scheme provides for a release, so far as the law permits and except in cases of fraud or dishonesty, of all Liabilities and obligations of the Home Released Parties pursuant to or in connection with the Scheme with effect from the Completion Date. The Home Released Parties are the Released Parties, any person holding, or who has at any time held, the position of Home Liquidator, as well as the Home Liquidator's special deputy, the employees of Home, the Commissioner of Insurance for the State of New Hampshire, employees of the New Hampshire Insurance Department, the Attorney General of the State of New Hampshire and employees of the New Hampshire Office of the Attorney General, in each case in their capacities as such.

9. HOW WILL THE ESTIMATION GUIDELINES WORK?

9.1 Introduction

Purpose and scope

The purpose of this section is to provide a summary of key features of the Estimation Guidelines that the Scheme Actuary will use to value the unliquidated element of the Scheme Claims of Scheme Creditors pursuant to the Scheme, including incurred but not reported Scheme Claims.

As well as describing the methodology that the Scheme Actuary will apply to Scheme Claims that are referred to him, the Estimation Guidelines (which is at Appendix B to the Scheme) also provide an indication of the types of methods that Scheme Creditors might consider applying themselves in deriving the values for such Scheme Claims that they wish to submit as part of the Scheme process. It also provides guidelines for appropriate supporting documentation in relation to IBNR claims.

If at any stage of the process, either before voting, or before the submission of their Claim Form, a Scheme Creditor has any questions relating to the possible future application of the Estimation Guidelines to their Scheme Claim, then they should contact the Scheme Manager who will be pleased to assist them (see page iv for contact details).

Role of Scheme Actuary

The Scheme Actuary will usually apply the Estimation Guidelines in circumstances where the Scheme Manager and the Scheme Creditor have been unable to agree those elements of the Scheme Claim which comprise notified outstanding claims or IBNR. Scheme Creditors may also propose their own methodology for use by the Scheme Actuary, as explained further in Section 9.2 below.

9.2 Estimation Guidelines

9.2.1 Introduction

This section provides a summary of the methods that the Scheme Actuary will apply, by business/claim type, in order to derive an estimate of the value of the Scheme Claims that are submitted to him for review. Details of the methods by claim type are given in the Estimation Guidelines in Appendix B of the Scheme.

Method for U.S. and Non U.S. Asbestos, Environmental Pollution and Health Hazard ("APH") – Direct and Facultative reinsurance ("Direct")

Ground-up exposure analysis, allowing for estimation of total claim amounts, allocated across years of coverage and to the Scheme Creditor's Insurance Contracts.

The methodology for Non-US APH direct/facultative will be similar to the descriptions in the Estimation Guidelines for US APH, modified to reflect the specific circumstances of the relevant territory.

Method for U.S. and Non-U.S. APH - Excess of Loss and Proportional Reinsurance and Retrocession ("Reinsurance")

Exposure-based projection of individual underlying direct loss estimates (as they affect the underlying direct or reinsurance policies written by the Scheme Creditors) aggregated appropriately and then applied to the relevant Scheme Creditor's Insurance Contracts.

Alternatively, if suitable data is not available, then appropriate benchmark burn factors, survival and/or IBNR to outstanding ratios and/or ultimate to paid or incurred claim ratios will be used.

The methodology for Non-US APH reinsurance will be similar to the descriptions in the Estimation Guidelines for US APH reinsurance, modified to reflect the specific circumstances of the relevant territory.

Method for Direct and Reinsurance Non-APH classes of business

Appropriate development factors (and/or loss ratios) will be derived by application of standard actuarial techniques, such as the link ratio (or chain ladder) method to claims development triangles. These factors will either be derived from relevant data supplied by the Scheme Creditor, or from other appropriate data for the relevant classes of business.

For individual loss events (e.g. individual catastrophes) the above approach will be modified to either use:

(a) projection to ultimate of the Scheme Creditor's underlying gross loss development for each event, the results of which are then applied to the relevant Scheme Creditor's Insurance Contracts using an appropriate allocation; or

(b) projection to ultimate of the loss development for each event as it affects each of the relevant Scheme Creditor's Insurance Contracts. Alternatively, if suitable data is not available, then:

(c) application of benchmark factors for each event to the Scheme Creditor's data for that event (e.g. benchmark ultimate to paid/incurred claims ratio and/or IBNR-to-outstanding claims ratio for that event multiplied by the paid/incurred and/or outstanding claims for that event under the relevant Scheme Creditor's Insurance Contracts).

In some cases, the above approach may need modifying, to consider:

(a) details of known individual claims, including consideration of associated loss adjuster or attorney reports; and/or

(b) loss emergence patterns (i.e. number and amount of claims that have emerged in the past for the relevant policies).

9.2.2 **Additional points**

In situations where the Scheme Creditor has applied its own methodology in order to estimate IBNR, and provided details of it, the Scheme Actuary will use his judgment to assess the reasonableness of the methodology employed by the Scheme Creditor, as compared to the generic methodology for the relevant claim type(s) set out in the Estimation Guidelines. The

Estimation Guidelines set out the principles that the Scheme Actuary will apply to assess the reasonableness of a Scheme Creditor's own methodology.

If the Scheme Actuary believes that a Scheme Creditor's methodology is more appropriate than the corresponding methodology in the Estimation Guidelines, then the Scheme Actuary will proceed to review the detailed application of the Scheme Creditor's methodology, including the reasonableness of all the assumptions.

In some cases, the Scheme Actuary may select results based on a combination of results produced by the application of the Scheme Creditor's methodology, and those produced by application of the relevant section(s) of the Estimation Guidelines.

The Estimation Guidelines focus mainly on the estimation of IBNR claims. However, in some cases it may be appropriate for the Scheme Actuary to apply the Estimation Guidelines to calculate the reserve value - outstanding claims plus IBNR claims. It may also be appropriate in some cases for him to calculate the ultimate claims - outstanding claims plus IBNR claims plus paid claims (as defined in the Estimation Guidelines).

For all claim types where required data is not available, the Scheme Actuary will use his judgment in deciding on an appropriate methodology to apply in order to derive an estimate of IBNR claims, which in some cases may be zero, particularly if limited supporting data is available. In all cases, the Scheme Actuary will document his rationale for selection of a particula logy and set of assumptions.

For Scheme Creditors' policies with claim types that have little or no claims history at the date of submission of claims under the Scheme, but where the Scheme Creditor wishes to assert an IBNR claim, the approaches outlined in the Estimation Guidelines may need some modification to reflect the specific circumstances of the submitted claim. However, as for other policies and claim types, it will be advisable for Scheme Creditors to submit details of their own methodology for estimating their claim. In considering the suitability of such methodology, and hence the amount of IBNR claimed, the Scheme Actuary will a leness. In particular, for policies where there are no specific known underlying losses that can be projected (such as direct policies where there are no reported losses in any year) then those principles will include the following:

(a) For direct insurance exposures (as opposed to reinsurance), there should be a demonstrable link between the claim type(s) being claimed and the business activities of the Scheme Creditor. Scheme Creditors should supply details linking their business activities with the claim type(s) being claimed (e.g. details of products manufactured by Scheme Creditors and the types of claim that may be associated with these products). For reinsurance exposures, there should similarly be a link between the business activities of the entity(ies) insured by the Scheme Creditor and the claim type(s) being claimed.

(b) The selected assumptions should be based on a rational and unbiased analysis (of the Scheme Creditor's own, and where appropriate relevant wider market information), and not simply set at the extremes of possible ranges for those assumptions.

(c) Where an exposure-based approach has been used, then, in the case of personal-injury based direct claims, it should begin with reasonable assumptions regarding the population of exposed persons, the proportion that will ultimately claim and the likely size of these claims.

(d) Exposure to selected claim types or sources of claim should be based upon recognised sources.

(e) When the results are "grossed-up" to be at an industry or country-wide level, they should be plausible, based on current known information. In other words, if the Scheme Actuary were to take the estimates for the Scheme Creditor's policies and divide them by an appropriate market share percentage, then the resulting industry or country-wide figure should be plausible.

9.2.3 **Deriving a net present value**

Once the inwards outstanding claims and IBNR claims have been ascertained, they will be discounted to the Bar Date to take account of the time value of money. The discount factors to be applied depend on rates of interest and claims development (i.e. payment) patterns, as explained in the Estimation Guidelines. The discount factors set out in Attachment H to the Estimation Guidelines will be applied to outstanding claims and IBNR unless the Scheme Creditor supplies further information relating to payment patterns specific to their Scheme Claim, which would have a material impact on the discount factors.

10. OTHER QUESTIONS AND ANSWERS

10.1 What commercial benefit do I get from this Scheme in return for losing cover under my policies?

Please see section 4.5 for a list of advantages of the Scheme for Scheme Creditors.

10.2 What has been done to take soundings from policyholders and cedants affected by the Scheme?

Significant creditors of the Scheme Companies have been consulted on the proposed closure of the Pools Business. Although of course it has not been possible to speak to every creditor, many creditors, covering representative groups of the creditor population including most of the major creditors of the Scheme Companies, have been contacted and feedback from those Scheme Creditors has been taken into account in the design of the Scheme.

Additionally, the EAIC Scheme Administrators have undertaken a thorough consultation process with the EAIC Creditors' Committee. The Joint Scheme Administrators of ICS have similarly consulted with the ICS Creditors' Committee and taken account of the feedback received.

10.3 What happens if a Scheme is approved for some of the Scheme Companies, but not all of them?

If implemented, the Schemes would have the effect of concluding the run-off of those Scheme Companies' involvement in the Pools much sooner than would otherwise be the case.

In the event that EAIC's Scheme and ICS's Scheme were to be sanctioned by the Court in circumstances where one or more of the other Scheme Companies' Schemes were not to be so sanctioned, the EAIC and ICS Scheme Administrators would only continue to seek to make their respective Schemes effective if, having taken into account the position of the other Scheme Companies, they believed that to do so would be in the best interests of the creditors of their respective companies.

Further if the Schemes were not implemented for EAIC and/or ICS, the Existing EAIC Scheme and/or the Existing ICS Scheme, respectively, would continue in force without amendment.

In the event that any of the other Scheme Companies' Schemes were not to be sanctioned by the Court, those Scheme Companies whose Schemes had been so sanctioned would need to consider whether it would be viable for their Schemes to become effective in those circumstances. In taking that decision, the Scheme Companies would consult with each other and would take their decision on the basis of what they considered to be in the best interests of the stakeholders (including their creditors) of their respective companies and in accordance with their duties as regula

lly, in view of the distinct treatment (as described in section 5.19 above) afforded (by the combination of the Scheme and the deed poll) to the insureds under the employer's liability covers written by the five relevant solvent Scheme Companies (i.e. excluding Nippon Insurance Company of Europe Limited), the Court has directed that separate class meetings of those affected insureds should be convened to vote on the Scheme proposal. If and to the extent that either (i) t lass do not vote in favour of the Scheme by the requisite statutory majorities, or (ii) the Court subsequently declines to sanction the relevant

Scheme in relation to that particular class of creditors, those employer's liability covers written by the affected Scheme Company concerned will be excluded from the Scheme but the Scheme will otherwise be unaffected.

10.4 **What features does this Scheme provide to assist policyholders?**

Every effort has been made to ensure that the Scheme treats Scheme Creditors fairly and addresses their potential concerns. As well as receiving direct feedback from creditors, the Scheme takes into account developments in recent solvent schemes. The pre-Scheme process (including the voting procedure) has been designed with creditor concerns in mind and the Scheme itself has a number of features which have been specifically included in response to creditors' comments. Some of these features include:

- Scheme Creditors were given early information on the intention to propose a scheme and were invited to obtain a username and Website password for their secure area of the Website;
- the Chairman of the Scheme Meeting will be an independent person;
- to assist Scheme Creditors in making their claim, Claim Forms may be accessed and completed online by way of the Website which contains a mechanism to allocate claims across the Scheme Companies;
- details of Insurance Contracts and claims data submitted by the Scheme Creditor at the voting stage will, if the Scheme Creditor so elects, be migrated by the Scheme Manager to Claim Forms to simplify submission of Scheme Claims;
- the Estimation Guidelines (used if the Scheme Creditor is unable to agree the value of its Scheme Claim with the Scheme Manager) are fully set out in the Scheme. Where the Scheme Actuary considers it is appropriate to do so, the Scheme Actuary may adopt a Scheme Creditor's own methodology for valuing relevant elements of Scheme Claims rather than rely upon the Estimation Guidelines;
- there will be an open exchange of submissions under the adjudication procedures;
- there is a duty on Scheme Companies and the Scheme Manager to co-operate with Scheme Creditors — thus mirroring the duty on Scheme Creditors;
- both the time at which this Scheme is to be proposed and the time limits within it are intended to make the process of claiming as easy as possible for Scheme Creditors; and
- under the Scheme, the Scheme Manager is obliged to use its reasonable efforts to assist Scheme Creditors with policy reconciliation should such assistance be requested by a Scheme Creditor upon reasonable prior notice to the Scheme Manager. Additionally, a helpline is available which Scheme Creditors can call if they have any enquiries about the Scheme or if they need help with completing their Claim forms. Please see page vi for details.

10.5 **Are there any contingent fee arrangements for those with roles under the Scheme?**

No.

10.6 **Is any non-Pools Business being included within the scope of this Scheme?**

Yes — EAIC and City International Insurance Company Limited are including all of their business in the Scheme, which includes some non-Pools Business subject (in the case of EAIC) to certain business being excluded. Details of this non-Pools Business and of the excluded business are contained in Schedule 1 at page 61.

10.7 **Will I have enough time to submit my claim?**

There will be a 180-day period for submission of claims and supporting information from the date on which the Scheme becomes effective. You may amend or add to your Claim Form until 17:00 hours in the UK on the Bar Date at which point your Claim Form must be submitted and received by the Scheme Manager either on the Website or by e-mail, fax or post. In addition, you may access the Website and begin to work on and submit Scheme Claims before the Scheme becomes effective, giving you a lengthy period within which to submit claims information. Information submitted during the period prior to the Scheme becoming effective will be automatically inserted on your Claim Form if you so elect. The process of submitting claims information will be "opened" when the letter accompanying this document and giving notice of the Scheme meetings is sent to all known Scheme Creditors inviting them to contact PRO for a Website password and username to enable them to access their secure part of the Website. A copy of that letter is available on the Website. Therefore, as at the Bar Date, Scheme Creditors will have had a period of approximately 12 months within which to collate and present their Scheme Claims.

10.8 **What happens to Unpaid Agreed Claims if I do not submit my claim by the Bar Date?**

Even if a Claim Form is not submitted by a Scheme Creditor by the Bar Date, the Claim Form as made available by the Scheme Manager to the Scheme Creditor (which will include Unpaid Agreed Claims) will be deemed to have been submitted on the Bar Date. Scheme Creditors will not, therefore, lose their right to receive payment in respect of Unpaid Agreed Claims even if they do not submit a Claim Form by the Bar Date.

EAIC's and ICS Protected Policyholders are not affected by the Bar Date.

Scheme Creditors should note that, in rela

le all relevant unpaid balances recorded on the books of the Scheme Companies. Where a broker has provided a broker reconciliation statement as requested, the Scheme Manager has sought to match those balances with those held on the Scheme Manager's systems. Any such matched but unpaid balances will be included on the Claim Forms uploaded onto the Website as Unpaid Agreed Claims.

Scheme Creditors should be aware that all unmatched unpaid balances (including where a broker has failed to respond and/ or provide a reconciliation statement as requested) will not automatically be included on the Claim Forms uploaded on the Website.

10.9 **How can I be sure that my Scheme Claim will be valued fairly?**

The data on the Claim Forms and the supporting evidence will be reviewed by the Scheme Manager. The Scheme Manager and Scheme Creditor have up to a maximum of 180 days, effectively 6 months from the Bar Date, to reach agreement on the value of Scheme Claims, unless the Scheme Manager has exercised its discretion to impose a 90 day extension period or

seek mutually to agree an extension period with the Scheme Creditor. Both the Scheme Manager and Scheme Creditors have a duty to co-operate with each other in trying to reach a mutually agreed value for Scheme Claims.

If a Scheme Claim cannot be agreed on a consensual basis, it will be passed to the Scheme Adjudicator for determination. Each party can make submissions to the Scheme Adjudicator and see submissions made by the other.

10.10 **What about discounting?**

To reflect the time value of money, the Estimation Guidelines provide for discounting of future obligations back to the Bar Date. Details of the proposed discount factors can be found at Clause 5 of the Estimation Guidelines at Appendix B of the Scheme. However, if a Scheme Creditor's Net Ascertained Claim against a Scheme Company (with the exception of EAIC, ICS or Home) is not paid until after the expiry of the period of 12 calendar months from the Bar Date, a Scheme Company (with the exception of EAIC, ICS or Home) will pay interest to that Scheme Creditor on its Net Ascertained Claims at the rate and on the terms described in Clause 4.2.2 of the Scheme.

10.11 **I am also a reinsurer. How does the Scheme apply to me?**

Scheme Claims valued under the Scheme may be used to establish outward reinsurance claims values for set-off with Scheme Creditors who also reinsure the Pools.

The reinsurance claims will be discounted to reflect the time value of money. The undiscounted Agreed Claims may be processed through the reinsurance programme and discounting, at the rates in the Estimation Guidelines, will be applied to the resulting value where appropriate. Scheme Creditors which are reinsurers will also be given the opportunity to challenge the calculation of the reinsurance claims against them. However, this right to review and dispute does not extend to challenging the valuation of the inwards claims values that have become binding or such values being applied to contracts by which the Scheme Company is reinsured in respect of such agreed claims for the purposes of set-off.

10.12 **Since I cannot take Proceedings against the Scheme Companies to pursue my claims, how do I know they will follow the terms of the Scheme?**

Although there is a general stay on Proceedings, a Scheme Creditor may take Proceedings against a Scheme Company if it fails to pay their Net Ascertained Claim in accordance with the terms of the Scheme.

For EAIC and ICS, the Scheme will be administered respectively by the EAIC Scheme Administrators and the ICS Scheme Administrators who are licensed insolvency practitioners. Their duties are as set out in the Scheme.

10.13 **How independent are the people valuing my claim?**

Your claim will initially be valued by the Scheme Manager, PRO. Although it is not independent, having carried out the run-off for the Pools since 1993, it is a professional and well-regarded run-off agent in the market. Where there are disputes relating to a Scheme Claim, they can be referred directly to the Scheme Adjudicator as explained in section 5.6 above.

The Scheme Actuary will advise and assist the Scheme Manager or Scheme Adjudicator as appropriate in relation to the valuation of Scheme Claims and the application of the Estimation Guidelines, as requested.

For the avoidance of doubt, none of the Scheme Adjudicator, Scheme Actuary, or the Scheme Manager has any contingent fee arrangements in place in respect of the operation of the Scheme.

10.14 **When will I be paid?**

The solvent Scheme Companies:

It depends. The Scheme includes the flexibility to make payment to creditors at an early stage; and as a general principle, payment by all Scheme Companies other than EAIC, ICS or Home must be made within 42 days of the relevant Valuation Statement becoming binding.

In relation to direct creditors (and all Scheme Creditors who are not reinsurers of a Scheme Company), it is feasible that payments could be made as early as 42 days after the Scheme becoming effective, should a claim be immediately submitted by the Scheme Creditor and agreed by the Scheme Manager after the Effective Date.

Where the Scheme Creditor is also a reinsurer of the Scheme Company, its Scheme Debts will be calculated with reference to the value of the Scheme Claims agreed by the Scheme Manager under the Scheme, which will mean that it will take longer for its Valuation Statement to be issued. However, the option to agree in writing a Net Ascertained Claim via a commutation with the Scheme Manager (and thereby shorten this process) is available at any point after the Effective Date. Amounts agreed by way of commutation will also be paid within 42 days of their agreement.

If Scheme Creditors fully utilise the available time set out in the Scheme to agree their Net Ascertained Claim, without invoking any of the adjudication processes or extending any time frames laid out in the scheme, then payment would be made by the Scheme Companies other than EAIC, ICS or Home approximately 8 months after the Bar Date — slightly earlier for direct creditors, slightly la

ld result in payment being made to you sooner.

EAIC:

Due to its insolvency as well as other factors, EAIC may need to review its Payment Percentage after the Bar Date. It will make payments of dividends later than the payments made by solvent Scheme Companies. The Scheme provides that EAIC's payments will be made up to the later of 90 days after either the relevant Valuation Statement has become binding or after the date on which the Payment Percentage has been adjusted.

ICS:

Due to its insolvency as well as other factors, ICS may need to implement an ICS Payment Percentage after the Bar Date. In that event it would make payments of dividends to General

Creditors and E&A Pool Creditors later than the payments made by solvent Scheme Companies. The Scheme provides that where an ICS Payment Percentage has not been set by the ICS Scheme Administrators, ICS's payments will be made within 90 days after the relevant Valuation Statement has become binding. If an ICS Payment Percentage has been set, payment will be made as soon as practicable after the later of the date that the Valuation Statement has become binding or the date that the ICS Payment Percentage was set.

Payments to E&A Pool Participants will be made as soon as reasonably practicable after all payments to General Creditors and E&A Pool Creditors have been made.

Oberon Pool Claims will continue to be dealt with by St Paul Re pursuant to the Existing ICS Scheme, which will not be amended in this regard. No payments will be made by ICS in respect of such claims.

Home:

A Scheme Creditor's Net Ascertained Claim shall be eligible to be admitted to proof in the Home Liquidation, subject always to compliance by the Scheme Creditor with the provisions regarding the filing of claims contained in the Home Claims Procedure Order.

In short, Net Ascertained Claims will be admitted as agreed claims in the Home Liquidation, subject to (i) the Scheme Creditor having already filed a proof of claim in the Home Liquidation by the statutorily-imposed bar date of 13 June 2004; and (ii) any further rights of set-off which Home may have against the Scheme Creditor concerned arising out of non-Scheme contracts. The Scheme Creditor's entitlement (if any) to receive a distribution in the Home Liquidation in respect of its Net Ascertained Claim will, however, be governed by the provisions of New Hampshire insolvency law (including, but not limited to, the Home Claims Procedure Order).

10.15 **What should I do now?**

Scheme Creditors can begin to work on and calculate their Scheme Claims for voting purposes on the Website. Although values used for voting purposes are not binding in the Scheme itself, information submitted during the period prior to the Scheme becoming effective will be automatically inserted on your Claim Form if you so elect. In order to make this election, a Scheme Creditor should follow the instructions for completion of the Voting Form (a copy of which is included at Schedule 8, page 83 of this document). The process of submitting claims information will be "opened" when the letter accompanying this document and giving notice of the Scheme Meetings is sent to all known Scheme Creditors inviting them to contact PRO for a Website password and username to enable them to access their secure part of the Website. A copy of that letter is available on the Website. Therefore, as at the Bar Date, Scheme Creditors will have had a period of over approximately 12 months within which to collate and present their Scheme Claims.

The Claim Forms will be available for completion for a period of six months from the Effective Date, and this, coupled with the period during which the Website was available prior to the Scheme becoming effective, should, it is intended, be sufficient to enable Scheme Creditors to submit their Scheme Claims.

10.16 **How can you find out more about the Scheme and ask questions?**

To find out more please either:

- visit the Website at www.englishandamericanpools.com;
- e-mail the Scheme Manager at Pro_eauapools@pro-ltd.co.uk;
- phone the Scheme helpline on +44 (0) 1452 330 514.

SCHEDULE 1

HISTORY OF THE POOLS AND DESCRIPTION OF THE BUSINESS TO BE INCLUDED IN THE SCHEME

1. **History of EAIC and the Pools**

EAIC was incorporated on 28 June 1929 to write insurance business and was initially a subsidiary of Bowring Services Limited (formerly C T Bowring & Co Limited). In July 1980, Bowring Services Limited, together with EAIC, was acquired by Marsh & McLennan Companies, Inc. In October 1983, The Marsh & McLennan Companies, Inc sold EAIC to English & American Group PLC (which at the time of the acquisition was known as London & Gloucester Limited), which provided insurance-related services through its subsidiary companies. At the time of its insolvency, EAIC's ultimate holding company was therefore English & American Group PLC, which has now been dissolved. English & American Insurance Holdings PLC (which has also now been dissolved), which was a subsidiary of English & American Group PLC, was EAIC's intermediate holding company.

Both holding companies of EAIC gave guarantees to the ILU in rela IC's liabilities. The appointment of provisional liquidators to EAIC and the presentation of a winding up petition against EAIC in March 1993 had immediate financial consequences for such holding companies, as their assets were insufficient to meet their potential liabilities under the guarantees. On 28 April 1993, partners in Price Waterhouse (now PricewaterhouseCoopers LLP) were appointed as joint administrators of both holding companies.

EAIC commenced underwriting in 1929 and since that date has been involved in a number of underwriting activities. EAIC's active underwriting operations immediately prior to November 1992 included its participation in the Pools. Pooling is a method of spreading risk whereby a combination of insurers, writing a specific class of insurance, agree to share the premiums and losses in agreed proportions. Details of the type of business written by the Pools is set out in paragraph 4 below. EAIC also had a number of discontinued or run-off operations prior to November 1992, details of which are set out in paragraph 7 below.

2. **Events leading to the appointment of provisional liquidators in respect of EAIC**

EAIC experienced an increase in claims notifications during 1992. In particular, the marine account experienced a substantial volume of additional losses, la ly unprotected by EAIC's reinsurance programme. The adverse claims development resulted in a significant deterioration in the company's financial position.

As a result, it was agreed that the Pools would cease taking on new business and that EAIC would cease underwriting completely with effect from 23 November 1992.

On 19 March 1993, a winding-up petition was presented by EAIC acting by its directors, and Anthony James McMahon and Roger Smith, partners in KPMG Peat Marwick, were appointed as provisional liquidators by order of the High Court of England and Wales.

The administration of the Pools was kept together on a unified basis and in 1993 PRO was appointed run-off manager for the Pools.

The provisional liquidators developed a run-off plan for EAIC which included the implementation of a "reserving" or "run-off" scheme of arrangement under section 425 of the Companies Act 1985 under which EAIC continued in run-off and made payments to creditors *pro rata* on their agreed claims known as "**Established Scheme Liabilities**". This Scheme ("**the Original EAIC Scheme**") became effective on 8 February 1995.

The Original EAIC Scheme was amended by an amending scheme of arrangement which became effective on 31 August 2000 (the "**Existing EAIC Scheme**").

Following its cessation of underwriting EAIC complied with the requirements of the Department of Trade and Industry, the FSA's predecessor. EAIC has kept the FSA appraised of its financial position.

Thus far, the EAIC Scheme Administrators have been able to set Payment Percentages under the Existing EAIC Scheme as follows:

EAIC payment percentages

Date	Total Scheme payment percentage
June 1997	5%
June 1998	10%
March 1999	17%
September 2000	25%
June 2002	30%
April 2006	35%

As at 31 December 2008, EAIC had made scheme payments of approximately $180.3 million on Established Scheme Liabilities of approximately $506 million.

A copy of the EAIC Scheme Administrators' latest annual report to Scheme Creditors which contains more information about EAIC's financial position is available from the Website at www.englishandamericanpools.com

3. **Description of the business to be included in the Scheme**

At paragraph 4 below there is a summary of the business written by the Pools which is included in the Scheme. Page i of this Explanatory Statement contains a list of those companies which are the subject of the proposed Scheme which wrote business through the Pools, with details of their previous names as they may have appeared on various pools underwriting stamps.

4. **Summary of business written by the Pools**

The following paragraphs summarise the types of business written by the different Pools over time:

4.1 **The English & American Underwriting Agency Limited Pools (the "EAUA Pools")**

The EAUA Pools comprise three pools of business: the Marine Pool, the Aviation Pool and the Non-Marine Pool.

4.1.1 The Marine Pool, also known as English and American Marine or "M" Group or Bowring Marine Group, underwrote from 1954 to 1992 primarily through London market brokers and via the Institute of London Underwriters, covering marine as well as some non-marine (long tail liability) business, split into various accounts, including those that covered cargo and excess of loss business, hull liability and energy business.

4.1.2 The Aviation Pool underwrote from 1980 to 1992 as three separate accounts, originally in the name of TAIG (Transglobe Aviation Insurance Group), which changed in 1983 to EAAG (English & American Aviation Group). Business was primarily written through London market brokers and via the Institute of London Underwriters. The accounts were:

(a) The Direct and Facultative account 1980 to 1992. The business written was in relation to major airlines and manufacturers, war, industrial aid, satellite, reinsurance and rotor wing.

(b) The General Aviation account. This was written from 1991 to 1992 and predominately written on a direct and facultative basis but there was a large element of reinsurance involvement covering light aircraft and rotor wing classes of business.

(c) The Excess of Loss account written 1984 to 1992. This covered reinsurance of direct insurers and retrocession business. Additional classes of war, satellite and personal accident were added in 1991 and 1992.

4.1.3 The Non-Marine Pool underwrote from 1977 to 1992 (including direct and reinsurance business from 1977 to 1985 and reinsurance business only from 1986 to 1992) originally in the name of CT Bowring Underwriting Services and Aurora Underwriters Limited through London market brokers.

4.2 **The TAUS Pool**

The TAUS Pool was an aviation account underwritten in Guernsey from 1990 to 1992, each year comprising a mix of direct, facultative and reinsurance business in respect of various classes of aviation business.

4.3 **The Transglobe Re Pool**

The underwriting years of account for this pool were 1982 and 1983 and the business included a mix of facultative, proportional reinsurance and excess of loss. In general, all of the accounts provided reinsurance protection to direct aviation underwriters of mainly airline, airports and aviation products manufacturers.

4.4 **The E&A Re Pool**

E&A Re was an underwriting agency established by the English & American Group in Brussels in June 1981. Its objective was to write a mainly facultative reinsurance account in Continental Europe. The account consisted essentially of London market broker produced business with a strong orientation towards the United States of America. A proportional reinsurance book was also written in parallel to the facultative account. The overall book consisted mainly of property risks. The account was placed into run-off on 1 August 1984.

4.5 **Non-Pools Business being included in The Schemes**

*English & American Insurance Company Limited("**EAIC**")*

EAIC also had a number of discontinued or run-off operations prior to November 1992 now commonly referred to as "non pool". These included:

- The London Market Non-Marine account, which comprised London Market non-marine and some aviation business written principally between 1952 and 1976;
- The ANMC, BIAN, BPI and BEAF fronting facility arrangements written between 1977 and 1986;
- The Bowring International Reinsurance Group (BIRG) account which wrote London Market Excess of Loss ("**LMX**") reinsurance between 1967 and 1983;
- An International account which encompassed various overseas agency operations. These were discontinued in 1985;
- A Home account which consisted of various agencies in the UK. This business was also discontinued in 1985; and
- The general insurance business of Providence Capitol Life Assurance Company Limited, formerly Slater Walker Life Assurance Company Limited, which was transferred to EAIC in 1988 and consisted of marine and non-marine business written in the name of Slater Walker between 1972 and 1976.

City International Insurance Company Limited

City International Insurance Company Limited ("**City**") is also including its non-Pools Business within the Scheme, namely all Liabilities arising under or in connection with any reinsurance or contract of insurance or reinsurance underwritten by City including, without limitation, in respect of its own non-marine reinsurance business during the years 1985 to 1992. Classes of business underwritten included facultative property, facultative liability,

miscellaneous facultative business, proportional reinsurance property, proportional PA/KR, proportional property, bloodstock, non-proportional liability and non-proportional property. Since April 1996, the run off of this account has been managed by Capita Commercial Insurance Services Limited (formerly Claims Management Group Limited). This non-pools business amounts to less than 4 per cent of this company's overall underwriting liabilities.

The Insurance Corporation of Singapore (U.K.) Limited

Provision was made in the Existing ICS Scheme for Oberon Pool Claims to be submitted to St Paul R

liability or obligation whatsoever to make payment in respect of those claims.

5. **Commutations**

The Scheme Companies have entered into commutations with creditors in the ordinary course of business, and continue to do so. Except in relation to EAIC, ICS or Home, any Liability arising under such an agreement is expected to be settled prior to the Effective Date and to the extent that it is discharged such a Liability will not be included in the Scheme.

SCHEDULE 2

DRAFT NOTICE OF MEETING

IN THE HIGH COURT OF JUSTICE (IN ENGLAND AND WALES)
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTERS OF

ENGLISH & AMERICAN INSURANCE COMPANY LIMITED

AND

THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED

AND

THE BALOISE INSURANCE COMPANY LIMITED
CITY INTERNATIONAL INSURANCE COMPANY LIMITED
DOWA INSURANCE COMPANY (EUROPE) LIMITED
EAST WEST INSURANCE COMPANY LIMITED
FUJI INTERNATIONAL INSURANCE COMPANY LIMITED
HISCOX INSURANCE COMPANY LIMITED
THE HOME INSURANCE COMPANY (IN LIQUIDATION)
KX REINSURANCE COMPANY LIMITED
METROPOLITAN REINSURANCE COMPANY (U.K.) LIMITED
MOORGATE INSURANCE COMPANY LIMITED
NIPPON INSURANCE COMPANY OF EUROPE LIMITED
POLYGON INSURANCE COMPANY LIMITED
SWISS RE INTERNATIONAL SE, UK BRANCH
TOWER INSURANCE LIMITED

AND IN THE MATTER OF THE COMPANIES ACT 2006

PROPOSED SCHEMES OF ARRANGEMENT

NOTICE IS HEREBY GIVEN that, by an order dated [•] December 2009 made in the above matters, the High Court of Justice of England and Wales has directed that meetings ("**Meetings**") be convened of the Scheme Creditors (as defined in the proposed scheme of arrangement referred to below) of the above companies (the "**Scheme Companies**") a (English time), on 30 April 2010, at Plaisterers' Hall, 1 London Wall, London EC2Y 5JU, United Kingdom, for the purpose of considering, and if thought fit, approving (with or without modification) schemes of arrangement pursuant to Part 26 of the Companies Act 2006 proposed to be made between the Scheme Companies and their Scheme Creditors (t).

All Scheme Creditors are requested to attend the relevant Meetings either in person or by proxy.

Copies of the proposed Scheme and the explanatory statement required to be provided pursuant to Section 897 of the Companies Act 2006 (t **lanatory Statement**") can be downloaded from the website at www.englishandamericanpools.com (the "**Website**"). A sample version of the voting and proxy form for use at

the Meetings (the "**Voting Form**") can be found at Schedule 8 to the Explanatory Statement. Voting Forms can be completed either on the Website or in paper form.

Scheme Creditors should contact the Scheme Manager, PRO Insurance Solutions Limited, Bruton Court, Bruton Way, Gloucester GL1 1DA, United Kingdom ("**PRO**") to obtain a username and password in order to access their Voting Form on the Website, or to request a paper copy of the Voting Form. Paper copies of the Scheme and Explanatory Statement can also be obtained on request from PRO. PRO's contact details are as follows:

E-mail: **Pro_eauapools@pro-ltd.co.uk**
Fax: **+44 (0)1452 523 437**
Phone: **+44 (0)1452 330 514**

Scheme Creditors are strongly encouraged to enter their details directly on to Voting forms on the Website.

Scheme Creditors are requested to return their completed and signed Voting Forms together with supporting information to PRO by post, fax or e-mail a ls, marked for the attention of Toby Wooldridge to be received by 11am (English time) on 30 April 2010. Failure to submit your Voting Form by this deadline could result in your vote being excluded. Faxed or e-mailed forms will not be accepted unless legible. In any event, Scheme Creditors must return the original signed Voting Form and any supporting information to PRO, marked for the attention of Toby Wooldridge to be received no later than 7 days after the Meetings.

Scheme Creditors who wish to attend the Meetings in person or by proxy must hand their Voting Form in at the registration desk prior to the Meetings.

If approved by the requisite majority of Scheme Creditors, the Scheme will be subject to the subsequent approval of the Court.

For further information in this regard, please contact PRO.

DATED THIS [•] 2009

SCHEDULE 3

MEMBERS OF EAIC CREDITORS' COMMITTEE

Member	Represented by
Fireman's Fund Insurance Company	R Mehta
The Dow Chemical Company	G Smith
Anderson Kill & Olick	R M Keenan
International Policyholders Association, Inc.	B M Orr
Equitas Limited	R Williams
EAUA Pool Participants	M McKenzie
Financial Services Compensation Scheme	H McMahon
Sheppard Mullin Richter and Hampton LLP, on behalf of various US Policyholders	M Katz

SCHEDULE 4

STATEMENT OF SCHEME COMPANIES' DIRECTORS' MATERIAL INTERESTS

None of the directors of the Scheme Companies have any material interest which will or may be affected by the Scheme except for those Scheme Companies listed below.

Director	Scheme Company	Material Interest
	City International Insurance Company Limited	*
Mr Siak Fah Leow	East West Insurance Company Limited	The director holds 1,042,480 ordinary shares and 603,000 junior preference shares in the parent company, East West Insurance Company Limited.
Stuart Bridges Paul Cooper Gary Head Robert Hiscox Steve Langan Bronek Masojada Nick Thomson	Hiscox Insurance Company Limited	The directors listed below hold the following amount of ordinary shares in the parent company, Hiscox Limited: Robert Hiscox - 3,984,498 shares Bronek Masojada - 762,620 shares Stuart Bridges - 152,721 shares Nick Thomson - 3,161,701 shares In addition, the seven executive directors also each have share options in the ordinary shares of the parent company, Hiscox Limited.
Edwin Tan	The Insurance Corporation of Singapore (U.K.) Limited	The director has options to subscribe for ordinary shares in the holding company, DBS Group Holdings Ltd.
Mr Kenji Miyahira Mr Isamu Okubo Mr Tatsuya Otake	Nippon Insurance Company of Europe Limited	Mr Isamu Okubo, Mr Kenji Miyahira and Mr Tatsuya Otake hold minority shareholdings in the ultimate parent company, Nipponkoa Insurance Company Limited.
Martin Belcher Richard Tee Jan Jonker Richard Babbe Jennifer Strachan	Polygon Insurance Company Limited	Directors hold minority shareholding in holding companies which in turn own shares in Polygon Insurance Company Limited's ultimate parent company.
Robin Flannagan Steven Boomert James Douglas Eric O'Sullivan	Tower Insurance Limited	Each director has a minority shareholding in the ultimate parent company of Tower Insurance Limited, Tower Limited. In addition, Robin Flannagan is Managing Director of Tower Limited, Eric O'Sullivan is the Group CFO of Tower Limited and

Director	Scheme Company	Material Interest
		Steven Boomert is the CEO of Tower Health & Life Limited, a fellow subsidiary of Tower Limited.

* Ian Watson (a former director of City International Insurance Company Limited ("**City**") is negotiating to acquire a minority shareholding in the shares of the parent company of City. Mr Watson is likely to be re-appointed as a director of City upon completion of that acquisition. In the event that this occurs, Mr Watson will have the following interests in City (apart from his shareholding):

- Mr Watson is a significant investor in a company which expects to enter into a market priced agreement for the provision of administrative and management services to City; and
- He may receive a benefit in the form of an incentive payment above the fee for his services, which would be tied to the internal rate of return ultimately realised - by sale or following liquidation, on the shareholders' investment in City.

These arrangements are not contingent on the implementation or operation of the Scheme itself but rela ltimate value of City; this value may be enhanced or reduced by a Scheme should it become effective.

SCHEDULE 5

EXPLANATION OF RELIEF UNDER SECTION 304 AND CHAPTER 15 OF THE US BANKRUPTCY CODE

Each Scheme Company (other than EAIC, ICS and Home) will apply for recognition of its Scheme and additional relief from the US Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") under Chapter 15 of the US Bankruptcy Code (the "Code"). Chapter 15 incorporates the Model Law on Cross Border Insolvency promulgated by the United Nations Commission on International Trade Law. Chapter 15 replaces section 304 of the Code and applies to all ancillary cases filed on or after 17 October 2005.

EAIC is already a debtor in an ancillary proceeding in the US. On 10 June 1993, the Provisional Liquidators of EAIC commenced an ancillary proceeding under section 304 of the Code in the Bankruptcy Court. By order dated 31 January 1995 (the "**Initial Permanent Injunction Order**"), the Bankruptcy Court granted recognition to EAIC's original scheme of arrangement in the United States. By order dated 26 July 2000 (t), the Bankruptcy Court amended the Initial Permanent Injunction Order to grant recognition in the United States to the Existing EAIC Scheme, which amended and restated EAIC's original scheme of arrangement. The EAIC Permanent Injunction Order remains in full force and effect. In order to ensure that all Scheme Creditors of EAIC are bound to the terms of its Scheme, EAIC will request that the EAIC Permanent Injunction Order be modified to grant recognition of EAIC's Scheme. Such application will be made in EAIC's section 304 proceeding.

ICS is also a debtor in an ancillary proceeding in the US, the Bankruptcy Court having granted a preliminary injunction order dated 30 November 2001, which was amended by a further order dated 10 December 2001 (together the "**ICS Preliminary Injunction Order**"). The Existing ICS Scheme was recognised and given effect in the United States by an amendment to the ICS Preliminary Injunction Order made by the Bankruptcy Court dated 13 February 2002 (the "**ICS Permanent Injunction Order**"). The ICS Permanent Injunction Order remains in full force and effect. If the Scheme becomes effective in respect of ICS, ICS intends to make an application in its section 304 proceeding that the ICS Permanent Injunction Order is modified to grant recognition to the Scheme.

Each of the Scheme Companies (other than EAIC, ICS and Home) will file a petition under Chapter 15 seeking an order for recognition in the US of the related Scheme and certain injunctive relief. In addition, EAIC will seek modification of the EAIC Permanent Injunction Order and ICS will seek modification of the EAIC Permanent Injunction Order in each case for recognition in the US of the related Scheme and certain injunctive relief consistent with the injunctive relief sought by the Scheme Companies that will file chapter 15 petitions. To supplement the automatic relief available in respect of certain Scheme Companies and to ensure that the relief granted to all the Scheme Companies is substantially similar, each Scheme Company - whether in the context of a chapter 15 petition or in the context of an application to modify its existing section 304 permanent injunction - will seek, among other things, an order (**'the Order'**) giving the following relief, namely that:

1. its Scheme (including any amendments or modifications of that Scheme) be recognised and given full force and effect and be binding on and enforceable against all Scheme Creditors in the United States;

2. all of its Scheme Creditors be permanently enjoined and restrained from:

2.1 seizing, repossessing, transferring, relinquishing or disposing of any property of the Scheme Company or the proceeds of such property, to third parties, that is not in compliance with its Scheme;

2.2 commencing or continuing Proceedings against the Scheme Company or any of its property that is involved in the foreign proceedings, or the proceeds thereof, and seeking discovery of any nature against the Scheme Company that is not in compliance with its Scheme;

2.3 enforcing any judicial, quasi judicial, administrative or regulatory judgment, assessment or order or arbitration award and commencing or continuing any act or any Proceeding to create, perfect or enforce any lien, set off, attachment, garnishment or other claim against the Scheme Company or any of its property or any proceeds thereof, including, without limitation, rights under reinsurance or retrocession contracts;

2.4 invoking, enforcing or relying on the benefits of any statute, rule or requirement of federal, state or local law or regulation requiring the Scheme Company to establish or post security in the form of a bond, letter of credit or otherwise as a condition of prosecuting or defending any Proceeding and such statute, rule or requirement will be rendered null and void for Proceedings; **provided, however, that** nothing in the Order shall in any respect affect any security in existence at the Effective Date, or the Existing EAIC Scheme Date (in the case of EAIC), or the replacements for such security; and

2.5 withdrawing from, setting off against, or otherwise applying property that is the subject of any trust or escrow agreement, letter of credit or similar agreement in which the Scheme Company has an interest in excess of amounts expressly authorised by the terms of the trust, escrow, letter of credit or similar agreement.

3. all persons and entities in possession, custody or control of property of the Scheme Company or the proceeds thereof, are required to turn over and account for such property or proceeds to the Scheme Company or the Scheme Manager;

4. nothing in the Order would prevent the continuance or commencement of Proceedings against any person, entity or other insurer other than the Scheme Company, **provided, however, that** if any third party shall reach a settlement with, or obtain a judgment against, any person or entity other than the Scheme Company, such settlement or judgment shall not be binding on or enforceable against the Scheme Company or its property, or any proceeds thereof;

5. pursuant to Rule 7065 of the US Bankruptcy Rules, the security provisions of Rule 65(c) of the Federal Rules of Civil Procedure be waived;

6. the Bankruptcy Court would retain jurisdiction with respect to the enforcement, amendment, or modification of the Order or requests for any additional relief in the ancillary proceeding or cases filed under section 304 or chapter 15 of the Code and all adversary proceedings in connection therewith properly commenced and within the jurisdiction of the Bankruptcy Court;

7. the High Court of Justice of England and Wales has exclusive jurisdiction to hear and determine any suit, action, claim or proceeding and to settle any dispute which may arise out of

the construction or interpretation of the Scheme, or out of any action taken or omitted to be taken by any of the Scheme Parties in connection with the administration of the Scheme; provided, however, that in relation to the determination of Scheme Claims nothing in the Order affects the validity of provisions determining governing law and jurisdiction, whether contained in any contract between a Scheme Company and any of its Scheme Creditors or otherwise;

8. no action taken by the Scheme Company, the Scheme Manager, the EAIC Scheme Administrators, the ICS Scheme Administrators, or their respective successors, directors, officers, agents, employees, representatives, advisers or attorneys, or any of them, in preparing, disseminating, applying for, implementing or otherwise acting in furtherance of the Scheme, any further order for additional relief in the ancillary proceedings or cases filed under section 304 or chapter 15 of the Code, or any adversary proceedings in connection therewith as the Code may make, will be deemed to constitute a waiver of the immunity afforded to the Scheme Company, the Scheme Manager, the EAIC Scheme Administrators, the ICS Scheme Administrators, or their respective successors, directors, officers, agents, employees, representatives, advisers or attorneys, pursuant to section 306 or section 1510, as applicable, of the Code;

9. all persons be permanently enjoined and restrained from commencing or continuing any Proceeding against the Scheme Company, the Scheme Actuary, the Scheme Adjudicator, the Scheme Manager, the EAIC Scheme Administrators, the ICS Scheme Administrators, the Provisional Liquidators (in the case of EAIC and ICS), the members of the informal creditors' committee (in the case of EAIC and ICS), the EAIC Creditors' Committee, the ICS Creditors' Committee or any of their respective successors, directors, officers, agents, employees, representatives, advisers or attorneys (the "**Pre Scheme Parties**"), with respect to any claim or cause of action, in law or in equity, arising out of or relating to any action taken or omitted to be taken as of the Effective Date by any of the Pre Scheme Parties in connection with the section 304 or chapter 15 cases or in preparing, disseminating, applying for or implementing the Existing EAIC Scheme, the Existing ICS Scheme, the Permanent Injunction Order, the Scheme or the Order;

10. except as otherwise provided in the Scheme, all persons be permanently enjoined and restrained from commencing or continuing any Proceeding against the Scheme Company, the EAIC Scheme Administrators, the ICS Scheme Administrators, the Scheme Manager, the Scheme Actuary, the Scheme Adjudicator, the members of the EAIC Creditors' Committee, the members of the ICS Creditors' Committee or any of their respective directors, officers, agents, employees, representatives, financial advisers or attorneys (the "**Scheme Parties**"), or any of them, with respect to any claim or cause of action, in law or in equity, which may arise out of the construction or interpretation of the Scheme or out of any action taken or omitted to be taken by any of the Scheme Parties in connection with the administration of the Scheme, the Existing EAIC Scheme or the Existing ICS Scheme;

11. all persons that are beneficiaries of letters of credit established by, on behalf of, or at the request of a Scheme Company, or parties to any trust or escrow agreement or similar arrangement in which the Scheme Company has an interest, shall be required to:

11.1 provide notice to the Scheme Company and the Scheme Manager, the ICS Scheme Administrators or the EAIC Scheme Administrators (as appropriate) and their US Counsel of any drawdown on any letter of credit established by, on behalf of, or at the request of, the Scheme Company, or any withdrawal from, set off against, or other application of property that is the subject of any escrow or trust agreement or similar arrangement in which the Scheme Company has an interest, together with information sufficient to permit the Scheme Company and the Scheme Manager or the EAIC Scheme Administrators, ICS Scheme Administrators or Home Liquidator (as appropriate) to assess the propriety of such action, including, without limitation, the date and amount of such drawdown, withdrawal, set off or other application and a copy of any agreement pursuant to which such drawdown, withdrawal, set off or other application was made and provide such notice and other information contemporaneously therewith; **provided however**, no drawing against any letter of credit or withdrawal from any escrow, trust or similar arrangement shall be made in connection with any commutation unless the amount of such drawing has been agreed in writing with the Scheme Company and the Scheme Manager or the EAIC Scheme Administrators or the ICS Scheme Administrators (as appropriate); and

11.2 turn over, and provide an accounting thereof, to the Scheme Company and the Scheme Manager or the EAIC Scheme Administrators or ICS Scheme Administrators (as appropriate), all funds resulting from the drawdown of any letter of credit or the application of funds subject to any trust, escrow or similar arrangement in excess of the amount expressly authorised by the terms of the contract, trust or other agreement pursuant to which such letter of credit, trust, escrow or similar arrangement was established;

12. the Scheme Company, the Scheme Manager the EAIC Scheme Administrators and the ICS Scheme Administrators be authorised to transfer to the foreign proceedings for distribution pursuant to the Scheme any monies or assets of the Scheme Company which the Scheme Company, the Scheme Manager, the EAIC Scheme Administrators and the ICS Scheme Administrators have or may hereafter recover;

13. all persons that have a claim of any nature or source against a Scheme Company and who are parties to any Proceeding in which such Scheme Company is or was a party or in which such liability of a Scheme Company may be established, shall be required to place the Scheme Company and the Scheme Manager, the EAIC Scheme Administrators and the ICS Scheme Administrators (as appropriate) and their US counsel on the master service list of any such Proceeding and to take such other steps as may be necessary to ensure that such counsel receives:

13.1 copies of all documents served by the parties to such Proceeding or issued by the court, arbitrator, administrator, regulator or other official having jurisdiction over such Proceeding; and

13.2 any and all correspondence or other documents circulated to parties on any service list of such Proceeding;

14. notice of entry of the Order be given:

14.1 by publication on the Website; and

14.2 otherwise as directed by the Bankruptcy Court;

15. EAIC and ICS will also request the Bankruptcy Court to provide that, except as amended or modified by the relief described above, the EAIC and ICS Permanent Injunction Orders continue in full force and effect with respect to the Existing EAIC Scheme and the Existing ICS Scheme, as amended by the Scheme.

SCHEDULE 6

DOCUMENTS AVAILABLE FOR INSPECTION

1. The document of which this Schedule forms part including the Explanatory Statement and the Scheme.

2. Order of the Court convening the Meetings.

3. Letters from the EAIC Creditors' Committee supporting the amendment to the Existing EAIC Scheme.

4. Letter from the FSCS agreeing to undertake to be bound by the EAIC Scheme upon it becoming effective.

5. The report dated 10 November 2008 of the EAIC Scheme Administrators to EAIC's creditors.

6. The Existing EAIC Scheme.

7. Consents to act from the independent Chairman, Scheme Manager, Scheme Actuary and Scheme Adjudicator.

8. Curricula vitae for the independent Chairman, Scheme Manager, Scheme Actuary and Scheme Adjudicator.

9. The latest audited accounts of each of the Scheme Companies.

10. The Existing ICS Scheme.

11. Letters from the ICS Creditors' Committee supporting the amendment to the Existing ICS Scheme.

12. Letter from the FSCS agreeing to undertake to be bound by the ICS Scheme upon it becoming effective.

Copies of the above documents will be available for inspection by Scheme Creditors after the date hereof until the closure of the Meetings in London at the offices of Clifford Chance LLP at 10 Upper Bank Street, London, E14 5JJ and in New York at the offices of Allen & Overy LLP, 1221 Avenue of the Americas, New York, NY 10020, United States of America, during ordinary business hours on weekdays (excluding public holidays).

SCHEDULE 7

FSCS MEMORANDUM

Summary of the Policyholders Protection Act 1975 and the FSCS

Preliminary

1. This memorandum contains a summary of certain provisions of the Policyholders Protection Act and the role of the FSCS. It is not an exhaustive guide to all the provisions of the Policyholders Protection Act which may be relevant to establishing whether, and if so, to what extent a Scheme Creditor is eligible for protection or assistance from the FSCS under the Scheme. Certain expressions used herein are defined in the Scheme on pages 121 to 143 of this document.

2. **Any Scheme Creditor who is in any doubt as to his own position should take his own legal advice.**

3. **If the Scheme is not approved by Scheme Creditors and sanctioned by the Court, the Existing EAIC Scheme will continue unaffected.**

The Applicable Provisions

4. At midnight on 30 November 2001, the Policyholders Protection Act was repealed by the Financial Services and Markets Act 2000 (Consequential Amendments and Repeals) Order 2001. Protection under the Policyholders Protection Act is provided in relation to certain of EAIC's liabilities under the Existing EAIC Scheme and the Scheme will preserve that position. The application of the Policyholders Protection Act will continue under the Scheme. The Policyholders Protection Board's functions in relation to EAIC and its policies under the Policyholders Protection Act and the Existing EAIC Scheme have been transferred to the FSCS.

5. The FSCS has further obligations as a result of the Financial Services and Markets Act 2000 (Transitional Provisions, Repeals and Savings) (Financial Services Compensation Scheme) Order 2001 (2001 No 2967). The order extends protection to individuals with claims in respect of employers' liability policies which would have given rise to compensation payments under the Policyholders Protection Act if they had been underwritten after the Employers' Liability (Compulsory Insurance) Act 1969 came into force.

FSCS

6. The FSCS is a company limited by guarantee established by the FSA in accordance with Section 212 of FSMA. The FSCS exercises the functions previously carried on by the Policyholders Protection Board. The assets and liabilities of the Policyholders Protection Board have been transferred to the FSCS, which further finances its functions by means of levies on authorised insurers.

Payment Obligations: the Policyholders Protection Act

7. The FSCS's obligations under the Scheme will continue to be determined principally by reference to its duties under the Policyholders Protection Act which, in the event of the liquidation of EAIC on the Record Date (on 28 October 1994) to which the Policyholders Protection Act would have applied, it would have owed certain of EAIC's policyholders or security holders in respect of policies issued or securities given by EAIC. There are two categories of liabilities of EAIC towards such policyholders or security holders which would qualify for protection under the Policyholders Protection Act:

   (a) those where the liability may be protected as to 100 per cent. of its amount; and

   (b) those where the liability may be protected as to 90 per cent. of its amount.

8. **It should be noted that the duties of the FSCS in a liquidation (and hence its obligations under the Scheme) are subject to a number of important qualifications. Furthermore, the existence of any duty of the FSCS in any particular case depends upon the relevant conditions of the Policyholders Protection Act being satisfied.**

100 per cent. Protection

9. Subject to the relevant provisions of the Policyholders Protection Act, in a liquidation to which the Policyholders Protection Act applies and, therefore, in the Existing EAIC Scheme (and the amending Scheme should it take effect), it is the duty of the FSCS to secure that a sum equal to the full amount of any "liability subject to compulsory insurance" of a company in liquidation towards any policyholder (who need not be for these purposes a "private policyholder") or security holder under the terms of any policy or security which satisfies the requirements of specified enactments is paid to the policyholder or security holder as soon as reasonably practicable after the beginning of the liquidation. For such purposes, as well as for the purposes of the 90 per cent. protection referred to below, a policy must have been a policy of insurance which was a "United Kingdom policy" at the time when the liquidation of the company began.

10. "A liability subject to compulsory insurance" is a liability required under specified enactments to be covered by insurance (or by some other provision for ensuring its discharge). The specified enactments are Section 1(4)(d) of the Riding Establishments Act 1964, Section 1 of the Employers' Liability (Compulsory insurance) Act 1969, Part VI of the Road Traffic Act 1988, and the equivalent provisions applicable to Northern Ireland. Policies evidencing contracts of insurance effected for the purpose of Section 19 of the Nuclear Installations Act 1965 are also covered.

11. Where a claim of a private policyholder relates to a liability under a policy of one of the types specified above which is not a liability subject to compulsory insurance it is only eligible for 90 per cent. protection. This 90 per cent. protection is discussed below.

12. The FSCS also has a duty, in a liquidation to which the Policyholders Protection Act applies, (and accordingly, the Scheme should it become effective) subject to the relevant provisions of the Policyholders Protection Act, to secure that a sum equal to the full amount of liability of a company in liquidation in respect of a sum payable to a person entitled to the benefit of a

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judgment under certain legislation (Section 149 of the Road Traffic Act 1972) or Section 151 of the Road Traffic Act 1988 or the equivalent provisions in force in Northern Ireland) is paid to that person as soon as reasonably practicable after the beginning of the liquidation.

90 per cent. Protection

13. The 90 per cent. protection is available only in respect of the liabilities of a company in liquidation towards "private policyholders". Subject to the relevant provisions of the Policyholders Protection Act, in a liquidation to which the Policyholders Protection Act applies, it is the duty of the FSCS to secure that a sum equal to 90 per cent. of the amount of the liability of an authorised insurance company in liquidation towards a "private policyholder" under the terms of the relevant policy is paid to the policyholder as soon as is reasonably practicable after the beginning of the liquidation.

14. A liability will not qualify for the 90 per cent. protection unless the relevant policy is a "general policy", or unless the policy is one of the types described in relation to the 100 per cent. protection above. A "general policy" means any policy evidencing a contract the effecting of which constituted the carrying on of general business within the meaning of the Insurance Companies Act 1982, with the exception of reinsurance and certain specified classes of business. The categories of "general business" which are relevant for the 90 per cent. protection are accident, sickness, land vehicles, railway rolling stock, fire and natural forces, damage to property, motor vehicle liability, general liability, credit, suretyship, miscellaneous financial loss and legal expenses.

Interpretation

15. The Policyholders Protection Act contains, or incorporates by reference, definitions of some of the more significant words and expressions mentioned above. Three definitions particularly relevant to the Scheme are set out below.

United Kingdom Policy

16. The policy in question must have been a "United Kingdom policy" within the meaning of Section 4(2) of the Policyholders Protection Act at the relevant time. A policy of insurance is a United Kingdom policy if, had any of the obligations under the contract evidenced by the policy been performed at the relevant time, such performance would have formed part of an insurance business which the insurer was authorised to carry on in the United Kingdom, whether or not such obligations would have been performed in the United Kingdom.

Policyholder

17. A claimant must be a "policyholder". A policyholder is the person who, for the time being, is the legal holder of the policy for securing the contract with the insurance company and includes a person to whom, under a policy, a sum is due or a periodic payment is payable.

Private Policyholder

18. The 90 per cent. protection described above is only available to policyholders who are "private policyholders".

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A "private policyholder" means a policyholder who is either an individual or a partnership or other unincorporated body of persons, all of whom are individuals.

Consequently, a body corporate cannot be a private policyholder. Furthermore, it has been established by the English Courts that:

(a) a professional corporation is not an individual and cannot be a private policyholder;

(b) no partnership, one or more of whose partners is a professional corporation, can be a private policyholder, nor can any individual in his capacity as a partner in such partnership; and

(c) being in partnership with a professional corporation does not disqualify an individual from being a private policyholder if he contracts with the insurance company in a capacity other than as a partner.

Basis of Preparation

19. The FSCS will consent to the amendment of the Existing EAIC Scheme by the Scheme and will continue to participate in the Scheme pursuant to its discretionary powers under Section 16(4) of the Policyholders Protection Act to take such measures as it considers appropriate, for the purposes of assisting policyholders of a company in financial difficulties, to enable the company to continue to carry on insurance business. The FSCS has the power to make payments pursuant to Section 16(4) of the Policyholders Protection Act on such terms and on such conditions as it thinks fit.

Assignments

20. Any duty of the FSCS to assist a policyholder of a company in liquidation by the measures described in the preceding paragraph is subject to compliance on the part of the policyholder with any conditions imposed by the FSCS with respect to the total or partial assignment to the FSCS of his rights under or in respect of the policy and certain other rights.

21. As is the case in the Existing EAIC Scheme, the Scheme contains provisions by which all rights which a Protected Policyholder has in respect of or conjunction with an Agreed Protected Claim or a Protected Scheme Claim which subsequently matures into an Agreed Protected Claim in relation to which payment has been made by the FSCS (pursuant to the Scheme) are automatically and absolutely assigned to the FSCS with effect from payment being made. Alternatively, or in addition, the FSCS may require a separate assignment to it of such rights in advance and as a condition of it making payment. The right to require a separate assignment will also apply as will the other provisions of the Scheme in the event that the Scheme is completed and EAIC goes into liquidation.

Other Relevant Provisions

Section 16

22. To receive protection from the FSCS under the Scheme, and to qualify as a "Protected Policyholder" for the purposes of the Scheme, a Scheme Creditor must, in addition to

satisfying the other specified eligibility criteria, meet the requirements of Section 16(9) of the Policyholders Protection Act.

23. Accordingly, a Scheme Creditor must be a policyholder in respect of a general policy of EAIC which was a United Kingdom policy on 19 March 1993, being the date when the Winding-up Petition was presented.

General

24. The obligations of the FSCS to Protected Policyholders under the Scheme will continue to be expressly made subject to the same conditions, limitations, qualifications and other provisions contained or referred to in, or capable of being imposed under specified sections of the Policyholders Protection Act. Some potentially significant aspects of the provisions are summarised below.

Duplication of Liability

25. Section 9(1) of the Policyholders Protection Act provides that the FSCS shall not, by virtue of any provision of Sections 6 to 8 of the Policyholders Protection Act, be required to secure any sum for a policyholder in respect of a policy of a company in liquidation which was a United Kingdom policy at the beginning of the liquidation by reference to any liability (or any part of any liability) which is duplicated by the liability of any other authorised insurance company which is not a company in liquidation.

26. By virtue of Section 9(2) of the Policyholders Protection Act, a liability of a company towards a policyholder is duplicated by the liability of another company for such purposes in so far as that other company is also under a liability, under the terms of any general policy which was a United Kingdom policy at the beginning of the first mentioned company's liquidation, to make any payment to or on behalf of the policyholder in respect of the matter to which the liability of the first mentioned company relates.

Payments to a person other than the Policyholder

27. Under Section 13(1) of the Policyholders Protection Act, where it appears to the FSCS, in the case of any policy of a company in liquidation:

    (a) that payment in respect of any sums falling due under the policy could have been made in accordance with the policy to a person other than the policyholder;

    (b) that any sums paid under the policy would have been subject to any trust, charge or other agreement binding on the policyholder.

    The FSCS may secure the payment of any sum payable to the policyholder in accordance with any of the provisions of Sections 6 to 8 of the Policyholders Protection Act (in whole or in part) to that other persons or (as the case may be) to the person appearing to the FSCS to be entitled under the trust, charge or agreement in question, instead of to the policyholder.

28. Any payment made by virtue of the provisions of Section 13(1) of the Policyholders Protection Act to a person other than the policyholder is treated as a payment to the policyholder and may be made on such conditions (with respect to the total or partial assignment to the FSCS of any

rights of the recipient against the policyholder or any other person, or otherwise) as the FSCS thinks fit.

Payments to the Policyholder by Third Parties

29. Section 14(1) of the Policyholders Protection Act provides that any payment made by any person other than the FSCS (such as an insurance broker or other intermediary or a guarantee fund) to the policyholder, or to any other person, being a payment referable to any such liability of a company in liquidation as is mentioned in Sections 6, 7 or 8 of the Policyholders Protection Act, is to be treated as reducing any sum payable by the FSCS to the policyholder in accordance with any provision of those sections, by reference to that liability.

SAMPLE

SCHEDULE 8

SPECIMEN VOTING FORM

ENGLISH AND AMERICAN POOLS SCHEME

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

IN THE HIGH COURT OF JUSTICE
Chancery Division
Companies Court
Claim No.s 21232-33, 21237, 21242, 21247, 21251, 21253, 21255, 21257-59, 21261-64 and 21266 of 2009

IN THE MATTERS OF

ENGLISH & AMERICAN INSURANCE COMPANY LIMITED
THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED
THE BALOISE INSURANCE COMPANY LIMITED
CITY INTERNATIONAL INSURANCE COMPANY LIMITED
DOWA INSURANCE COMPANY (EUROPE) LIMITED
EAST WEST INSURANCE COMPANY LIMITED
FUJI INTERNATIONAL INSURANCE COMPANY LIMITED
HISCOX INSURANCE COMPANY LIMITED
THE HOME INSURANCE COMPANY (IN LIQUIDATION)
KX REINSURANCE COMPANY LIMITED
METROPOLITAN REINSURANCE COMPANY (U.K.) LIMITED
MOORGATE INSURANCE COMPANY LIMITED
NIPPON INSURANCE COMPANY OF EUROPE LIMITED
POLYGON INSURANCE COMPANY LIMITED
SWISS RE INTERNATIONAL SE, UK BRANCH
TOWER INSURANCE LIMITED

AND IN THE MATTER OF THE COMPANIES ACT 2006

VOTING FORM AND PROXY FORM

To be used by Scheme Creditors, (as that term is defined in the Scheme Document), at the Scheme Meeting(s) of the Scheme Companies to be held on 30 April 2010 at Plaisterers' Hall, One London Wall, London, EC2Y 5JU, United Kingdom at the times mentioned in the accompanying notice summoning the Scheme Meeting(s), a copy of which is included at Schedule 2 to the Explanatory Statement.

If you select to vote via the 'Chairman' your signed voting documents and supporting documentation must be sent marked c/o Mr. T. Wooldridge, EAUA Pools Scheme Vote, to be received by 11am (UK time) on the day of the Scheme Meeting(s) or handed in at the meeting(s).

If you nominate a representative to attend the Scheme Meeting(s) on your behalf please sign and provide the voting documents to the relevant nominee to bring to the Scheme Meeting(s).

If your nominated representative fails to attend the Scheme Meeting(s) and cast your vote, your vote WILL NOT be included.

The admission of a claim for voting purposes does not constitute an admission of the existence or amount of any Liability of a Scheme Company and will not bind the Scheme Company or Scheme Creditors. Estimates of claims - whether by Scheme Creditors or by the Chairman of the Scheme Meeting(s) - will be used for voting purposes only (unless the Scheme Creditor has ticked the Claim Form Election box in Section A of the voting form).

SAMPLE

FORM OF PROXY

SECTION A:

(1) **I / We…….....……(the name of the Scheme Creditor)**
of……....(the address of the Scheme Creditor)

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

(2) **Will/Will not** be attending the Scheme Meeting(s) (delete as applicable)

If you are not attending the Scheme Meeting(s), but still wish to cast your vote, then you must appoint a proxy holder to attend and vote on your behalf:

(3) **I/We HEREBY APPOINT** (delete as applicable)

Either:

(a) the Chairman of the Scheme Meeting(s) or

(b) ……..……
……

as my/our proxy holder to act for me/us at such of the Scheme Meeting(s) as I am/we are entitled to attend for the purpose of considering and, if thought appropriate, agreeing (with or without modification) to the Scheme (referred to in the notice summoning the Scheme Meeting(s)) and at such Scheme Meeting(s), or any adjournment thereof, to vote on my/our behalf and in my/our name for or against the Schemes (with or without modification), or as my/our proxy holder may elect as hereinafter indicated in Section B Part 1(All Scheme Companies and Classes combined) or Section B Part 2 (Individual Scheme Companies and Classes)

and do hereby submit the attached Voting Forms and supporting information for the purposes of voting in the proposed Schemes of Arrangement for the English and American Pools.

If you are the duly authorised representative, agent or attorney of the Scheme Creditor or a number of Scheme Creditors, enter the capacity in which you have signed the form (for example director, partner or agent and/or attorney) below. 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: (4) Authorised Employee / Agent / Attorney / Other (please specify)

(5) **CLAIM Form election procedure** You can elect to incorporate into your Claim Form the Claims information and supporting documentation which you have included in this Voting Form by placing a "✓" in the following box:	

By placing a tick in the "Claim Form Election" box above, you are electing to incorporate into your Claim Form the claims information that you are including in your Voting Form. If you do place a tick in the box, it is important that you provide full details of your Scheme Claims with the attached Voting Form (together with any relevant supporting information). This does not necessarily mean that your submitted values will be the final agreed Scheme Claim value.

Placing a tick in the box does not remove your right to change your claims submission value prior to the Bar Date.

If you do NOT place a tick in the "Claim Form Election" box above the claims information you have included on this form will not be automatically incorporated into your Claim Form. This means that you will have to re-submit the information in a Claim Form prior to Bar Date.

Now please complete Section B – Voting Direction

SECTION B: **VOTING DIRECTION**

SCHEME CREDITOR _____ Scheme Company

Reg Ref: _____

Please complete either Part 1 'All Scheme Companies and Classes Combined' or Part 2 'Individual Scheme Company and Individual Class' for all business other than Relevant UK Employer's Liability Business (as defined in the 'General Instructions for the Completion of the Voting Forms'). If you believe you have Relevant UK Employer's Liability Business enter this information on Section E.

(6) PART 1: ALL SCHEME COMPANIES AND CLASSES COMBINED

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 Proxy holder a discretion to vote for or against (or to abstain) a (s) 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 Proxy holder, or this form of proxy will not operate as a valid appointment of your proxy at the Scheme Meeting(s).

(7) FOR all the Schemes (including EAIC, ICS & Home)	**(8) AGAINST** all the Schemes (including EAIC, ICS & Home)	**(9) ABSTENTION**	**(10) PROXYHOLDER'S DISCRETION** (where the Proxy holder is not the Chairman)
☐	☐	☐	☐

If you have completed Section B Part 1, please complete Section C.

(11) PART 2: INDIVIDUAL SCHEME COMPANY AND INDIVIDUAL CLASS

Please enter a tick [✓] in the column for each Scheme Company and class to indicate whether you are voting FOR the Scheme, AGAINST the Scheme, ABSTAINING from the vote or at the PROXYHOLDER'S DISCRETION.
N/A indicates no involvement for the Scheme vote.

SCHEME COMPANY AND CLASS	(7) FOR THE SCHEME	(8) AGAINST THE SCHEME	(9) ABSTENTION	(10) PROXYHOLDER'S DISCRETION (where the Proxy holder is not the Chairman)
1. E ISH & AMERICAN INSURANCE COMPANY LIMITED				
2. THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED 2.1 'General Creditors' and 'E&A Pool Creditors'				
2. THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED 2.2 'E&A Pool Participants'				
3. THE HOME INSURANCE COMPANY IN LIQUIDATION				
4. THE BALOISE INSURANCE COMPANY LIMITED Non-IBN				
5. THE BALOISE INSURANCE COMPANY LIMITED IBN lass				
6. CITY INTERNATIONAL INSURANCE COMPANY LIMITED Non-IBNR class				
7. CITY INTERNATIONAL INSURANCE COMPANY LIMITED IBNR class				
8. DOWA INSURANCE COMPANY (EUROPE) LIMITED Non-IBN lass				
9. DOWA INSURANCE COMPANY (EUROPE) LIMITED IBN				
10. EAST WEST INSURANCE COMPANY LIMITED Non-IBN lass				

SCHEME COMPANY AND CLASS	(7) FOR THE SCHEME	(8) AGAINST THE SCHEME	(9) ABSTENTION	(10) PROXYHOLDER'S DISCRETION (where the Proxy holder is not the Chairman)
11. EAST WEST INSURANCE COMPANY LIMITED IBN lass				
12. FUJI INTERNATIONAL INSURANCE COMPANY LIMITED Non-IBNR class				
13. FUJI INTERNATIONAL INSURANCE COMPANY LIMITED IBNR class				
14. HISCOX INSURANCE COMPANY LIMITED Non-IBNR class				
15. HISCOX INSURANCE COMPANY LIMITED IBNR class				
16. KX REINSURANCE COMPANY LIMITED Non-IBNR class				
17. KX REINSURANCE COMPANY LIMITED IBNR class				
18. M ITAN REINSURANCE COMPANY (U.K.) LIMITED Non-IBNR class				
19. M ITAN REINSURANCE COMPANY (U.K.) LIMITED IBNR class				
20. MOORGATE INSURANCE COMPANY LIMITED Non-IBNR class				
21. MOORGATE INSURANCE COMPANY LIMITED IBNR class				
22. NIPPON INSURANCE COMPANY OF EUROPE LIMITED Non-IBNR class				
23 NIPPON INSURANCE COMPANY OF EUROPE LIMITED IBNR class				
24. POLYGON INSURANCE COMPANY LIMITED Non-IBNR class				
25. POLYGON INSURANCE COMPANY LIMITED IBNR class				
26. SWISS RE INTERNATIONAL SE, U Non-IBNR class				
27. SWISS RE INTERNATIONAL SE, U IBNR class				
28. TOWER INSURANCE LIMITED Non-IBNR class				
29. TOWER INSURANCE LIMITED IBNR class				

Now please complete Section C (Values)

SECTION C: VALUES

SCHEME CREDITOR _____	Scheme Company Reg Ref: _____

Please complete Section C for all business other than Relevant UK Employer's Liability Business. If you believe you have Relevant UK Employer's Liability Business enter this information on Section E.

Please enter your claim values for 'All EAUA Pool Companies' Combined.

(12) PART 1: ALL EAUA POOL COMPANIES

All values to be entered in consolidated USD

	(13) Unpaid Claims	(14) Outstanding Claims* (Undiscounted)	(15) Value of Discount for Outstanding Claims *	(16) IBNR Claims* (Undiscounted)	(17) Value of Discount for IBNR Claims *	(18) Less sums available to be set-off for voting purposes (agreed unpaid balances only)
AILL EAUA POOL COMPANIES						

If you wish to enter values at EAUA Pool level only, you are authorising that the values may be allocated to the individual EAUA Pool Companies by the Scheme Manager. Please tick the box below if you wish to proceed on this basis.

(19) ☐ I authorise the Scheme Manager to allocate the values to the EAUA Pool Companies.

If you wish to allocate the values per 'Individual EAUA Pool Company' please complete 'Part 2' below. Please note if allocating at 'Individual EAUA Pool Company' level t ll total must equal t lue entered in 'Part 1' above.

Values entered for 'Non Scheme Companies' are not binding on either the EAUA Pool Company or the Creditor but may be utilised to offer Commutation.

(20) PART 2: INDIVIDUAL EAUA POOL COMPANY

All values to be entered in consolidated USD

	(13) Unpaid Claims	(14) Outstanding Claims* (Undiscounted)	(15) Value of Discount for Outstanding Claims *	(16) IBNR Claims* (Undiscounted)	(17) Value of Discount for IBNR Claims*	(18) Less sums available to be set-off for voting purposes (agreed unpaid balances only)
SCHEME COMPANIES						
E						
THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED 2.1 'General Creditors' and 'E&A Pool Creditors'						
THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED 2.2 'E&A Pool Participants'						
THE HOME INSURANCE COMPANY IN LIQUIDATION						
HISCOX INSURANCE COMPANY LIMITED						
THE BALOISE INSURANCE COMPANY LIMITED						
CITY INTERNATIONAL INSURANCE COMPANY LIMITED						
DOWA INSURANCE COMPANY (EUROPE) LIMITED						
EAST WEST INSURANCE COMPANY LIMITED						
FUJI INTERNATIONAL INSURANCE COMPANY LIMITED						

	(13) Unpaid Claims	(14) Outstanding Claims* (Undiscounted)	(15) Value of Discount for Outstanding Claims *	(16) IBNR Claims* (Undiscounted)	(17) Value of Discount for IBNR Claims*	(18) Less sums available to be set-off for voting purposes (agreed unpaid balances only)
K						
M .K.) LIMITED						
MOORGATE INSURANCE COMPANY LIMITED						
NIPPON INSURANCE COMPANY OF EUROPE LIMITED						
POLYGON INSURANCE COMPANY LIMITED						
SWISS RE INTERNATIONAL SE, **UK BRANCH**						
TOWER INSURANCE LIMITED						
(21) Sub Total Scheme Companies						
NON SCHEME COMPANIES						
ACE EUROPEAN GROUP LIMITED						
SWISS RE EUROPE S.A., UK BRANCH						
(22) Sub Total Non Scheme Companies						
(23) Overall Total						

*** Such term is as defined in the Estimation Guidelines**

Now please complete Section D or provide appropriate documentation in support of the values entered on Section C above.

SECTION D: **VALUE SUPPORTING SCHEDULE**

SCHEME CREDITOR _____	Scheme Company Reg Ref: _____

Please complete this form by adding any relevant details in support of the values added on Section C of the voting form. If no information is supplied please ensure appropriate supporting documentation is provided to the Scheme Manager.

All values in consolidated USD

(24) Ref.	(25) Your Insurance Contract reference number	(26) EAUA Pools Insurance Contract reference number	(27) Claim Type	(28) Policy Type	(29) Inception Date	(30) Ultimate Signed Line	(31) Date of Loss	(32) Unpaid Claims	(33) Outstanding Claims* (Undiscounted)	(34) Value of Discount for Outstanding Claims*	(35) IBNR Claims* (Undiscounted)	(36) Value of Discount for IBNR Claims*	(37) Less sums available to be set-off for voting purposes (agreed unpaid balances only)
1.													
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*** Such term is as defined in the Estimation Guidelines**

SECTION D: **VALUE SUPPORTING SCHEDULE – CONTINUATION SHEET**

SCHEME CREDITOR _____	Scheme Company Reg Ref: _____

Please complete this form by adding any relevant details in support of the values added on Section C of the voting form. If no information is supplied please ensure appropriate supporting documentation is provided to the Scheme Manager.

All values in consolidated USD

(24) Ref.	(25) Your Insurance Contract reference number	(26) EAUA Pools Insurance Contract reference number	(27) Claim Type	(28) Policy Type	(29) Inception Date	(30) Ultimate Signed Line	(31) Date of Loss	(32) Unpaid Claims	(33) Outstanding Claims* (Undiscounted)	(34) Value of Discount for Outstanding Claims*	(35) IBNR Claims* (Undiscounted)	(36) Value of Discount for IBNR Claims*	(37) Less sums available to be set-off for voting purposes (agreed unpaid balances only)

*** Such term is as defined in the Estimation Guidelines**

If utilising the Continuation Sheet please insert sequential numbers in the Ref. field (24)

SECTION E: RELEVANT UK EMPLOYER'S LIABILITY BUSINESS – VOTING DIRECTION

SCHEME CREDITOR _____	Scheme Company Reg Ref: _____

If you believe you have Relevant UK Employer's Liability Business please complete either Part 1 'All Scheme Companies' or Part 2 'Individual Scheme Company'.

(38) PART 1: ALL SCHEME COMPANIES

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 Proxy holder a discretion to vote for or against (or to abstain) at the Scheme Meeting(s) 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 Proxy holder, or this form of proxy will not operate as a valid appointment of your proxy at the Scheme Meeting(s).

(7) FOR all the Schemes	**(8) AGAINST** all the Schemes	**(9) ABSTENTION**	**(10) PROXYHOLDER'S DISCRETION** (where the Proxy holder is not the Chairman)
☐	☐	☐	☐

If you have completed Section E Part 1, please complete Section F.

(39) PART 2: INDIVIDUAL SCHEME COMPANY

Please enter a tick [✓] in the column for each Scheme Company and class to indicate whether you are voting FOR the Scheme, AGAINST the Scheme, ABSTAINING from the vote or at the PROXYHOLDER'S DISCRETION.

N/A indicates no involvement for the Scheme vote.

SCHEME COMPANY AND CLASS	(7) FOR THE SCHEME	(8) AGAINST THE SCHEME	(9) ABSTENTION	(10) PROXYHOLDER'S DISCRETION (where the Proxy holder is not the Chairman)
1. CITY INTERNATIONAL INSURANCE COMPANY LIMITED UK Employer's Liability class				
2. FUJI INTERNATIONAL INSURANCE COMPANY LIMITED UK Employer's Liability class				
3. KX REINSURANCE COMPANY LIMITED UK Employer's Liability class				
4. METROPOLITAN REINSURANCE COMPANY (U.K.) LIMITED UK Employer's Liability class				
5. MOORGATE INSURANCE COMPANY LIMITED UK Employer's Liability class				

Now please complete Section F (Values)

SECTION F: RELEVANT UK EMPLOYER'S LIABILITY BUSINESS – VALUES

If you believe you have Relevant UK Employer's Liability Business please complete Section F.

SCHEME CREDITOR _____	Scheme Company Reg Ref: _____

Please enter your claim values for 'All EAUA Pool Companies' Combined.

(40) PART 1: ALL SCHEME COMPANIES

All values to be entered in pounds sterling

	(13) Unpaid Claims	**(14) Outstanding Claims* (Undiscounted)**	**(15) Value of Discount for Outstanding Claims ***	**(16) IBNR Claims* (Undiscounted)**	**(17) Value of Discount for IBNR Claims***	**(18) Less sums available to be set-off for voting purposes (agreed unpaid balances only)**
ALL SCHEME COMPANIES						

If you wish to enter values at All Scheme Companies level only, you are authorising that the values may be allocated to the individual Scheme Companies by the Scheme Manager. Please tick the box below if you wish to proceed on this basis.

(41) ☐ I authorise the Scheme Manager to allocate the values to the Scheme Companies.

If you wish to allocate the values per 'Individual Scheme Company' please complete 'Part 2' below. Please note if allocating at 'Individual Scheme Company' level t ll total must equal t lue entered in 'Part 1' above.

(42) PART 2: INDIVIDUAL SCHEME COMPANY

All values to be entered in pounds sterling

	(13) Unpaid Claims	**(14) Outstanding Claims* (Undiscounted)**	**(15) Value of Discount for Outstanding Claims ***	**(16) IBNR Claims* (Undiscounted)**	**(17) Value of Discount for IBNR Claims***	**(18) Less sums available to be set-off for voting purposes (agreed unpaid balances only)**
CITY INTERNATIONAL INSURANCE COMPANY LIMITED						
FUJI INTERNATIONAL INSURANCE COMPANY LIMITED						
K						
M						
MOORGATE INSURANCE COMPANY LIMITED						
(43) Overall Total						

*** Such term is as defined in the Estimation Guidelines**

Now please complete Section G or provide appropriate documentation in support of the values entered on Section F.

SECTION G: **RELEVANT UK EMPLOYER'S LIABILITY BUSINESS – VALUE SUPPORTING SCHEDULE**

SCHEME CREDITOR _____	Scheme Company Reg Ref: _____

Please complete this form by adding any relevant details in support of the values added on Section F of the voting form. If no information is supplied please ensure appropriate supporting documentation is provided to the Scheme Manager.

All values in consolidated pounds sterling

(24) Ref.	(25) Your Insurance Contract reference number	(26) EAUA Pools Insurance Contract reference number	(27) Claim Type	(28) Policy Type	(29) Inception Date	(30) Ultimate Signed Line	(31) Date of Loss	(32) Unpaid Claims	(33) Outstanding Claims* (Undiscounted)	(34) Value of Discount for Outstanding Claims*	(35) IBNR Claims* (Undiscounted)	(36) Value of Discount for IBNR Claims*	(37) Less sums available to be set-off for voting purposes (agreed unpaid balances only)
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*** Such term is as defined in the Estimation Guidelines**

GENERAL INSTRUCTIONS FOR THE COMPLETION OF THE VOTING FORMS

Please note that capitalised words or phrases not defined in this form have the same meanings as their definitions in the Scheme Document. Unless otherwise stated, references to Appendices are to those at the end of this Voting Form.

Please note: we believe it will generally be easier to complete the voting forms on the Website (www.englishandamericanpools.com). Calculations of time value discount and allocations of votes across Scheme Companies will be done automatically where the necessary level of information is available. This manual form should only be used if you do not have access to or do not wish to use the Website. If you wish to use the Website and do not already have your Website Password and user name please contact the EAUA Pools Scheme helpline details shown below.

Values

For all business other than Relevant UK Employer's Liability Business (as defined below), values need to be entered for 'All EAUA Pool Companies' and not just the Scheme Companies. You then have the option of allocating this value by 'Individual EAUA Pool Company' or authorising the Scheme Manager to allocate the values to the EAUA Pool Companies.

'Relevant UK Employer's Liability Business' means the UK employer's liability cover afforded to insureds under the 19 'package policies' listed at Schedule 1 to Appendix F of the Scheme insofar as they were underwritten by one or more of the five solvent Scheme Companies identified in Appendix F.

For Relevant UK Employer's Liability Business, enter the values for all relevant Scheme Companies which underwrote the policies in question (excluding EAIC and ICS). You can then allocate this value by individual relevant Scheme Company or authorise the Scheme Manager to allocate the values to the Scheme Companies concerned.

Return of Voting Form

If you, or a representative, are attending the meeting please bring the Voting form with you. In addition you are requested to return a copy of the form to the EAUA Pools Scheme helpline address below.

You are requested to return the Form to the below address, to be received by no later than 11am (UK time) on the day of the Scheme Meeting(s), although if not so returned, it may be handed in at the Registration desk on the day of the meeting(s) at Plaisterers' Hall before the meeting(s) commence. Scheme Creditors are urged to return the Voting Form in advance of the meeting(s).

If you have appointed the Chairman as your Proxyholder then you must ensure the form is returned to PRO to be received by no later than 11am (UK Time) on the day of the Scheme Meeting(s).

You may post, e-mail or fax your form to PRO Insurance Solutions Limited ('PRO'), utilising the below details.

- Post: EAUA Pools
  PRO Insurance Solutions Limited
  Bruton Court
  Bruton Way
  Gloucester GL1 1DA
  United Kingdom

- E-mail: pro_eauapools@pro-ltd.co.uk
- Fax: +44 (0)1452 523 437

You may also telephone: +44 (0)1452 330 514

Where you have e-mailed the form please ensure that an appropriate signature has been scanned onto the form.

Forms returned by facsimile transmission / e-mail will not be valid unless legible.

If not handed in at the meeting(s) please post the original to PRO to be received no later than 14 days after the meeting(s).

If you appoint a person other than the Chairman of the meeting(s) as your Proxy holder, or a person to attend as your Nominated Representative, that person must personally attend the meeting(s) and provide evidence of their authority to act on your behalf to submit the vote. For example they must produce a deed of assignment or letter of authority which must be satisfactory to the Chairman of the meeting(s).

Failure to provide such evidence of authority on behalf of one or more Scheme Creditors will invalidate the forms in respect of those Scheme Creditors only. If the 'Nominated Representative' fails to attend the meeting of Scheme Creditors and cast the vote, your vote WILL NOT be included.

Supporting Documentation

Values entered on to the Voting Form must be substantiated by appropriate supporting documentation. Scheme Creditors who cast their vote on the day of the meeting(s) can provide supporting documentation on the day.

Failure to supply suitable supporting documentation no later than 14 days after the meeting(s) may result in your vote being rejected or receiving a different value than you assert.

The independent Chairman of the meeting(s) will seek to agree the value of your vote(s) a

In doing this, the independent Chairman will refer to the records held by PRO and any supporting documentation which you supply. It is therefore important that you provide adequate supporting documentation for your Voting Form. Guidance on the type of documents that may assist in this respect can be found in Section 3 of the Estimation Guidelines at Appendix B of the Scheme Document.

The Chairman of the meeting(s) has absolute discretion and the power to reject or accept 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 prior to the Court hearing to sanction the Scheme. 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 Website.

Privilege

Particulars as to estimates of the amount of any Outstanding Claims or IBNR Claims provided by a Scheme Creditor may not be protected by privilege under English law (or other relevant laws) and may be discoverable by a third party with a claim against the Scheme Creditor in any action or proceeding to which the Scheme Creditor may be a party. You should consult your legal adviser as to the consequences for you of providing such particulars in relation to any litigation in which you are or may become involved.

Additional Notes

(A) Any alteration to the data entered by you on the form must be initialled by the person who signed it.

(B) All values are to be entered in consolidated USD (save in respect of Relevant UK Employer's Liability Business, which may be entered in pounds sterling). Please refer to Appendix D1 for the rates of exchange to be used to convert all other currencies to USD. This does not remove your right to claim in an original currency at claim submission stage.

(C) The Voting Forms display a number within each field which are supported by explanatory text within the Notes sections.

(D) Voting will be conducted on the basis of gross claims to be adjusted to take account of discounting and of set-off.

(E) Values submitted on the form are for the purposes of voting only and do not bind the Scheme Creditor or Scheme Company in relation to the Scheme Claim.

(F) All values relating to English and American Insurance Company Limited must be entered in full without allowance for any dividend that has been paid.

(G) For English & American Insurance Company Limited and City International Insurance Company Limited, the Scheme Vote amount also includes 'Other Liabilities'. These are all Liabilities of EAIC and City In Insurance Company Limited which are neither Pool Liabilities nor Liabilities excluded in paragraph 4 of Appendix A of Part II of the Scheme Document. Full details of the business covered by the Scheme can be found in Schedule 1 of Part I and Appendix A of Part II of the Scheme Document.

Classes

The Court has granted permission to convene the following creditors meeting(s) with the following classes:

1. English & American Insurance Company Limited and The Home Insurance Company (In Liquidation), one meeting of creditors for each of these companies.

2. The Insurance Corporation of Singapore (U.K.) Limited, two meetings as follows:

   (i) 'General Creditors' and 'E&A Pool Creditors' (as defined in ICS's existing scheme).

   (ii) 'E&A Pool Participants' (as defined in ICS's existing scheme).

3. City International Insurance Company Limited, Fuji International Insurance Company Limited, KX Reinsurance Company Limited, Metropolitan Reinsurance Company (U.K.) Limited and Moorgate Insurance Company Limited, three meetings (one for each class) of Scheme Creditors for each Scheme Company as follows:

   (i) Class IBNR - Scheme Creditors in relation to their IBNR claims other than Relevant UK Employer's Liability Business.

   (ii) Class Non-IBNR - Scheme Creditors in relation to all Scheme Claims other than Relevant UK Employer's Liability Business and IBNR claims.

   (iii) Class UK Employer's Liability – Scheme Creditors in rela
   loyer's Liability Business Claims.

4. All other Scheme Companies, two meetings (one for each class) of Scheme Creditors for each Scheme Company as follows:

   (i) Class IBNR - Scheme Creditors in relation to their IBNR claims.

   (ii) Class Non-IBNR - Scheme Creditors in relation to all Scheme Claims other than IBNR claims.

Scheme Creditors which have Scheme Claims in each class will be able to submit a vote in each class meeting.

NOTES FOR THE COMPLETION OF THE VOTING FORMS

SECTION A: VOTING REGISTRATION AND PROXY FORM

(1) Enter the name of the Scheme Creditor and Address in block capitals.

If you are completing this form in your capacity as a director or other officeholder of a corporate Scheme Creditor or a partner of a partnership or other unincorporated body of persons which is a Scheme Creditor, insert the name of the company / partnership / unincorporated body.

Please note that, subject to the discretion of the Chairman, where more than one company within a group of companies is a Scheme Creditor, then each individual Scheme Creditor must complete a separate form.

If you represent more than one Scheme Creditor, a separate form must be completed for each Scheme Creditor.

(2) If you intend to attend the meeting(s) in person, delete the words 'Will not'. You should leave the next part blank (note (3)).

If you do not intend to attend the meeting(s), delete the words 'Will'. You must complete the next part (note (3)).

(3) If you are attending the meeting(s) t

(s) but wish to vote then you must appoint a Proxy holder. You may either appoint the Chairman of the meeting(s) as your Proxy holder or you may appoint a named individual as your Proxy holder.

If you wish to appoint the Chairman of the meeting(s) as your Proxy holder, please leave part (b) blank. You must instruct the Chairman to vote either 'For', 'Against' or 'Abstention' regarding the scheme(s) by completing the Voting Table within Section B Part 1 or Part 2: select either the box marked '**FOR**', '**AGAINST**' or '**ABSTENTION**', as appropriate. Do not mark 'Proxyholder's Discretion'.

If you wish to appoint a person other than the Chairman of the meeting(s) as your proxyholder, delete the words "the Chairman of the Scheme meeting(s)" in part (a) a

(b).

If you appoint a person other than the Chairman of the meeting(s) as your Proxy holder, or a person to attend as your Nominated Representative, that person must personally attend the meeting(s) a

(s).

Failure to provide such evidence of authority on behalf of one or more Scheme Creditors will invalidate the forms in respect of those Scheme Creditors only.

(4) Please confirm your exact capacity by deleting the descriptions which do not apply (Authorised Employee / Agent / Attorney / Other (please specify)). Should you attend the meeting(s) on behalf of a Scheme Creditor, evidence of authority (for example a deed of assignment or a letter of authority) to act on their behalf in a form acceptable to the Chairman is required.

Failure to provide suitable evidence could result in your exclusion from the meeting(s).

A signature on the 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.

SECTION A: VOTING REGISTRATION AND PROXY FORM (cont.)

(5) Place a tick in the "Claim Form Election" box if you want to incorporate the claims information that you are including in your Voting Form into your Claim Form. If you do place a tick in the box, it is important that you provide full details of your Scheme Claims with the attached voting form (together with any relevant supporting information). This does not necessarily mean that your submitted values will be the final agreed Scheme Claim value.

Placing a tick in the box does not remove your right to change your claims submission value prior to the Bar Date.

If you do NOT place a tick in the "Claim Form Election" box the claims information you have included on this form will not be automatically incorporated into your Claim Form. This means that you will have to re-submit the information in a Claim Form prior to Bar Date.

SECTION B: VOTING DIRECTION

Section B of this form is split into two parts. Please complete either 'Part 1' which allows you to cast your vote in relation to all of the Schemes together (other than in respect of Relevant UK Employer's Liability Business) or 'Part 2' which allows you to cast your vote in relation to each of the individual Scheme Companies within each class meeting for all business other than Relevant UK Employer's Liability Business. If you believe you have Relevant UK Employer's Liability Business, please enter this information in Section E (insofar as it relates to the business).

(6) **PART 1: ALL SCHEME COMPANIES AND CLASSES COMBINED**

By completing Part 1 and submitting a vote, you are registering a vote in respect of all Scheme Companies and classes combined. A list of such companies including their former names can be found at page (i) of the Scheme Document or on the Website at www.englishandamericanpools.com. A summary note regarding Classes can be found under the 'General Instructions for Completion of the Voting Forms'.

SHOULD YOU WISH TO VOTE IN RESPECT OF EACH SCHEME COMPANY AND CLASS SEPARATELY THEN PLEASE COMPLETE PART 2.

(7) **FOR** all the Schemes (including EAIC, ICS & Home): In order to submit a vote '**For**' all of the Schemes where you are a Scheme Creditor, please enter a tick [√] within this box.

(8) **AGAINST** all the Schemes (including EAIC, ICS & Home): In order to submit a vote '**Against**' all of the Schemes where you are a Scheme Creditor, please enter a tick [√] within this box.

(9) **ABSTENTION**: If you wish to abstain from the Scheme Vote please enter a tick [√] within this box.

(10) **PROXYHOLDER'S DISCRETION** (where the Proxy holder is not the Chairman): Where you have nominated a Proxy holder to vote at the meeting(s) a
(s), please enter a tick [√] within this box. Please refer to '**note (3)**' in '**Section A**' regarding the Proxy holder details. Evidence of their authority to act on your behalf to submit the vote will be required. For example they must produce a deed of assignment or letter of authority which must be satisfactory to the Chairman of the meeting(s).

Please note that if you have selected the Chairman as your Proxyholder you must not enter a tick [√| into this box: you must enter a tick [√| in either the 'For', 'Against' or 'Abstention' box.

IF YOU HAVE COMPLETED PART 1 YOU DO NOT NEED TO COMPLETE PART 2, PLEASE GO STRAIGHT TO SECTION C

(11) **PART 2: INDIVIDUAL SCHEME COMPANY AND INDIVIDUAL CLASS**

By completing Part 2 and submitting a vote, you are registering a vote in respect of that individual Scheme Company for the selected class. Part 2 should be completed for each individual Scheme Company within each class against which you wish to lodge a vote. A list of such companies including their former names can be found at page (i) of the Scheme Document or on the Website at www.englishandamericanpools.com.

Note: the columns numbered (7) to (10) relate to the numbered notes for Part 1 above, the exception being the vote is at individual Scheme Company for the selected class.

Now please complete Section C (Values).

SECTION C: VALUES

This section is split into two parts, please complete 'Part 1' then if you wish to allocate the values per individual EAUA Pool Company also complete 'Part 2'. Please enter the total values for all EAUA Pool Companies and not just for the Scheme Companies for all business other than Relevant UK Employer's Liability Business. If you believe you have Relevant UK Employer's Liability Business, please enter this information in Section E (insofar as it relates to that business).

(12) **PART 1: ALL EAUA POOL COMPANIES**

Enter your total claim values for all EAUA Pool Companies. For English and American Insurance Company Limited and City International Insurance Company Limited the Scheme Vote amount also includes 'Other Liabilities'. Full details of the business covered by the Scheme is explained in Schedule 1 of Part I and Appendix A of Part II of the Scheme Document.

All values must be entered in consolidated USD, other currencies must be converted at the rate of exchange as shown in Appendix D1.

(13) **Unpaid Claims**: Enter the value, as per your records, of Claims that you assert are due for payment to you by the EAUA Pool Companies.

(14) **Outstanding Claims (Undiscounted):** Enter the estimated total value, as per your records, of Claims in respect of losses notified to you for which you assert that an amount will become due for payment to you by the EAUA Pool Companies, excluding any amounts already included in (13) above. These values must be before discounting.

(15) **Value of Discount for Outstanding Claims**: Enter the discount amount to reflect the time value of money to be applied to the Outstanding Claims, all of which are shown undiscounted in field (14). Please refer to Appendix D2 for the 'Claim Type' and the associated discount percentage and apply the relevant discount percentage to each Claim Type making up the overall undiscounted value. Alternatively you may apply your own discount percentage (in which case you are requested to provide documentation supporting your discount percentage). If no discount percentage is entered, discount percentages will be applied by PRO based upon Appendix D2 of the Scheme Document.

(16) **IBNR Claims (Undiscounted):** Enter the estimated total value, as per your records, of Claims in respect of losses which have been incurred by you but not notified to you, for which you assert that an amount will become due for payment to you by the EAUA Pool Companies, excluding any amounts already included in (13) a (14) a

(16).

Please refer to Appendix D2 for the discount percentage for each Claim Type and apply the relevant discount percentage to each Claim Type making up the overall undiscounted value. Alternatively you may apply your own discount percentage (in which case you are requested to provide documentation supporting your discount percentage). If no discount percentage is entered, discount percentages will be applied by PRO based upon Appendix D2 of the Scheme Document

(18) **Less sums available to be set-off for voting purposes (agreed unpaid balances only) -** this refers to liquidated and established amounts in respect of reinsurance due from Creditors as well as any other liquidated and established amounts due from Creditors in respect of EAUA Pool business.

(19) **Authorising the Scheme Manager to allocate the values to the EAUA Pool Companies:** Place a tick within this box if you wish to enter the values at EAUA Pool level only and are authorising the Scheme Manager to allocate the values to the EAUA Pool Companies. If you do not place a tick in the box you must also complete Part 2.

SHOULD YOU WISH ALLOCATE THE VALUES PER INDIVIDUAL EAUA POOL COMPANY PLEASE COMPLETE PART 2.

(20) **PART 2: INDIVIDUAL EAUA POOL COMPANY**

Only enter a value against a Scheme or Non Scheme Company where you are an overall creditor to that Company (i.e. where the value is due to you). Leave all other Scheme or Non Scheme Companies blank.

All values must be entered in consolidated USD, other currencies must be converted at the rate of exchange as shown in Appendix D1.

Please note the overall total entered in 'Part 2' must equal the total entered in 'Part 1' above.

Values entered for Non Scheme Companies are not binding on either the EAUA Pool Company or the Creditor but may be utilised to offer Commutation

(21) **Sub Total Scheme Companies:** The sum of the total for the Scheme Companies.

(22) **Sub Total Non Scheme Companies:** The sum of the total for the Non Scheme Companies.

(23) **Overall Total:** The sum of the sub totals for the Scheme and Non Scheme Companies.

Now please complete Section D or provide appropriate documentation in support of the values entered on Section C.

SECTION D: VALUE SUPPORTING SCHEDULE

Complete Section D by adding any relevant details in support of the values entered on Section C of the voting form. If no information is supplied on Section D please ensure appropriate supporting documentation is provided to the Scheme Manager.

Failure to provide substantiation by not completing Section D or providing appropriate documentation could result in a different voting value being admitted.

All values are to be entered in consolidated USD, other currencies must be converted at the rate of exchange as shown in Appendix D1.

(24) **Ref:** Unique identification number.

(25) **Your Insurance Contract reference number:** Specify your reference number which relates to the Insurance Contract under which the claim(s) a (s).

(26) **EAUA Pools Insurance Contract reference number**: Specify the EAUA Pool Companies' reference number which relates to the Insurance Contract under which the claim(s) a (s) if known.

(27) **Claim Type:** Please refer to Appendix D2 for a list of Claim Types. The breakdown of Claims by Claim Type will determine the calculation of any discount; please refer to note (33) a (35).

(28) **Policy Type**: Please refer to Appendix D3 for a list of 'Business Types'.

(29) **Inception date**: Specify the date (dd/mm/yy) w

(for example, an extension by endorsement of 3 months) should be treated as one contract. For continuous contracts, each annual renewal should be shown as a separate Insurance Contract.

(30) **Ultimate Signed Line**: Specify the EAUA Pool Companies' total participation percentage (maximum 6 decimal places) on each Insurance Contract. Should there be more than one stamp covering the EAUA Pool Companies' on the Insurance Contract, please show the total percentage for all EAUA Pool Company stamps on the Schedule.

(31) **Date of Loss**: the date of the loss / event expressed as "dd/mm/y

lue, as per your records, of Claims that you assert are due for payment to you by the EAUA Pool Companies.

(33) **Outstanding Claims (Undiscounted):** Enter the estimated total value, as per your records, of Claims in respect of losses notified to you for which you assert that an amount will become due for payment to you by the EAUA Pool Companies, excluding any amounts already included in (32) above. These values must be before discounting.

(34) **Value of Discount for Outstanding Claims**: Enter the discount amount to reflect the time value of money to be applied to the Outstanding Claims, all of which are shown undiscounted in field (33). Please refer to Appendix D2 for the Claim Type and the associated discount percentage and apply the relevant discount percentage to each Claim Type making up the overall undiscounted value. Alternatively you may apply your own discount percentage (in which case you are requested to provide documentation supporting your discount percentage). If no discount percentage is entered, discount percentages will be applied by PRO based upon Appendix D2 of the Scheme Document.

(35) **IBNR Claims (Undiscounted):** Enter the estimated total value, as per your records, of Claims in respect of losses which have been incurred by you but not notified to you, for which you assert that an amount will become due for payment to you by the EAUA Pool Companies,

excluding any amounts already included in (32) a (33) a

(35).

Please refer to Appendix D2 for the discount percentage for each Claim Type and apply the relevant discount percentage to each Claim Type making up the overall undiscounted value. Alternatively you may apply your own discount percentage (in which case you are requested to provide documentation supporting your discount percentage). If no discount percentage is entered, discount percentages will be applied by PRO based upon Appendix D2 of the Scheme Document.

(37) **Less sums available to be set-off for voting purposes (agreed unpaid balances only) -** this refers to liquidated and established amounts in respect of reinsurance due from Creditors as well as any other liquidated and established amounts due from Creditors in respect of EAUA Pool business.

SECTION E: RELEVANT UK EMPLOYER'S LIABILITY BUSINESS – VOTING DIRECTION

This section should be completed if you believe you have Relevant UK Employer's Liability Business.

Section E of this form is split into two parts. Please complete either 'Part 1' which allows you to cash your vote in relation to all of the Schemes together, or 'Part 2' which allows you to cash your vote in relation to each of the individual Scheme Companies.

(38) **PART 1: ALL SCHEME COMPANIES**

By completing Part 1 and submitting a vote, you are registering a vote in respect of all relevant Scheme Companies for the Relevant UK Employer's Liability Business (as defined in the 'General Instructions for the Completion of the Voting Forms'). A list of such companies and policies can be found in Appendix F (including the Schedule thereto) of the Scheme Document.

SHOULD YOU WISH TO VOTE IN RESPECT OF EACH SCHEME COMPANY SEPARATELY THEN PLEASE COMPLETE PART 2.

Note: the columns numbered (7) to (10) relate to the numbered notes for Section B Part 1, the exception being the vote for All Scheme Companies for the Relevant UK Employer's Liability Business class.

IF YOU HAVE COMPLETED PART 1 YOU DO NOT NEED TO COMPLETE PART 2, PLEASE GO STRAIGHT TO SECTION F.

(39) **PART 2: INDIVIDUAL SCHEME COMPANY**

By completing Part 2 and submitting a vote, you are registering a vote in respect of that individual Scheme Company for the Relevant UK Employer's Liability Business cover written. A list of such companies and policies can be found in Appendix F (including the Schedule thereto) of the Scheme Document.

Note: the columns numbered (7) to (10) relate to the numbered notes for Section B Part 1, the exception being the vote is at Individual Scheme Company for the Relevant UK Employer's Liability Business class.

Now please complete Section F – Relevant UK Employer's Liability Business – Values.

SECTION F: RELEVANT UK EMPLOYER'S LIABILITY BUSINESS – VALUES

This section should be completed if you believe you have Relevant UK Employer's Liability Business.

This section is split into two parts, please complete 'Part 1' then, if you wish to allocate the values per individual Scheme Company, also complete 'Part 2'.

(40) **PART 1: ALL SCHEME COMPANIES**

Enter your total claim values for all Scheme Companies. All values must be entered in pounds sterling.

Note: the columns numbered (13) to (18) relate to the numbered notes for Section C Part 1, the exception being the values are for All affected Scheme Companies for the Relevant UK Employer's Liability Business class.

(41) **Authorising the Scheme Manager to allocate the values to the Scheme Companies:** Place a tick within this box if you wish to enter the values at Scheme Company level only and are authorising the Scheme Manager to allocate the values to the Scheme Companies. If you do not place a tick in the box you must also complete Part 2.

SHOULD YOU WISH TO ALLOCATE THE VALUES PER INDIVIDUAL SCHEME COMPANY PLEASE COMPLETE PART 2.

(42) **PART 2: INDIVIDUAL SCHEME COMPANY**

Only enter a value against a Scheme Company where you are an overall creditor to that Company (i.e. where the value is due to you). Leave all other Scheme Companies blank.

All values must be entered in pounds sterling.

Please note the overall total entered in 'Part 2' must equal the total entered in 'Part 1' above.

(43) **Overall Total:** The sum of the total for the Scheme Companies.

Now please complete Section G or provide appropriate documentation in support of the values entered on Section E.

SECTION G: RELEVANT UK EMPLOYER'S LIABILITY BUSINESS – VALUE

Complete Section G by adding any relevant details in support of the values entered on Section F of the voting form. If no information is supplied on Section G please ensure appropriate supporting documentation is provided to the Scheme Manager,

Failure to provide substantiation by not completing Section G or providing appropriate documentation could result in a different voting value being admitted.

All values are to be entered in pounds sterling.

Note: the columns numbered (24) to (37) relate to the numbered notes for Section D.

APPENDICES

Appendix D1: Currency codes and rates of exchange into US Dollars

As at 30/09/2009 per the Financial Times

CURRENCY CODE	CURRENCY DESCRIPTION	USD EXCHANGE RATE
AED	UAE DIRHAM	3.668750
AFA	AFGHANI	47.550000
ALL	ALBANIAN LEK	92.075000
A		
AOK	ANGOLAN KWANZA	77.775000
ARP	ARGENTINE PESO	3.843750
AUD	AUS DOLLAR	1.131250
BBD	BARBADOS DOLLAR	2.006250
BDT	BANGLADESH TAKA	69.037500
BGL	BULGARIA	
BHD	BAHRAIN DINAR	0.375000
BIF	BURUNDI FRANC	1230.250000
BMD	BERMUDAN DOLLAR	1.000000
BND	BRUNEI DOLLAR	1.406250
BOP	BOLIVIA	
BRC	BRAZIL CRUZEIRO	1.781250
BSD	BAHAMAN DOLLAR	1.000000
BTN	NGULTRUM	47.962500
BUK	BURMESE KYAT	6.506250
BWP	BOTSWANA PULA	6.581250
BZD	BELIZE DOLLAR	1.962500
CAD	CANADIA	
CHF	SWISS FRANC	1.037500
CLP	CHILEAN PESO	549.975000
CNY	CHINA RENM YUAN	6.825000
COP	COLUMBIAN PESO	1928.312500
CRC	COSTA RIC COLON	585.462500
CSD	SERBIAN DINAR	63.618750
CSK	CZECH KORUNA	17.312500
CUP	CUBAN PESO	1.000000
CVE	CAP VER ESCUDO	77.768750
CYP	CYPRUS POUND	0.400000

CURRENCY CODE	CURRENCY DESCRIPTION	USD EXCHANGE RATE
DJF	DJIBOUTI FRANC	174.700000
DKK	DANISH KRONE	5.093750
DOP	DOMINICAN PESO	36.137500
DZD	ALGERIAN DINAR	72.487500
ECS	ECUADOR SUCRE	24989.831250
EGP	EGYPTIAN POUND	5.500000
ETB	ETHIOPIA IRR	12.531250
EUR	EURO CCY UNIT	0.681250
FJD	FIJI DOLLAR	1.950000
FKP	FALKLAND POUND	0.625000
GBP	UK POUND STERLING	0.625000
GHC	GHANAIAN CEDI	1.450000
GIP	GIBRALTAR POUND	0.625000
GMD	GAMBIAN DALASI	26.637500
GNS	GUINEA SYLI	5022.956250
GQE	EQ GUIN EKWELE	448.581250
GTQ	GUAT QUETZAL	8.318750
GWP	GUIN-BISS PESO	448.581250
GYD	GUYANA DOLLAR	205.243750
HKD	HK DOLLAR	7.750000
H	IRA	18.925000
HRD	CROATIAN DINAR	4.956250
HTG	HAITI GOURDE	40.231250
HUF	HUNGARY FORINT	184.750000
IDR	INDON RUPIAH	9661.068750
ILS	ISRAEL SHEKEL	3.775000
INR	INDIAN RUPEE	48.087500
IQD	IRAQI DINAR	1158.656250
IRR	IRANIA IAL	9899.968750
ISK	ICELAND KRONA	123.787500
JMD	JAMAICAN DOLLAR	88.512500
JOD	JORDANIAN DINAR	0.706250
JPY	JAPANESE YEN	89.500000
KES	KENYA SHILLING	74.518750
KHR	KAMPUCHEA RIEL	4173.300000

CURRENCY CODE	CURRENCY DESCRIPTION	USD EXCHANGE RATE
KMF	COMOROS FRANC	337.862500
KPW	NTH KOREAN WON	142.993750
KRW	S KOREAN WON	1177.768750
KWD	KUWAITI DINAR	0.287500
KYD	CAYMAN DOLLAR	0.812500
LAK	LAOS KIP	8518.531250
LBP	LEBANESE POUND	1500.887500
LKR	SRI LANKA RUPEE	114.775000
LRD	LIBERIAN DOLLAR	72.018750
LSM	LESOTHO MALOTI	7.556250
LYD	LIBYAN DINAR	1.225000
MAD	MOROCCAN DIRHAM	7.768750
MGA	MALAGASY ARIARY	2002.987500
MLF	MALI FRANC	448.581250
M		
MOP	MACAU PATACA	7.981250
MRO	MAURIT OUGUIYA	260.893750
MTP	MALTA POUND	0.293750
MUR	MAURITIUS RUPEE	30.487500
MVR	MALDIVE RUPEE	12.793750
MWK	MALAWI KWACHA	140.550000
MXP	MEXICAN PESO	13.500000
MYR	MALAY RINGGIT	3.462500
MZM	MOZAMB METICAL	29279.375000
MZN	NEW MOZAMBIQUE METICAL	27.506250
NAD	NAMIBIA	
NGN	NIGERIAN NAIRA	149.787500
NIC	NICARAG CORDOBA	20.575000
NOK	NORWEGIAN KRONE	5.800000
NPR	NEPALESE RUPEE	76.168750
NZD	NZ DOLLAR	1.381250
OMR	OMANI RIAL	0.387500
PAB	PANAMA BALBOA	1.006250
PES	PERUVIAN SOL	2.887500
PGK	PAPUA NG KINA	2.675000

CURRENCY CODE	CURRENCY DESCRIPTION	USD EXCHANGE RATE
PHP	PHILIPPINE PESO	47.362500
PKR	PAKISTAN RUPEE	83.125000
PLZ	POLISH ZLOTY	2.900000
PYG	PARAG GUARANI	4888.012500
QAR	QATAR RIAL	3.637500
ROL	ROMANIAN LEU	33969.437500
RON	NEW ROMANIAN LEU 1/7/05	2.887500
R		
SAR	SAUDI RIYAL	3.750000
SBD	SOLOMON DOLLAR	7.868750
SCR	SEYCHELLE RUPEE	10.043750
SDP	SUDANESE POUND	2.306250
SEK	SWEDISH KRONA	6.987500
SGD	SING DOLLAR	1.406250
SHP	ST HELENA POUND	0.625000
SLL	SIERRA L LEONE	3648.512500
SOS	SOMALI SHILLING	1450.412500
SRD	SURINAM DOLLAR	2.712500
STD	SAO TOME DOBRA	15776.081250
SUR	C.I.S. ROUBLE	30.037500
SVC	EL SALV COLON	8.743750
SYP	SYRIAN POUND	46.031250
SZL	SWAZI LILANGENI	7.556250
THB	THAI BAHT	33.393750
TND	TUNISIAN DINAR	1.300000
TOP	TONGAN PA'ANGA	1.937500
TPE	E TIMOR ESCUDO	161.312500
TRY	NEW TURKISH LIRA	1.487500
TTD	TRINIDAD DOLLAR	6.225000
TWD	TAIWAN DOLLAR	32.137500
TZS	TANZ SHILLING	1308.968750
UGS	UGANDA SHILLING	1922.218750
USD	US DOLLAR	1.000000
UYP	URUGUAYAN PESO	21.443750
VEB	VENEZ BOLIVAR	2671.512500

CURRENCY CODE	CURRENCY DESCRIPTION	USD EXCHANGE RATE
VEF	VENEZUELA BOLIVAR FUERTE	2.150000
VND	S VIETNAM DONG	17833.243750
VUV	VANUATU VATU	98.693750
WST	W SAMOA TALA	2.581250
XAF	CFA FRANC	448.581250
XCD	E CARIB DOLLAR	2.700000
XPF	CFP FRANC	81.606250
YER	YEMENI RIYAL	202.418750
ZAR	S AFRICA RAND	7.575000
ZMK	ZAMBIAN KWACHA	4718.081250
ZRZ	ZAIRE ZAIRE/CONGO FRANC	804.675000
ZWD	ZIMBABWE DOLLAR	37135.312500
ZWL	ZIMBABWE DOLLAR FEB 2009	3269701.450000

Appendix D2: Claim Type codes and discount percentages

Refer to Notes 15 and 17 on Section B and Notes 27, 34 and 36 on Section D.

Claim Type	Claim Type Category	Mean Term Selected	Discount Factor
ASD	Asbestos Direct	8.00	32.5%
ASR	Asbestos Reinsurance	10.00	40.6%
POD	Pollution - Direct	7.10	29.5%
POR	Pollution - Reinsurance	9.00	34.1%
HHD	Health Hazard	6.90	28.8%
OTH	Other	3.70	15.6%
UNS	Unspecified	8.00	32.5%

Appendix D3: Policy Type codes

Refer to Note 31 on Section F.

BUSINESS_TYPE_CODE	BUSINESS_TYPE_DESC
AVC	Direct/Fac Aviation Hull/Liabilities (Combined)
AVH	Direct/Fac Aviation Hull
AVL	Direct/Fac Aviation Liabilities
AVR	Direct/Fac Aviation All Risks
AVX	Aviation Excess of Loss
AVP	Aviation Quota Share/Surplus treaties
MAC	Direct/Fac Marine Cargo / Cargo Liabilities
MAH	Direct/Fac Marine Hull / Hull Liability
MAW	Direct/Fac Marine War
MAE	Direct/Fac Marine Energy & Energy Liability
MAX	Marine Excess of Loss
MAP	Marine Quota Share/Surplus treaties
NMC	Direct/Fac Non Marine Casualty/Liability/Long Tail
NMP	Direct/Fac Non Marine Property
NMA	Direct/Fac Non Marine Personal Accident
NMF	Direct/Fac Non Marine Pecuniary
NMM	Direct/Fac Non Marine Motor
NMX	Non Marine Excess of Loss
NMP	Non Marine Quota Share/Surplus treaties

SCHEDULE 9

SCHEME ADJUDICATOR'S CURRICULUM VITAE

CURRICULUM VITAE: GEORGE MAHER

George Maher is a consulting actuary with the Tillinghast business of Towers Perrin in the firm's London office. He is a principal of Towers Perrin. Mr. Maher read Mathematics at Trinity College, Dublin and is a Fellow of the Institute of Actuaries, a Member of the American Academy of Actuaries and a Fellow of the Society of Actuaries in Ireland. He is a holder of a Lloyd's Signing Actuary Certificate from the Institute of Actuaries and a Signing Actuary Certificate from the Society of Actuaries in Ireland.

George Maher joined Tillinghast in 1987 and specialises in general insurance. He has extensive experience reserving in the U.K. including Lloyd's Marine and Non-Marine syndicates. He has led projects for non-U.K. clients, including insurers and reinsurers writing in Continental Europe, the Middle East and the United States. A number of these projects have been associated with the merger or acquisition of insurers and transfer of business. He also has assisted clients in their evaluation of capital adequacy for transaction, rating and regulatory purposes and in their development of Enterprise Risk Management frameworks.

George Maher currently serves or in the past has served as a Claims Adjudicator, Vote Valuer, Scheme Actuary or expert witness for several Scheme of Arrangement engagements. These schemes include the Schemes of Arrangement for M&G, Reliance, Oslo, Deutsche Ruck UK, ING Re UK, NRG, WFUM, Scottish Lion and Minster Insurance.

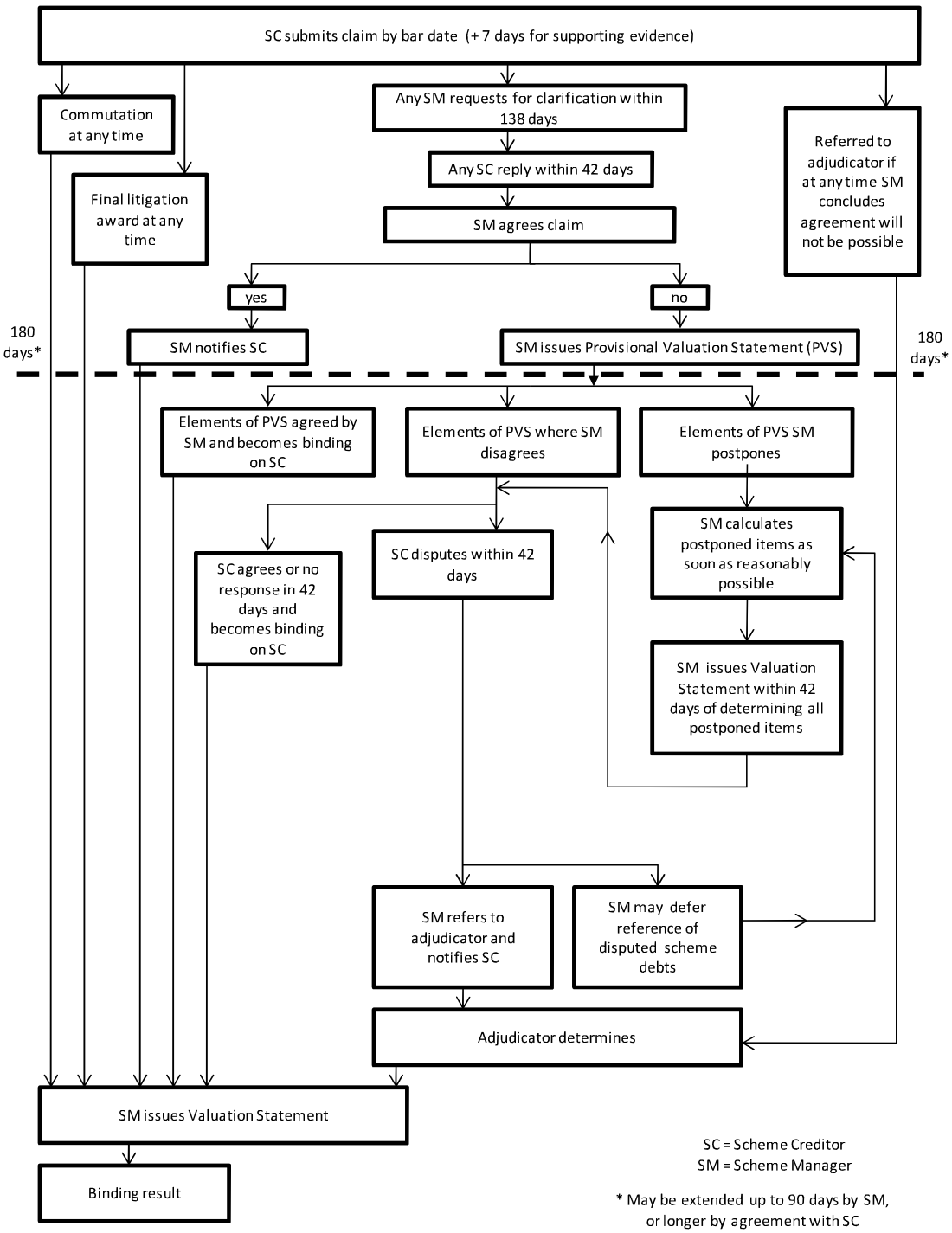
George Maher has assisted self-insureds in their review of insurance buying, captive feasibility and broker selection. Industries covered include oil a
l, bloodstock and fine art.

Significant projects in which he has been involved include the demutualisation of the Norwich Union, the privatisation of the Italian national insurer INA and the restructuring of SASRIA, the South African riot and terrorism insurer. He was a member of the actuarial team that produced the first actuarial review of the Weavers pool. George Maher was part of the Equitas actuarial review team as part of Lloyd's R&R. He assisted the Irish Insurance Federation in its review of the Irish insurance market as part of a government commissioned study of the market and presented his findings to a committee of the joint houses of the Irish Parliament. He worked with the International Group of P&I clubs in their review of Marine la
l Insurance Study Group and co-authored "Some Aspects of Reserving in the London Market" which was presented to the Casualty Actuarial Society. In 1995 he presented a sessional paper to the Institute of Actuaries entitled "Loss Reserves in the London Market".

George Maher is a member of the Institute of Actuaries Working Party on Individual Capital Assessments. He is a frequent speaker at conferences on capital requirements. Mr. Maher has been a tutor and assistant examiner for the professional examinations of the Institute of Actuaries. He is a former member of the Council of the Society of Actuaries in Ireland and former chairman of its General Insurance Committee.

SCHEDULE 10

CLAIMS AGREEMENT PROCESS FLOW CHART



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**Claim Nos. 21233, 21237, 21242, 21247,
21251, 21232, 21253, 21255,
21257, 21259, 21262, 21264,
21258, 21261, 21263, 21266
of 2009**

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
IN THE MATTERS OF THE COMPANIES REFERRED TO BELOW
AND
IN THE MATTER OF THE COMPANIES ACT 2006**

SCHEMES OF ARRANGEMENT
(pursuant to Part 26 of the Companies Act 2006)

BETWEEN

ENGLISH & AMERICAN INSURANCE COMPANY LIMITED
(by way of further amendment to an existing scheme of arrangement dated 28 October 1994 (as amended by a scheme of arrangement dated 1 June 2000))

AND

THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED
(by way of amendment to an existing scheme of arrangement dated 19 October 2001)

AND

THE BALOISE INSURANCE COMPANY LIMITED
CITY INTERNATIONAL INSURANCE COMPANY LIMITED
DOWA INSURANCE COMPANY (EUROPE) LIMITED
EAST WEST INSURANCE COMPANY LIMITED
FUJI INTERNATIONAL INSURANCE COMPANY LIMITED
HISCOX INSURANCE COMPANY LIMITED
THE HOME INSURANCE COMPANY (IN LIQUIDATION)
KX REINSURANCE COMPANY LIMITED
METROPOLITAN REINSURANCE COMPANY (U.K.) LIMITED
MOORGATE INSURANCE COMPANY LIMITED
NIPPON INSURANCE COMPANY OF EUROPE LIMITED
POLYGON INSURANCE COMPANY LIMITED
SWISS RE INTERNATIONAL SE, UK BRANCH
TOWER INSURANCE LIMITED

(A LIST OF THE SCHEME COMPANIES' FORMER NAMES APPEARS AT APPENDIX A)

**AND THEIR RESPECTIVE
SCHEME CREDITORS
(AS DEFINED IN THE SCHEME)**

CONCERNING BUSINESS UNDERWRITTEN BY THE SCHEME COMPANIES REFERRED TO ABOVE THROUGH THE ENGLISH & AMERICAN UNDERWRITING AGENCY LIMITED POOLS ("EAUA POOLS"), THE TRANSGLOBE AVIATION UNDERWRITING SYNDICATE LIMITED POOL ("TAUS POOL"), THE TRANSGLOBE RE POOL AND THE E&A RE POOL, TOGETHER WITH ALL OTHER LIABILITIES OF ENGLISH & AMERICAN INSURANCE COMPANY LIMITED (SUBJECT TO CERTAIN EXCEPTIONS) AND OF CITY INTERNATIONAL INSURANCE COMPANY LIMITED. ALL SUCH BUSINESS IS FULLY DESCRIBED IN APPENDIX A TO THE SCHEME AT PAGES 247 TO 251

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1. **DEFINITIONS AND INTERPRETATION**

1.1 **Scheme Company**

As the context requires, the Scheme Company shall be any of the following in respect of which the Scheme has become effective:

The Baloise Insurance Company Limited	foreign company number FC002092, a company incorporated in Switzerland.
City International Insurance Company Limited	company number 01409387, a company incorporated in England.
Dowa Insurance Company (Europe) Limited	company number 01235550, a company incorporated in England.
East West Insurance Company Limited	company number 00811120, a company incorporated in England.
English & American Insurance Company Limited	company number 00240656, a company incorporated in England.
Fuji International Insurance Company Limited	company number 01212503, a company incorporated in England.
Hiscox Insurance Company Limited	company number 00070234, a company incorporated in England.
The Home Insurance Company (In Liquidation)	foreign company number FC002100, a company incorporated in the United States of America in the state of New Hampshire.
The Insurance Corporation of Singapore (U.K.) Limited	company number 01520360, a company incorporated in England.
KX Reinsurance Company Limited	company number 00494416, a company incorporated in England.
Metropolitan Reinsurance Company (U.K.) Limited	company number 01741164, a company incorporated in England.
Moorgate Insurance Company Limited	company number 00147862, a company incorporated in England.
Nippon Insurance Company of Europe Limited	company number 01152263, a company incorporated in England.
Polygon Insurance Company Limited	company number 4786, a company incorporated in Guernsey.
Swiss Re International SE, UK Branch	company number B134553, a company incorporated in Luxembourg acting

	through its UK branch.
Tower Insurance Limited	company number 143050, a company incorporated in New Zealand.

1.2 **Definitions**

In the Scheme, unless the context otherwise requires or otherwise expressly provides, the following expressions shall bear the following meanings:

"**Act**"	the Companies Act 2006 as amended and in force at the Effective Date;
"**Adjudication**"	the procedure for the resolution of disputes by a Scheme Adjudicator set out in Clause 2.5 and Clause 6;
"**Admissible Interest**"	any interest provided for in a relevant Insurance Contract or any relevant statute or any other relevant law from the date provided for therein up to the day immediately preceding the Bar Date provided however that, in the following cases the term "Admissible Interest" shall be interpreted as follows: (a) in the case of EAIC, any interest to which a Scheme Creditor is entitled from EAIC by reason of contract, judgment against EAIC, decree or otherwise for a period or periods ending on the Record Date; (b) in the case of ICS, any interest which would have been treated as part of a Scheme Claim pursuant to the Existing ICS Scheme; and (c) in the case of Home, any such interest to the extent that it may lawfully be admitted to proof in the Home Liquidation;
"**Admitted Claim**"	shall bear the same meaning as in the Existing ICS Scheme;
"**Advertise**"	the placing of advertisements in the same publications and fora as notice of the Scheme Meeting(s) was placed or, if that is not practicable, in such other publications and fora as the Scheme Manager shall reasonably deem appropriate;
"**Agreed Claim**"	the value of a Scheme Claim (excluding any Agreed Protected Claim or Protected Scheme Claim) determined by the process set out at Clauses 2.1 to 2.4 inclusive;
"**Agreed Protected Claim**"	a Protected Scheme Claim in respect of which there has been established, whether before or after the Completion Date, by agreement or by a Final Order a present obligation of EAIC or ICS to pay an ascertained sum of money after taking into account and deducting

	any EAIC Security or ICS Security (as applicable) which may be utilised by the Scheme Creditor in payment (whether in full or in part) of the ascertained sum payable to it and any amount payable by the Scheme Creditor to EAIC or ICS which would have been taken into account in preparing a Valuation Statement or Provisional Valuation Statement pursuant to Clause 2.7.1 or Clause 2.4 if the Scheme Claim had not been a Protected Scheme Claim;
"**Appendices**"	the Appendices to the Scheme referred to in the contents page and set out at pages 247 to 352 of the Scheme when viewed or printed in their entirety;
"**Appointee**"	as the context requires, an individual, firm, partnership or company;
"**Available General Assets**"	the value of General Assets after deducting such amount as the ICS Scheme Administrators reasonably consider necessary to pay Scheme Expenses or other liabilities for which provision should be made;
"**Bar Date**"	17:00 hours (English time) on the day falling 180 days after the Effective Date or, if that is not a Business Day, then the next Business Day following;
"**Blocked Monies**"	any monies payable to a Scheme Creditor under the Scheme the payment of which is prohibited by an applicable law or regulation referred to in Clause 9.10;
"**Board**"	the board of directors of the Scheme Company from time to time;
"**Business Day**"	any day other than (1) Saturday, (2) Sunday or (3) a day on which the UK clearing banks are not open for business in London;
"**Canadian Dollars**"	Canadian dollars, being the lawful currency of Canada;
"**Capped Sterling Equivalent**"	an amount in the currency in which a Non-Sterling Amount is denominated determined by converting the equivalent of the Non-Sterling Amount in Pounds Sterling at the Specified Exchange Rate into the currency in which the Non-Sterling Amount is denominated at the exchange rate prevailing on the Relevant Date;
"**Claim Form**"	the document entitled "Claim Form" including all guidance notes and instructions sent or made available to Scheme Creditors in accordance with Clause 2.2, an

	example of which is at Appendix C;
"Combined Valuation Statement"	a statement aggregating all of the Valuation Statements and/or Provisional Valuation Statements in respect of a Scheme Creditor (other than for EAIC, ICS and Home);
"Common Liability"	any Liability (including, but not limited to, any Liability for compensatory damage, consequential damage, contractual damage, extra-contractual damage and damage provided for under statute or other law) arising under or otherwise in connection with a contract (whether of insurance, reinsurance, retrocession or otherwise), made between EAIC or ICS, a Scheme Creditor and one or more EAIC Co-Insurers or ICS Co-Insurers (whether by way of a single multi-lateral contract or by way of a number of contracts on substantially identical terms, made variously between EAIC or ICS, the Scheme Creditor and one or more EAIC Co-Insurers or ICS Co-Insurers), such that EAIC's or ICS's and EAIC Co-Insurers' or ICS's Co-Insurers' rights and Liabilities under the said contract relate to the same layer of cover (where the contract in question is of insurance, reinsurance or retrocession and where the risk giving rise to the Liability is insured in layers) and are substantially identical whether they are joint, several or differing in quantum;
"Company Directors Disqualification Act"	the Company Directors Disqualification Act 1986;
"Completion Date"	in respect of a Scheme Creditor of a Scheme Company other than EAIC, ICS or Home, the date upon which the Scheme is certified to have been completed in accordance with Clause 9.3 or, in the case of EAIC, the date upon which the Scheme is certified to have completed in accordance with Clause 15 or in the case of ICS, the date upon which the Scheme terminates pursuant to Clause 24 or, in the case of Home, the date upon which the Scheme terminates pursuant to Clause 27;
"Court"	the High Court of Justice of England and Wales;
"Creditors' Fund"	the fund created pursuant to clause 12.1 of the Existing ICS Scheme;
"Creditors' Resolution"	shall bear the same meaning as in the Existing ICS Scheme;

"**Deed Poll**"	the deed poll to be executed by the Replacement EL Carrier as envisaged under Clause 8.1 and which will be in substantially the form set out in Appendix F;
"**Default Judgment**"	any order, judgment, decision or award of a court or other tribunal of competent jurisdiction which is obtained or entered by virtue only of an EAIC Co-Insurer or ICS Co-Insurer having omitted to take a procedural step in relation to a Proceeding brought by a Scheme Creditor, including any such order, judgment, decision or award which has been obtained by virtue of the EAIC Co-Insurer or ICS Co-Insurer having failed: (a) to acknowledge the commencement and/or service of the process whereby the Scheme Creditor commenced such Proceeding; (b) to serve a defence, answer or other response to the Scheme Creditor's claim; or (c) to comply with any order or direction of the court or tribunal which was interlocutory, procedural or intermediate in nature, or with any procedural rules of the court or tribunal;
"**Delegate**"	any person to whom the EAIC Scheme Administrators may delegate any of their functions and powers;
"***de minimis* amount**"	fifty Pounds Sterling or its equivalent calculated using the Scheme Rate in any other currency, or such greater amount as the EAIC Scheme Administrators or the Scheme Manager (as appropriate) may reasonably determine from time to time;
"**Designated Representative**"	a body corporate or a partnership designated by written notice to the EAIC Creditors' Committee by any two or more Scheme Creditors to act as a member of the EAIC Creditors' Committee;
"**Disputed Claim**"	a claim referred to the Scheme Adjudicator in accordance with Clauses 2.4.8 to 2.4.10 (inclusive);
"**Distribution**"	any payment made or to be made to a Scheme Creditor of ICS pursuant to the Existing ICS Scheme or the Scheme, except payments calculated and made with reference to an ICS Payment Percentage;
"**EAIC**"	English & American Insurance Company Limited (company number 240656), a company incorporated in

	England;
"**EAIC Co-Insurer**"	any insurer or reinsurer (apart from EAIC or ICS);
"**EAIC Committee Member**"	a member of the EAIC Creditors' Committee;
"**EAIC Creditors' Committee**"	the committee established in relation to EAIC pursuant to clause 6 of the Existing EAIC Scheme;
"**EAIC Released Parties**"	the Released Parties together with any person holding, or who has at any time held, the position of Scheme Administrator, Scheme Conflicts Administrator, EAIC Committee Member, Designated Representative, Nominated Representative, any representative or alternate appointed by the FSCS or the Policyholders Protection Board from time to time pursuant to clause 6.1.5 of the Existing EAIC Scheme, including any Delegate or Employee pursuant to the Scheme or the Existing EAIC Scheme and any past or present director of EAIC holding office after the Record Date in respect of the period after the Record Date, in each case in their capacity as such;
"**EAIC Scheme Administrators**"	Thomas Alexander Riddell and Michael Steven Walker, or such other person or persons appointed as EAIC Scheme Administrator in accordance with the provisions of the Scheme;
"**EAIC Security**"	any effective letter of credit, deposit, reserve of funds, escrow, trust fund, guarantee, indemnity, cash reserves or assets or similar arrangement or a mortgage, charge, lien or assignment by way of security, bond or other security interest over any Property of EAIC issued to or created for the benefit of a Scheme Creditor to the extent only that it secures payment of any Scheme Claim against EAIC;
"**EAUA**"	English & American Underwriting Agency Limited (company number 01769647 (dissolved)), a company incorporated in England;
"**EAUA Pools**"	shall have the meaning set out in paragraph 1.1 of Appendix A;
"**E&A Pool Creditor**"	shall bear the same meaning as in the Existing ICS Scheme;
"**E&A Pool Participant**"	shall bear the same meaning as in the Existing ICS

	Scheme;
"**E&A Re Pool**"	shall have the meaning set out in paragraph 1.4 of Appendix A;
"**Effective Date**"	the date on which an office copy of the order of the Court sanctioning the Scheme is delivered for registration to the Registrar of Companies, or, in the case of Home only, if later, the date on which the New Hampshire Court enters a final non-appealable order approving the Scheme;
"**E-mail**"	delivery by electronic mail;
"**E-mail Copy**"	a copy sent by electronic mail;
"**EL Beneficiaries**"	the policyholder employers who are insured under the EL Covers and, to the extent that such employers are insolvent, their present or former employees, provided that they satisfy the requirements of the Third Parties (Rights against Insurers) Act 1930;
"**EL Covers**"	all employer's liability cover written by the Scheme Companies (apart from EAIC, ICS and Home) under the Package Policies;
"**Employee**"	any partner or director in the same firm, company, limited liability partnership or partnership as another, or any individual employed, whether under a contract of service or a contract for services, by that firm, company or partnership or by any company owned by such firm, company or partnership;
"**Established Scheme Liability**"	a liability of EAIC which either (i) became an Established Scheme Liability in accordance with clause 2.6 of the Existing EAIC Scheme; or (ii) becomes an Established Scheme Liability in accordance with Clause 11.1 of the Scheme;
"**Estimation Guidelines**"	the guidelines which are set out at Appendix B;
"**EU**"	The European Union;
"**Euro**"	the currency adopted by participating Member States in furtherance of economic and monetary union under Article 109 of the Treaty of European Union;
"**Excluded Claim**"	any Liability of the Scheme Company which is excluded from the Scheme by virtue of paragraph 4 of Appendix A;

"**Excluded Creditor**"	a creditor of the Scheme Company in respect of an Excluded Claim;
"**Existing EAIC Scheme**"	the Original EAIC Scheme as amended by the amending scheme of arrangement between EAIC and its creditors dated 1 June 2000 which became effective on 31 August 2000;
"**Existing EAIC Scheme Date**"	31 August 2000, being the date on which the Existing EAIC Scheme became effective;
"**Existing ICS Scheme**"	the scheme of arrangement between ICS and its creditors dated 19 October 2001 which became effective on 25 January 2005;
"**Existing ICS Scheme Date**"	25 January 2005, being the date on which the Existing ICS Scheme became effective;
"**Explanatory Statement**"	the explanatory statement at Part 1 of the Scheme Document explaining the effect of the Scheme to Scheme Creditors pursuant to section 896 of the Act;
"**Extension Period**"	the extension of the time requested by the Scheme Manager for review of the Claim Form pursuant to Clause 2.4.5(a) and/or Clause 2.4.5(b);
"**Final Agreed Percentage**"	the percentage calculated in respect of an E&A Pool Participant pursuant to Clause 20.5 in relation to ICS;
"**Final Award**"	in relation to Proceedings commenced or continued by a Scheme Creditor, as expressly provided for in the Scheme or with the written consent of the Scheme Company: (a) any judgment, order or award made against the Scheme Company in such Proceedings which gives rise to a quantified liability on the part of the Scheme Company and which either is not appealed by the relevant Scheme Company within the deadline for appeal laid down by the relevant rules of procedure or by the court or tribunal concerned (as extended, if applicable, by agreement between the parties to the Proceedings or by such court or tribunal) or is made by a final appellate court or tribunal; and (b) any sum agreed to be paid pursuant to a negotiated settlement of such Proceedings. For the avoidance of doubt, only the Scheme Company's

	share of any such award or negotiated settlement as determined by the relevant court or tribunal, or in the absence of such determination as calculated by the Scheme Manager and/or the Scheme Adjudicator, shall be treated as an Agreed Claim owed by such Scheme Company;
"**Final Entitlement**"	shall be the amount calculated by the ICS Scheme Administrators as due to an E&A Pool Participant pursuant to Clause 20.4, subject to any adjustment made pursuant to Clause 20.5.4;
"**Final Order**"	an order or award of a court or tribunal which is not subject to any pending appeal, request for reargument, rehearing, reconsideration or similar relief and in relation to which the time to appeal or request reargument, rehearing, reconsideration or similar relief has expired;
"**Final Settlement**"	a binding agreement, evidenced in writing, which of itself determined the obligation of an EAIC Co-Insurer or ICS Co-Insurer under the contract in question (either as to liability or as to quantum);
"**FSA**"	The United Kingdom Financial Services Authority;
"**FSCS**"	the Financial Services Compensation Scheme Limited (company number 03943048), established pursuant to Part XXV of FSMA (being the current statutory successor to the Policyholders Protection Board as defined in the Existing EAIC Scheme) and to include any statutory successor of it;
"**FSCS Amount**"	the value agreed between the EAIC Scheme Administrators and the FSCS in accordance with Clause 13.9 or, failing such agreement, as determined by the Scheme Adjudicator;
"**FSCS Rules**"	the statutory rules governing the compensatory powers, duties and functions of the FSCS;
"**FSMA**"	the Financial Services and Markets Act 2000 and, if the context so permits, any applicable rules of the FSCS made pursuant to section 213 of FSMA;
"**General Assets**"	shall bear the same meaning as in the Existing ICS Scheme;
"**General Creditors**"	shall bear the same meaning as in the Existing ICS

	Scheme;
"Home"	The Home Insurance Company (in Liquidation), a company incorporated in the State of New Hampshire in the United States of America;
"Home Claims Procedure Order"	the order establishing procedures regarding claims filed with Home in the Home Liquidation entered by the New Hampshire Court on 19 December 2003 (as amended, varied, supplemented or replaced from time to time);
"Home Liquidation"	the liquidation being conducted in respect of Home pursuant to the order of the New Hampshire Court dated 13 June 2003;
"Home Liquidator"	the Commissioner of Insurance for the State of New Hampshire, and his successors in office, solely in his capacity as Liquidator of Home pursuant to his appointment by order of the New Hampshire Court;
"Home Released Parties"	the Released Parties together with any person holding, or who has at any time held, the position of Home Liquidator, as well as the Home Liquidator's special deputy, the employees of Home, the Commissioner of Insurance for the State of New Hampshire, employees of the New Hampshire Insurance Department, the Attorney General of the State of New Hampshire and employees of the New Hampshire Office of the Attorney General;
"ICS"	The Insurance Corporation of Singapore (U.K.) Limited, company number 01520360, a company incorporated in England;
"ICS Co-Insurer"	any insurer or reinsurer (apart from ICS or EAIC);
"ICS Creditors' Committee"	the committee established in relation to ICS pursuant to clause 38 of the Existing ICS Scheme;
"ICS Committee Member"	a member of the ICS Creditors' Committee pursuant to the Existing ICS Scheme;
"ICS Payment Percentage"	the percentage set or amended by the ICS Scheme Administrators pursuant to Clause 19.3;
"ICS Petition Date"	14 October 1993, being the date that the ICS Winding-Up Petition was presented;
"ICS Released Parties"	the Released Parties together with any person holding, or who has at any time held, the position of Joint Scheme Administrator, Scheme Adjudicator, Scheme

	Actuary, ICS Committee Member and Nominated Representative pursuant to the Scheme or the Existing EAIC Scheme and any past or present director of ICS holding office after the date of the Existing ICS Scheme in respect of the period after that date, in each case, in their capacity as such;
"**ICS Scheme Administrators**"	the Joint Scheme Administrators in office on the Effective Date pursuant to the Existing ICS Scheme, or any successors subsequently appointed pursuant to clause 31 of the Existing ICS Scheme;
"**ICS Security**"	any effective letter of credit, deposit, reserve of funds, escrow, trust fund, guarantee, indemnity, cash reserves or assets or similar arrangement or a mortgage, charge, lien or assignment by way of security, bond or other security interest over any Property of ICS issued to or created for the benefit of a Scheme Creditor to the extent only that it secures payment of any Scheme Claim against ICS;
"**ICS Winding-Up Petition**"	the petition to wind up ICS numbered 008933 of 1993 presented to the Court on 14 October 1993;
"**Insolvency Act**"	the Insolvency Act 1986 (as amended);
"**Insolvency Event**"	(a) the making of an order by the Court to wind up the Scheme Company compulsorily pursuant to the Insolvency Act; or (a) the commencement of a creditors' voluntary liquidation in respect of the Scheme Company in accordance with the provisions of the Insolvency Act; or (b) the Scheme Company entering into a company voluntary arrangement with its creditors in accordance with the provisions of the Insolvency Act; or (c) the appointment of an administrator, administrative receiver, receiver or provisional liquidator in respect of the Scheme Company in accordance with the provisions of the Insolvency Act; or (d) the commencement heretofore or hereinafter in relation to the Scheme Company of any analogous proceeding in any other jurisdiction;

"**Insolvency Rules**"	the Insolvency Rules 1986 (as amended);
"**Insurance Contract**"	a contract or a policy of insurance, reinsurance, or retrocession of any kind whatsoever entered into before the Effective Date by or on behalf of the Scheme Company or in accordance with the terms of which the Scheme Company has assumed any liability;
"**Joint Scheme Administrators**"	shall bear the same meaning as in the Existing ICS Scheme;
"**Liability**"	any liability of a person whether it is present, future, prospective or contingent, whether or not its amount is fixed or liquidated whether or not it involves the payment of money and whether it arises at common law, in equity or by statute, in England or in any other jurisdiction or in any other manner whatsoever, but such expression does not include any liability which is barred by statute, or otherwise unenforceable. For the avoidance of doubt, a person who does not have a legal liability under a contract or policy because such contract or policy is void or, being voidable, has been duly avoided will not have a liability for the purposes of the Scheme;
"**LIBOR**"	in respect of each day of a calendar month, LIBOR shall be: (a) the rate published in the Financial Times (UK edition) as British Bankers' Association ("**BBA**") one month libor in respect of the last Business Day of the preceding calendar month, for the relevant Scheme Currency or other currency; or (b) if no such rate is published for the relevant currency, the equivalent rate published in the Financial Times (UK edition) in respect of that date for Pounds Sterling; (c) if the Financial Times (UK edition) does not publish BBA one month libor rates in respect of the day in question, the last such rate published therein for the relevant currency;
"**Lloyd's**"	the society incorporated by the Lloyd's Act 1871 by the name of Lloyd's and situated at One Lime Street, London EC3M 7HA;
"**Lloyd's Syndicate**"	a group of underwriting members of Lloyd's, to which a number is assigned by the council of Lloyd's in respect

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	of an underwriting year;
"**Manifest Error**"	an arithmetical or typographical error which is apparent either on the face of the document concerned or by reference to the information which has been or should, in accordance with the Scheme, have been inserted in the document concerned and has been incorrectly transcribed;
"**Net Ascertained Claim**"	the final balance shown on a Valuation Statement where that balance is in favour of the Scheme Creditor;
"**Net Debt**"	the final balance shown on a Valuation Statement where that balance is in favour of the Scheme Company;
"**Net Debtor**"	any person who has a Net Debt shown on their Valuation Statement;
"New Hampshire Court"	the Merrimack County Superior Court of the State of New Hampshire;
"**Nominated Representative**"	a director, senior executive, partner or professional adviser appointed by an EAIC Committee Member who is a body corporate (other than the FSCS) or a partnership, by notice in writing to the EAIC Creditors' Committee to attend and vote in his place at any meeting of the EAIC Creditors' Committee;
"**Non-Sterling Amount**"	a sum payable in respect of any Agreed Protected Claim by the FSCS under Clause 13.1.1 or Clause 23.1 in a currency other than Pounds Sterling;
"**Notification Date**"	has the meaning given to it under Clause 15.5.1 in relation to EAIC;
"**Operating Fund**"	shall bear the same meaning as in the Existing ICS Scheme;
"**Other Liabilities**"	shall have the meaning set out in paragraph 3 of Appendix A;
"**Original EAIC Scheme**"	the scheme of arrangement between EAIC and its Scheme Creditors dated 28 October 1994 and which became effective on 8 February 1995;
"**Original EAIC Scheme Date**"	8 February 1995, being the date that the Original EAIC Scheme became effective;
"**Package Policies**"	the direct UK combined package policies written between 1979 and 1986, under or pursuant to those 19

	instruments listed in Schedule 1 to Appendix F;
"**Payment Percentage**"	the percentage of an Established Scheme Liability (or, of a Net Ascertained Claim as the case may be) w
	-Up Petition in relation to EAIC;
"**Policyholders Protection Act**"	the Policyholders Protection Act 1975 of the United Kingdom as amended and in force on the Record Date (but incorporating also any amendment made after that date which has effect in relation to a company which was a company in liquidation on or before that date);
"**Policyholders Protection Board**"	the Policyholders Protection Board established by the Policyholders Protection Act and any statutory successor of it;
"**Pools**"	the EAUA Pools, the TAUS Pool, the Transglobe Re Pool and the E&A Re Pool;
"**Pools Business**"	means any liabilities arising from business written by the Scheme Companies through the EAUA Pools, the TAUS Pool, the Transglobe Re Pool and the E&A Re Pool as described in paragraphs 1.1 to 1.4 of Appendix A;
"**Pool Liabilities**"	shall have the meaning set out in paragraph 2 of Appendix A;
"**Post**"	delivery by hand (including by a generally recognised commercial courier service), prepaid first-class post or airmail;
"**Post-Completion Trust**"	a trust established pursuant to Clause 15.2.7 or 15.5.2 in relation to EAIC;
"**Pounds Sterling**"	pounds sterling, being the lawful currency of the United Kingdom;
"**Prescribed Format**"	the same format and form used by the Scheme Manager for presenting or requesting information for the purposes of a Claim Form including, where applicable, the same software or such other form as the Scheme Manager may agree in writing with the relevant Scheme Creditor;
"**Proceedings**"	any action or other legal proceeding:

(a) including, for the avoidance of doubt,

(i) arbitration (insofar as the same is provided for under the terms of a contract giving rise to a Scheme Claim) and;

(ii) any judicial action or proceeding; but

(b) excluding

(i) arbitration (insofar as not provided for under the terms of a contract giving rise to a Scheme Claim); and

(ii) any other dispute resolution procedure which does not involve submission to the courts;

"**Property**" all forms of property (including money, goods, things in action, land and every description of property wherever situated) and of obligations and every description of interest, whether present or future or vested or contingent, arising out of, or incidental to, property and including, for the avoidance of doubt, all contributions to the assets of the Scheme Company not falling within the meaning of the Scheme Company's property under the Act;

"**Protected Percentage**" in relation to an Agreed Protected Claim, the percentage of such Agreed Protected Claim which the FSCS would have a duty to pay under sections 6 to 8 of the Policyholders Protection Act or under those parts of the FSCS Rules which implement article 10 of the Transitional Order were EAIC or ICS a "company in liquidation" for the purposes of the Policyholders Protection Act;

"**Protected Policyholder**" in relation to an Agreed Protected Claim, any Scheme Creditor to whom EAIC or ICS owes that Agreed Protected Claim and who, in addition, is eligible for protection under section 16(9) of the Policyholders Protection Act;

"**Protected Scheme Claim**" a Scheme Claim which, if in respect of it there were established by agreement or by a Final Order a present obligation of EAIC or ICS to pay an ascertained sum of money, would be either:

(a) a liability under a policy in respect of which the FSCS would owe a duty under sections 6 to 8 of

	the Policyholders Protection Act if EAIC or ICS were a "company in liquidation" and the Record Date were the "beginning of the liquidation", in each case within the meaning of the Policyholders Protection Act; or
	(b) a liability under a policy in respect of which the FSCS would be required to pay under article 10 of the Transitional Order and those parts of the FSCS Rules giving effect to article 10 of the Transitional Order;
"**Provisional Agreed Items**"	shall have the same meaning as set out in Clause 2.4.5(c);
"**Provisional Liquidation Date**"	19 March 1993, being the date of the appointment of provisional liquidators to EAIC;
"Provisional Valuation Statement"	the statement to be prepared in accordance with Clause 2.4 in substantially the form set out at Appendix D;
"**Record Date**"	28 October 1994, being the date of the Original EAIC Scheme;
"**Registrar of Companies**"	the registrar or other officer performing under the Act the duty of registration of companies in England and Wales;
"**Released Parties**"	the Scheme Company and any person holding, or who has at any time held, the position of Scheme Manager, Scheme Actuary or Scheme Adjudicator, including any Delegate, Employee or alternate of any of the foregoing persons, pursuant to the Scheme and, except in the case of EAIC and ICS, any past or present director of the Scheme Company, in each case in their capacity as such;
"**Relevant Date**"	the Business Day falling immediately before the date of a payment under Clause 13.1.2;
"**Replacement EL Carrier**"	an EU authorised insurer with a financial strength rating which is at least equivalent to A.M. Best Company, Inc's rating of "Secure"as at the Effective Date;
"**Reversion to Run-off Date**"	shall have the same meaning as set out in Clause 9.5.1;
"**Review Date**"	the Effective Date and 31 December of each year (commencing on 31 December 2010 or such other date as the Scheme Administrators may from time to time, in

	consultation with the EAIC Creditors' Committee, in their absolute discretion decide;
"**Scheme**"	the scheme of arrangement as set out in this document and approved in relation to a Scheme Company by the requisite majorities of creditors at a Scheme Meeting convened by that Scheme Company with or subject to any modification, addition or condition approved or imposed by the Court;
"**Scheme Actuary**"	the person referred to as such in Clause 5.3.5 or Clause 5.7.1 (as appropriate) and any person appointed in substitution for him or her in accordance with the provisions of the Scheme;
"**Scheme Adjudicator**"	any person for the time being appointed under Clause 6 as a Scheme Adjudicator in relation to an Adjudication in accordance with the provisions of the Scheme;
"**Scheme Amount**"	the aggregate amount of actual and deemed payments to a Scheme Creditor under the Scheme and/or the Existing EAIC Scheme converted into US Dollars at the rate of exchange prevailing in the winding-up (applicable to EAIC only);
"**Scheme Assets**"	shall bear the same meaning as in the Existing EAIC Scheme;
"**Scheme Claim**"	any Liability of the Scheme Company which is a Pool Liability or Other Liability referred to in Appendix A;
"**Scheme Company**"	any company listed at Clause 1.1 and in respect of which the Scheme has become effective;
"**Scheme Conflicts Administrator**"	any person appointed as a Scheme Conflicts Administrator in respect of EAIC in accordance with the provisions of the Existing EAIC Scheme;
"**Scheme Costs**"	all such costs, charges, expenses, disbursements and remuneration as are referred to in clause 11.2.2 of the Existing EAIC Scheme;
"**Scheme Creditor**"	a creditor of the Scheme Company in respect of a Scheme Claim;
"**Scheme Currency**"	any of Pounds Sterling, the US Dollar and the Canadian Dollar, as applicable;
"**Scheme Debt**"	a Liability which is or may become payable to the Scheme Company arising in connection with the business which is referred to in Appendix A including,

without limitation, reinstatement premiums, claim reserve deposits, refunds, rights of subrogation and reinsurance recoverables, including (for the avoidance of doubt) a

-market rate of exchange between the two currencies quoted in the international edition of the Financial Times on the last Business Day of the calendar quarter before the day on which a Valuation Statement or Provisional Valuation Statement in which it is to be applied is prepared or, if no such rate is published, the closing mid-market rate of exchange between the two currencies as quoted by Barclays Bank PLC on such date and if no such rate is available, such rate as may reasonably be selected by the Scheme Manager;

"**Security**" except in relation to EAIC and ICS, any effective letter of credit, deposit, reserve of funds, escrow, trust fund, guarantee, indemnity, cash reserves or assets or similar arrangement or a mortgage, charge, lien or assignment by way of security, bond or other security interest over any Property of the Scheme Company issued to or

created for the benefit of a Scheme Creditor, to the extent only that it secures payment of any Scheme Claim;

"**Specified Exchange Rate**" the rate 12.5 per cent below the exchange rate into Pounds Sterling for the currency in which a Non-Sterling Amount is denominated, determined pursuant to Clause 13.2.3 or 23.2.3, as applicable;

"**Substantive Judgment**" in relation to a Common Liability, an order, judgment, decision or award of a court or other tribunal of competent jurisdiction which is:

(a) final and conclusive in relation to the merits of a Scheme Creditor's rights against an EAIC Co-Insurer or ICS Co-Insurer under the contract in question, in that the tribunal has established certain facts as proved or as not in dispute, identified the relevant principles of law applicable to such facts and reached its decision by applying those principles to such facts, such that the EAIC Co-Insurer's or ICS Co-Insurer's obligations under the contract in question (either as to liability or as to quantum) have been determined;

(b) not subject to any pending appeal or to any right of appeal; and

(c) not a Default Judgment;

"**TAUS**" Transglobe Aviation Underwriting Syndicate;

"**TAUS Pool**" shall have the meaning set out in paragraph 1.2 of Appendix A;

"**Tax**" any form of taxation, levy, duty, charge, contribution, withholding or impost of whatever nature (including any related fine, penalty, surcharge or interest) imposed, collected or assessed by or payable to any Tax Authority;

"**Tax Authority**" any government, state, municipality or any local state, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world (including in the United Kingdom, without limitation, Her Majesty's Revenue & Customs);

"**Transitional Order**" the Financial Services and Markets Act 2000 (Transitional Provisions, Repeals and Savings)

	(Financial Services Compensation Scheme) Order 2001 (2001 No 2967);
"**Transglobe Re Pool**"	shall have the meaning set out in paragraph 1.3 of Appendix A;
"**Unpaid Agreed Claims**"	the value of Scheme Claims which according to the Scheme Manager's records have been agreed as due to the relevant Scheme Creditor as at the Effective Date (or in the case of EAIC claims which have become Established Scheme Liabilities as at that date) but not paid or discharged by the operation of set-off or otherwise, and in the case of EAIC before taking account of any Scheme Payments;
"**US Dollars**"	United States dollars, being the lawful currency of the United States of America;
"**Valuation Statement**"	the statement to be prepared in accordance with Clause 2.7 in substantially the form set out at Appendix D;
"**Voting Form**"	the document entitled "Voting Form" including all guidance notes and instructions sent or made available to Scheme Creditors, an example of which is available via the Website;
"**Website**"	the website at www.englishandamericanpools.com;
"**Winding-Up Petition**"	the petition to wind up EAIC numbered 002717 of 1993, presented to the Court on 23 March 1993.

1.3 **Interpretation**

In the Scheme unless the context otherwise requires or the Scheme expressly provides otherwise:

1.3.1 references to **Clauses** and **Appendices** are references to the Clauses and Appendices, respectively, of the Scheme;

1.3.2 references to months are to calendar months;

1.3.3 except in relation to the definitions of "**Protected Scheme Claim**" and "**Protected Policyholder**" references to a "**person**" include an individual, firm, partnership, company, unincorporated body of persons or any state or state agency;

1.3.4 references to "**insurance**" shall include "**reinsurance**" and "**retrocession**" except where the context otherwise requires;

1.3.5 references to any enactment or other legislative provision shall be deemed to include the same as re-enacted, amended or extended save where expressly provided to the contrary;

1.3.6 the singular includes the plural and vice versa other than in references to the Scheme Company;

1.3.7 words importing one gender shall include all genders;

1.3.8 references in the Scheme to a firm or company other than a Scheme Company or Scheme Creditor shall include any predecessor or successor of that firm or company whether by merger, demerger, amalgamation or otherwise;

1.3.9 save as provided in Clause 2.8.4 in relation to each Scheme Company, the Scheme shall be read as applying only to that Scheme Company;

1.3.10 in the event that a Scheme Currency is replaced by another unit of currency, references to that Scheme Currency shall, where appropriate, be deemed to refer to such replacement unit of currency and any amounts denominated in the original Scheme Currency shall be converted into the replacement unit of currency at the rate of exchange specified in the legislation introducing the replacement unit of currency;

1.3.11 time periods laid down by the Scheme shall, unless otherwise expressly stated, be calculated by reference to elapsed days and not Business Days, and in the event that a time period expires on a day which is not a Business Day, such period shall be deemed not to expire until 17:30 (English time) in England on the Business Day next following. Any time period expressed to run from a fixed date shall not include such date; and

1.3.12 for the avoidance of doubt, any references to a loss notified to a Scheme Creditor in the Scheme (including in the Estimation Guidelines, the Voting Forms, the Claim Forms, or other related documents) include first-party losses

where the Scheme Creditor has incurred the loss itself, as well as third-party losses of which it has been notified.

1.4 **Possible Exclusion of EL Beneficiaries from the Scheme**

If:

1.4.1 the class of creditors comprising EL Beneficiaries does not vote in favour (by the requisite statutory majorities) of the Scheme proposed by any one or more of City International Insurance Company Limited, Fuji International Insurance Company Limited, KX Reinsurance Company Limited, Metropolitan Reinsurance Company (U.K.) Limited or Moorgate Insurance Company Limited, in circumstances where the other two classes of creditors do vote in favour of the said Scheme by the requisite statutory majorities, or

1.4.2 the Court, for any other reason, declines to sanction the Scheme for any one or more of the said companies insofar only as the Scheme purports to bind the class of creditors comprising EL Beneficiaries,

and the Court is otherwise willing to sanction the said Scheme for the said companies insofar as it purports to bind the other two classes of creditors of the said companies, then the said Scheme shall thenceforward be construed as being only between the said Scheme Company and the said other two classes of creditors and the class of EL Beneficiaries shall be deemed to be excluded therefrom for all purposes.

2. VALUATION OF SCHEME CLAIMS

2.1 Application and Purpose of the Scheme

2.1.1 The Scheme shall apply to all Scheme Claims.

2.1.2 Each Scheme Creditor's Scheme Claims (except for any Protected Scheme Claims) shall be valued, taking account of discounting in accordance with the principles set out in the Estimation Guidelines to reflect their present value, in accordance with the Scheme.

2.1.3 The purpose of the Scheme is to value each Scheme Creditor's Scheme Claims and, in respect of the Scheme Companies other than EAIC, ICS and Home, to discharge each Scheme Creditor's Net Ascertained Claim in full.

2.1.4 In respect of EAIC and ICS only, the purpose of the Scheme is to amend the Existing EAIC Scheme and the Existing ICS Scheme, respectively, to:

(a) provide for, in relation to EAIC, subject to Clause 2.1.4(b), the valuation of each Scheme Creditor's Net Ascertained Claim and to make dividend payments to Scheme Creditors in proportion to their respective Net Ascertained Claims (taking into account payments made under the Existing EAIC Scheme and deemed payments under the Scheme) in accordance with Clause 12; and

(b) in the case of Protected Policyholders of EAIC and ICS, to provide for the continuation of the ascertainment of the value of Agreed Protected Claims and the payment by the FSCS of the Protected Percentage of those Agreed Protected Claims; and

(c) provide for, in relation to ICS, subject to Clause 2.1.4(b), the valuation of each Scheme Creditor's Net Ascertained Claim and to make payments to Scheme Creditors in accordance with the Scheme.

2.1.5 In respect of Home only, the purpose of the Scheme is to value each Scheme Creditor's Scheme Claims and to facilitate the admission to proof in the Home Liquidation of each Scheme Creditor's Net Ascertained Claim in accordance with the Home Claims Procedure Order.

2.1.6 Each Scheme Creditor is deemed to acknowledge that the Scheme and its proper application are fair and that all Scheme Creditors shall be bound thereby.

2.1.7 The provisions of Clauses 1 to 9 apply to all Scheme Companies including EAIC, ICS and Home, subject to Clauses 10.1, 17.1.1 and 25.1. The provisions of Clauses 10 to 16 relate to EAIC only, the provisions of Clauses 17 to 24 relate to ICS only and the provisions of Clauses 25 to 27 relate to Home only.

2.2 Distribution of Claim Forms and the Bar Date

2.2.1 The Scheme Manager shall, so far as it is reasonably able, within 14 days of the Effective Date send to every Scheme Creditor of whom it is aware (except for any Scheme Creditors which have requested in writing not to receive

correspondence relating to the Scheme), and for whom it possesses what it reasonably believes to be current contact details, notification of the Effective Date and of the Bar Date and details of how to access their Claim Form on the Website.

2.2.2 As soon as reasonably practicable after the Effective Date, the Scheme Manager shall Advertise a notice confirming the Effective Date and the Bar Date. The advertisement and the notification sent pursuant to Clause 2.2.1 shall contain a request that Scheme Creditors who wish to assert a Scheme Claim under the Scheme complete and submit or return Claim Forms by the Bar Date and where applicable contact the Scheme Manager who will provide:

(a) those Scheme Creditors who have not already done so and who wish to access their Claim Form on the Website with details of their unique username and website password; and

(b) those Scheme Creditors who do not wish to access their Claim Form on the Website with whichever of a paper, CD-ROM or E-mail Copy of their Claim Form the Scheme Creditor shall request.

2.2.3 The Scheme Manager shall make available to each Scheme Creditor on the Website, and, if requested, send to each Scheme Creditor who requests one, a paper, CD-ROM or E-mail Copy, as applicable, of their Claim Form. The Claim Form provided by the Scheme Manager will be based on the information in the Scheme Manager's systems and will contain to the extent of such information:

(a) notification of the Effective Date and the Bar Date;

(b) details of Unpaid Agreed Claims or other unpaid agreed balances arising under such Insurance Contracts as they are recorded on the Scheme Manager's accounting records at the Effective Date as being due for payment by or to the Scheme Company; and

(c) if the Scheme Creditor has elected to incorporate into its Claim Form the information contained in its Voting Form which it submitted to the Scheme Company for the purpose of voting at the Scheme Meeting in accordance with Clause 2.3.7, any details entered by the Scheme Creditor for voting purposes.

2.2.4 Where the Scheme Manager does not have current contact details for a Scheme Creditor in respect of whom a Claim Form has been prepared, but does have the last known address of a broker or other person whom it reasonably believes is or may be an agent of the Scheme Creditor concerned, the Scheme Manager shall send a copy of the notice referred to in Clause 2.2.1 to that broker or other person together with a request that such broker or other person forward the same to the Scheme Creditor as soon as reasonably practicable.

2.2.5 Any Scheme Creditor who has not received or had made available to it a paper, CD-ROM or E-mail Copy of its Claim Form and who does not wish to use the Website to access it may, by notice in writing, to be received by the Scheme Manager prior to the Bar Date, request either a paper, CD-ROM or E-mail Copy of its Claim Form from the Scheme Manager who shall, as soon as reasonably practicable, send one to such Scheme Creditor. For the avoidance of doubt, the Bar Date applies in relation to any and all Claim Forms.

2.3 **Return of Claim Forms**

2.3.1 Each Scheme Creditor shall, prior to the Bar Date and to the extent that it wishes to do so, complete and/or amend and return a Claim Form whether by amendment to the copy on the Website or by returning a paper, CD-ROM or E-mail Copy in accordance with the instructions on it and its accompanying guidance notes, together with relevant supporting evidence. In addition:

(a) a Scheme Creditor who amends or adds to the information set out on its Claim Form pursuant to this Clause 2.3.1 shall do so in the Prescribed Format. Any such Scheme Creditor and any Scheme Creditor for whom details provided for voting purposes have been entered pursuant to Clause 2.2.3(c) shall provide relevant supporting evidence to the Scheme Manager;

(b) in the period up to the Bar Date each Scheme Creditor shall be entitled to submit further or revised data on its Claim Form in accordance with the instructions upon it and its accompanying guidance notes and the provisions of this Clause 2.3.1, and shall provide relevant supporting evidence to support the new or revised Claim Form to the Scheme Manager;

(c) any supporting evidence in relation to a Claim Form provided by a Scheme Creditor in accordance with this Clause 2.3.1 will be disregarded if it is not received by the Scheme Manager within 7 days after the Bar Date **provided always that** the Scheme Manager shall not accept a Claim Form or any amendment to a Claim Form after the Bar Date;

(d) a Scheme Creditor submitting a Claim Form shall bear all of the costs of preparing and submitting it and any supporting evidence submitted in connection with it; and

(e) in the event that the Scheme Manager is deemed to receive and/or actually receives more than one Claim Form from a Scheme Creditor in relation to the same Scheme Claim, the last to be actually submitted by the Scheme Creditor and received by the Scheme Manager prior to the Bar Date shall prevail.

2.3.2 Subject to Clause 9.9.2 and Clause 13.8.1 and Clause 23.8.1, in the event that a Claim Form sent or made available to a Scheme Creditor or a broker or other person whom the Scheme Manager reasonably believes is or may be an agent of

the Scheme Creditor is not submitted by the Scheme Creditor and received by the Scheme Manager prior to the Bar Date, then the Claim Form, in the form made available to the Scheme Creditor under Clause 2.2.3 and including any information inserted thereon by the Scheme Manager (including, for the avoidance of doubt, any zero balances so inserted), shall be deemed to have been submitted by the relevant Scheme Creditor to the Scheme Manager immediately prior to the Bar Date.

2.3.3 A Scheme Creditor who agrees with all of the information set out on its Claim Form pursuant to Clause 2.2.3 and does not wish to add any additional information may submit its Claim Form prior to the Bar Date without making any amendment to it.

2.3.4 Except in the case of a Protected Scheme Claim, in the event that a Claim Form has not been submitted by a Scheme Creditor and received by the Scheme Manager prior to the Bar Date, that Scheme Creditor shall not be entitled to assert any Scheme Claim against the Scheme Company except as set out in the Claim Form prepared by the Scheme Manager in relation to that Scheme Creditor in accordance with Clause 2.2.3. For the avoidance of doubt, a Scheme Debt may still arise even if a Claim Form is not submitted.

2.3.5 Each Scheme Creditor shall be deemed to have represented and warranted to the Scheme Company that the information contained in any Claim Form and any information and supporting evidence provided by it or on its behalf pursuant to the Scheme is, to the best of its knowledge and belief, correct, reasonable and supported by appropriate evidence, and this warranty shall be a continuing one.

2.3.6 Any Scheme Claim against EAIC or ICS which has become final and binding in accordance with the Existing EAIC Scheme, the Original EAIC Scheme or the Existing ICS Scheme shall be treated as final and binding hereunder.

2.3.7 A Scheme Creditor may, by placing a tick in the relevant box on the Voting Form and then submitting that Voting Form, elect to incorporate into its Claim Form the claims information contained in its Voting Form which it submitted to the Scheme Company for the purpose of voting at the Scheme Meeting. For the avoidance of doubt, where a creditor wishes to amend a Claim Form that incorporates the claims information contained or supplied with the said Voting Form, the Scheme Creditor must amend such Claim Form in accordance with Clause 2.3.1 (with the exception of Unpaid Agreed Claims).

2.4 **Agreement of Claim Forms**

2.4.1 In the event that the Scheme Manager, having, where it considers it appropriate to do so, consulted with the Scheme Actuary, agrees with the contents of a Claim Form returned or deemed to be returned in accordance with Clauses 2.3.1, 2.3.2 or 2.3.3 (including any amendments or additions therein incorporated by the Scheme Creditor in accordance with Clause 2.3) it shall, by no later than 180 days after the Bar Date, notify the relevant Scheme Creditor in writing of its agreement by E-mail, fax or Post and the Scheme Company and

the relevant Scheme Creditor shall thereafter treat all of the information on the Claim Form, including, for the avoidance of doubt, any which has been amended and completed in accordance with Clause 2.3, as final and binding on the Scheme Company and the relevant Scheme Creditor. The Scheme Manager shall then issue a Valuation Statement in accordance with Clause 2.7.1.

2.4.2 The Scheme Manager may, by E-mail, fax or Post, request clarification from a Scheme Creditor in respect of its Scheme Claim any time up to 138 days after the Bar Date. The relevant Scheme Creditor shall provide such clarification within 42 days of such request being made.

2.4.3 In the event that a Scheme Creditor provides clarification in respect of its Scheme Claims pursuant to Clause 2.4.2, Clause 2.3.5 shall apply to such clarification as if it had been provided with a Claim Form. The cost of providing such clarification shall be borne solely by the Scheme Creditor. The Scheme Manager shall disregard such clarification if it is not received by it within 42 days of it being requested.

2.4.4 In considering whether to accept any amendments or additions to information on a Claim Form or clarification in respect to Scheme Claims provided in accordance with Clauses 2.3.1 or 2.4.2 (respectively), the Scheme Manager shall, where applicable, have regard to the following, and any other factors, information or knowledge which it considers material:

(a) any relevant information contained in the Scheme Company's records; and

(b) the terms of the Insurance Contract in respect of which a Scheme Claim is being presented.

2.4.5 In the event that the Scheme Manager does not agree with any amendment or addition to information on a Claim Form or supporting evidence or clarification returned or deemed to be returned in accordance with Clauses 2.3.1, 2.3.2, 2.3.3 and 2.4.2 it shall, by no later than 180 days after the Bar Date, either (a):

(a) notify the relevant Scheme Creditor by E-mail, fax or Post that further time is required in order for the Scheme Manager to complete its review of the Claim Form. The Extension Period may be up to 90 days in duration. If the Scheme Creditor and the Scheme Manager are unable to reach agreement in relation to the relevant Claim Form before the expiration of the Extension Period, the provisions of either Clause 2.4.5(b) or Clause 2.4.5(c) shall apply, at the absolute discretion of the Scheme Manager; and/or

(b) contact the Scheme Creditor by E-mail, fax or Post to seek agreement from the Scheme Creditor to an additional Extension Period in order to try and agree the Claim Form. If the relevant Scheme Creditor does not confirm its written agreement to the additional Extension Period within 21

days of the Scheme Manager contacting it as aforesaid, the provisions of Clause 2.4.5(c) shall apply instead. If the additional Extension Period is agreed, but the Scheme Creditor and the Scheme Manager are unable to reach agreement in relation to the relevant Claim Form before the expiration of the additional Extension Period, the provisions of Clause 2.4.5(c) shall apply; or

(c) send a Provisional Valuation Statement to the Scheme Creditor in relation to the relevant Scheme Creditor's Scheme Claims completed in such a manner as it is prepared to accept. A Provisional Valuation Statement shall include details of items which the Scheme Manager is willing to accept as Agreed Claims and shall only include details of the items which the Scheme Manager is willing to accept as per the heads described in Clause 2.7.1(ii) to 2.7.1(viii) a

(the "**Provisional Agreed Items**") and those items in respect of which it is not yet willing to agree a figure. The Scheme Manager will inform the Scheme Creditor that, if and to the extent that the items shown on the Provisional Valuation Statement as Provisional Agreed Items are not accepted by the Scheme Creditor, it will refer those Provisional Agreed Items as disputed matters to the Scheme Adjudicator. The relevant Scheme Creditor must respond within 42 days of receipt of this communication either confirming that it agrees with the Provisional Agreed Items shown on the Provisional Valuation Statement or identifying those specific Provisional Agreed Items which it disputes and which are to be referred to the Scheme Adjudicator as a disputed matter. If the Scheme Creditor confirms that any of the Provisional Agreed Items are to be referred to the Scheme Adjudicator as a disputed matter, the Scheme Manager shall refer such disputed Provisional Agreed Item to the Scheme Adjudicator as a Disputed Claim. If, and to the extent that:

(i) the Scheme Creditor does not indicate that it disputes specific Provisional Agreed Items shown on the Provisional Valuation Statement; or

(ii) it does not respond to the communication from the Scheme Manager,

this will be deemed to be determinative and to that extent the Provisional Agreed Items as set out in the Provisional Valuation Statement referred to in this paragraph (including, for the avoidance of doubt, the application of any right of set-off, counterclaim or deduction if applicable) shall become final and binding upon the Scheme Company and the relevant Scheme Creditor.

2.4.6 For the avoidance of doubt, the following shall apply to Provisional Valuation Statements:

(a) where a Provisional Valuation Statement has been fully completed by the Scheme Manager to include all of the items referred to in Clause 2.7.1(i) to 2.7.1(viii), Clause 2.6 shall not apply. If that Provisional Valuation Statement then becomes final and binding upon the Scheme Company and the relevant Scheme Creditor in accordance with the final sentence of Clause 2.4.5, the Scheme Manager will then issue a Valuation Statement to the Scheme Creditor in accordance with Clause 2.7.1; and

(b) where a Provisional Valuation Statement has been partially completed by the Scheme Manager (so that it has designated Provisional Agreed Items in respect of one or more, but not all, of the items referred to in Clause 2.7.1(i) to 2.7.1(viii)), a Valuation Statement will be subsequently issued by the Scheme Manager in accordance with Clause 2.7.1. Such Valuation Statement will include any items pursuant to Clause 2.7.1(i) 2.7.1(ix) which were not included in the Provisional Valuation Statement in addition to those items which became final and binding pursuant to Clause 2.4.5(c); and

(c) where a Provisional Valuation Statement has been completed by the Scheme Manager to include an item referred to in Clause 2.7.1(ii) and the Scheme Creditor disputes this item in accordance with the provisions of Clause 2.4.5(c), the Scheme Manager shall have discretion to defer resolution of such disputed matter (and its referral to the Scheme Adjudicator) if he considers, acting reasonably, that it would be premature to submit such disputed matter to the Scheme Adjudicator at that time. The Scheme Manager shall provide the Scheme Creditor with written notice of such determination as soon as reasonably practicable and thereafter the provisions of Clauses 2.6 and 2.7.1 shall apply with respect to this item. Any other items contained on such Provisional Valuation Statement which were disputed by the Scheme Creditor in accordance with Clause 2.4.5(c) shall be referred to the Scheme Adjudicator as a Disputed Claim.

2.4.7 If an Extension Period has been implemented by the Scheme Manager in accordance with Clause 2.4.5(a) or an additional Extension Period has been agreed in accordance with Clause 2.4.5(b), the Scheme Manager and the relevant Scheme Creditor shall thereupon endeavour to resolve and agree the Claim Form.

In the event that:

(a) where an Extension Period has been implemented, the Claim Form is agreed within 270 days after the Bar Date; or

(b) where an additional Extension Period has been agreed, the Claim Form is agreed before the deadline agreed between the Scheme Manager and the Scheme Creditor,

the Scheme Manager shall notify the Scheme Creditor of its agreement by E-mail, fax or Post and all of the information so agreed and all of the other information on the Claim Form (including, for the avoidance of doubt, any which has been amended or added in accordance with Clause 2.3) shall be final and binding on the Scheme Company and the relevant Scheme Creditor.

2.4.8 In the event that such resolution and agreement shall not have been or, in the opinion of the Scheme Manager, cannot be reached within 270 days after the Bar Date (or in the case of an additional Extension Period within the agreed timeframe), Clause 2.4.5(c) shall apply.

2.4.9 Without prejudice to the provisions of Clauses 2.4.1, 2.4.5, 2.4.6, 2.4.7 and 2.4.8 and the time limits specified therein, the Scheme Manager may refer a Claim Form or a Provisional Valuation Statement to the Scheme Adjudicator as a Disputed Claim 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.

2.4.10 Where a Disputed Claim is referred by the Scheme Manager to the Scheme Adjudicator, the Scheme Manager shall simultaneously send notice to the relevant Scheme Creditor to the effect that the disputed matter has been referred to the Scheme Adjudicator for Adjudication.

2.4.11 All of the information on the Claim Form, including, for the avoidance of doubt, any which has been amended or added in accordance with Clause 2.3 and any matters which have been agreed pursuant to Clause 2.4 and which are not referred to Adjudication pursuant to this Clause, shall be final and binding on the Scheme Company and the relevant Scheme Creditor.

2.4.12 For the avoidance of doubt, neither the operation of this Clause 2.4 nor the provision of clarification shall give rise to any Scheme Claim which was not notified to the Scheme Manager on or before the Bar Date.

2.5 **Dispute resolution procedure**

2.5.1 In referring a Scheme Claim to the Scheme Adjudicator in accordance with Clause 2.4.5, 2.4.9 or 2.4.10, the Scheme Manager shall provide the Scheme Adjudicator with a copy of the Claim Form relating to such Scheme Claim (as submitted by the Scheme Creditor and, where applicable, as amended by the Scheme Manager) and a copy of any notice, statement or correspondence sent or received by the Scheme Manager in connection with the Scheme Claim. The Scheme Adjudicator shall have access to all of the Scheme Company's records and information in the possession of or under the control of the Scheme Company or the Scheme Manager which the Scheme Adjudicator considers he

needs to resolve the dispute concerning such Scheme Claim. If a Scheme Creditor has provided:

(a) supporting information at any time later than 7 days after the Bar Date which was unsolicited; or

(b) clarification pursuant to a request from the Scheme Manager in accordance with Clause 2.4.2 but which did not comply with the time limits specified therein,

such information or clarification may be disregarded by the Scheme Manager and therefore may not be provided to the Scheme Adjudicator.

2.5.2 The Scheme Adjudicator shall consider the records and information sent to him in accordance with Clause 2.5.1, and shall have regard to (but not be bound by) the Estimation Guidelines in relation to any Scheme Claim referred to him and, as soon as reasonably practicable, shall notify the Scheme Manager and/or the Scheme Creditor concerned as to whether he requires:

(a) clarification in relation to any of the documents, data or information provided pursuant to Clause 2.5.1, in which case the relevant person shall within 30 days after deemed receipt of such notice provide the Scheme Adjudicator with the required clarification; and/or

(b) the Scheme Manager or the Scheme Company and/or the relevant Scheme Creditor to appear before and address him on any matter he shall determine, in which case the Scheme Manager, the Scheme Company and/or the relevant Scheme Creditor (or in each case its duly authorised representative) shall appear on such date, which shall be within 30 days after deemed receipt of such notice, and at such place as the Scheme Adjudicator shall prescribe. The Scheme Adjudicator shall be entitled to prescribe and lay down such procedures or provisions for the purposes of the appearance of the parties before him as he in his sole and absolute discretion deems appropriate (including, without limitation, making provision for meetings via a video conferencing facility).

2.5.3 The Scheme Adjudicator may extend any time period laid down by Clause 2.5.2 as he thinks fit for any one or more or all Disputed Claims.

2.5.4 The Scheme Adjudicator shall be entitled to consult with such advisers, including legal advisers and experts and actuaries from any relevant jurisdiction, as he may deem appropriate in considering any Scheme Claim referred to him. The Scheme Adjudicator will consider all documents, data or information submitted in accordance with Clause 2.5.1 and any clarification provided in accordance with Clause 2.5.2(a).

2.5.5 If any person concerned fails to provide clarification in accordance with Clause 2.5.2(a) above or fails to appear before the Scheme Adjudicator in accordance with Clause 2.5.2(b) above, the Scheme Adjudicator shall make such

determination as he sees fit in relation to the relevant Disputed Claim on the basis of the information then available to him.

2.5.6 In adjudicating on any Disputed Claim, the Scheme Adjudicator shall act as an expert and not as an arbitrator.

2.5.7 The Scheme Adjudicator shall notify the relevant Scheme Creditor and the Scheme Manager of his determination in respect of the relevant Disputed Claim and of the resulting amount of the Scheme Creditor's Agreed Claim by notice given in accordance with Clause 9.7 within 60 days after the later of:

(a) receipt of the documents accompanying the reference of the Disputed Claim to him in accordance with Clause 2.5.1;

(b) the provision of clarification to him pursuant to Clause 2.5.2(a);

(c) the conclusion of any appearance before him pursuant to Clause 2.5.2(b); or

(d) the failure of the relevant party to provide such clarification in accordance with Clause 2.5.2(a) or to appear before him in accordance with Clause 2.5.2(b).

2.5.8 Any such determination shall, to the extent permitted by law, be final and binding on the Scheme Manager, the Scheme Company and the relevant Scheme Creditor and no such party shall have any right of appeal from such determination. The Scheme Creditor, the Scheme Manager and the Scheme Company shall not have any right to make any claim against the Scheme Adjudicator in respect of such determination, save in respect of his negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty.

2.5.9 Notwithstanding Clauses 6.2.2 and 6.3.3(a), the Scheme Adjudicator may determine that any remuneration, costs, charges and expenses incurred by the Scheme Adjudicator in respect of a Disputed Claim, including the fees and expenses of any adviser or expert consulted by him pursuant to Clause 2.5.4, shall be apportioned between the Scheme Company and the Scheme Creditor in such proportions as the Scheme Adjudicator may determine in his absolute discretion and shall be paid in accordance with Clause 2.5.10. Any costs, charges and expenses incurred by the relevant Scheme Creditor or by the Scheme Company shall be borne respectively by those parties.

2.5.10 The Scheme Adjudicator's remuneration, costs, charges and expenses calculated in accordance with Clause 2.5.9 shall be paid by the Scheme Manager within 30 days of receipt of the invoice issued by the Scheme Adjudicator to the Scheme Manager, in which case, where appropriate:

(a) the Scheme Creditor shall pay the Scheme Manager directly its relevant share so paid by the Scheme Manager as soon as reasonably practicable; or

(b) at the option of the Scheme Company, the Scheme Manager may deduct such amount from that Scheme Creditor's aggregate Agreed Claims when calculating its Net Ascertained Claim pursuant to Clause 2.7 or the amount to be paid to that Scheme Creditor pursuant to Clause 12.3, Clause 19.2.2(ii) or Clause 19.4.1, as applicable; and

(c) the Scheme Company shall pay the Scheme Manager directly its relevant share so paid by the Scheme Manager as soon as reasonably practicable.

2.6 **Calculation of Scheme Debts**

As soon as reasonably possible after all of a Scheme Creditor's Scheme Claims have been subject to a final and binding agreement or valuation, the Scheme Manager shall calculate the value of that Scheme Creditor's Scheme Debt (if any). Where the Scheme Creditor is a reinsurer of, as well as a cedant to, the Scheme Company, its Scheme Debts will be calculated, where relevant, by reference to amounts which have been valued or agreed pursuant to Clause 2.4, Clause 2.5.8 or Clause 2.7.2 and any Final Award referred to in Clause 4.1.7, **provided however** that this Clause 2.6 shall not apply either (a) where Clause 2.7.2 shall apply, or (b) where the quantum of a Scheme Creditor's Scheme Debt has already become final and binding between the Scheme Company and the Scheme Creditor pursuant to Clause 2.4.5 above, or alternatively has already been referred to the Scheme Adjudicator as a Disputed Claim.

2.7 **Valuation Statements**

2.7.1 Save when Clause 2.7.2 shall apply, within 42 days of the last of the following:

(a) completion of the steps referred to in Clauses 2.1 to 2.4 and Clause 2.7.3 or such of them as apply to the valuation of a Scheme Creditor's Scheme Claims;

(b) where applicable, calculation of the value of the relevant Scheme Creditor's Scheme Debts;

(c) where applicable, the making of a Final Award referred to in Clause 4.1.7; and

(d) where applicable, notification by the Scheme Adjudicator of his determination in respect of any outstanding Disputed Claim,

the Scheme Manager shall send or make available to each such Scheme Creditor a Valuation Statement setting out:

(i) the total of the Scheme Creditor's Agreed Claims, subject, in the case of ICS only, to Clause 20.5.3;

(ii) the value of the Scheme Creditor's Scheme Debts (if any), subject, in the case of EAIC only, to Clause 11.2, or, in the case of ICS only, Clause 18.1;

(iii) the amount of adjustments reflecting payments by or to the Scheme Company or transactions effecting netting off or set-off in respect of a Scheme Creditor's Agreed Claims and/or Scheme Debts prior to the date of the Valuation Statement, in the case of ICS only, having regard to Clause 18.1;

(iv) the amount of any Scheme Claims which have already been satisfied by the application of Security, ICS Security or EAIC Security, as well the value of any remaining Security, ICS Security or EAIC Security;

(v) except in the case of EAIC, where Clause 12.3 shall apply, and the case of ICS where Clause 19.2.2(ii) or Clause 19.4.1 shall apply, the amount of any sums in respect of a Scheme Adjudicator's unpaid remuneration, costs and expenses pursuant to Clause 2.5.10 to be deducted from the total of such Scheme Creditor's Agreed Claims;

(vi) except in the case of EAIC, where Clause 12.3 shall apply, and in the case of ICS, where Clause 19.2.2(ii) or Clause 19.4.1 shall apply, the amount of any advance payment treated as having been received by the Scheme Creditor for the purposes of Clause 4.1.4 which is to be deducted from the total of such Scheme Creditor's Agreed Claims;

(vii) any amounts which are required to be deducted or withheld by the Scheme Company for or on account of Tax in respect of an Admissible Interest;

(viii) any other amounts in relation to Scheme Claims or Scheme Debts not expressly referred to in Clause 2.7.1(d)(i) to 2.7.1(vii) above which the Scheme Manager considers ought to be taken into account for the purpose of calculating the Scheme Creditor's Net Ascertained Claim or the Scheme Company's Net Debt, as the case may be; and

(ix) the final balance following aggregation of the amounts referred to in this Clause 2.7.1 which shall be that Scheme Creditor's Net Ascertained Claim or Net Debt, as the case may be.

2.7.2 **Scheme Manager's power to commute**

The Scheme Manager and the Scheme Creditor may agree at any time in writing the amount of a Net Ascertained Claim or Net Debt which should appear on that Scheme Creditor's Valuation Statement, **provided that** such Net Ascertained Claim shall not include any Protected Scheme Claim or Agreed Protected Claim. In the event that such agreement is reached, notwithstanding the provisions of Clause 2.7.1, the Scheme Manager shall as soon as reasonably practicable send or make available to the Scheme Creditor a Valuation Statement setting out only the amount of the Net Ascertained Claim or Net

Debt, as applicable, so agreed. For the avoidance of doubt, Clause 2.7.5 shall not apply to a Valuation Statement prepared pursuant to this Clause 2.7.2.

2.7.3 **Currency conversion**

(a) Save as otherwise agreed under Clause 2.7.3(b), balances comprising a Net Ascertained Claim or Net Debt shall be denominated in the currency of the relevant Insurance Contract, where that currency is a Scheme Currency.

(b) The Scheme Manager and a Scheme Creditor may agree in writing that such Scheme Creditor's Net Ascertained Claim or Net Debt be denominated in a single currency (whether or not that currency is a Scheme Currency), in which event all the amounts on its Provisional Valuation Statement or Valuation Statement shall, where applicable, be converted into that currency at the Scheme Rate.

(c) In the event that neither Clause 2.7.3(a) nor Clause 2.7.3(b) applies, a Provisional Valuation Statement or a Valuation Statement shall be prepared on the basis that balances arising in a Scheme Currency will be shown in that currency and all other balances shall, subject to Clause 2.7.3(d), be converted at the Scheme Rate into and shown in Pounds Sterling, Canadian Dollars or US Dollars, in both cases subject to any application of Clause 2.7.3(e).

(d) Where the original currency of a Scheme Claim or other amount to be reflected on a Provisional Valuation Statement or a Valuation Statement is a currency that has been superseded by the Euro, such amounts will be reflected on a Provisional Valuation Statement or a Valuation Statement in Euros at the rate to be applied by virtue of the legislation effecting the change to the Euro or, if there is no such rate, at a rate to be determined by the Scheme Manager.

(e) Where for the purpose of calculating the aggregate amounts referred to in Clause 2.7.1 the Scheme Manager is required to set off amounts denominated in different Scheme Currencies, such amounts shall be converted as follows:

(i) where there has been an agreement to use one currency pursuant to Clause 2.7.3(b), all amounts to be set off shall be converted into that currency at the Scheme Rate, and the Net Ascertained Claim or Net Debt shall be denominated in that currency;

(ii) where there has been no such agreement and there is more than one Scheme Currency in the amounts to be aggregated pursuant to Clause 2.7.1, set-off shall be between amounts in the same Scheme Currency only, **provided that** each of the resulting aggregate balances in each Scheme Currency are in favour of the Scheme Creditor. Such resulting aggregate balances shall together be the Net Ascertained Claim or Net Debt and shall be expressed in such Scheme Currencies. If any of the resulting balances would be an

amount in favour of the Scheme Company, all of the balances will be converted into US Dollars at the Scheme Rate for the purpose of set-off and the resulting Net Ascertained Claim or Net Debt shall be denominated in US Dollars notwithstanding the provisions of Clause 2.7.3(c).

2.7.4 **Disputes concerning Manifest Error in Valuation Statements**

(a) If no notice disputing an amount or any other matter set out on a Valuation Statement sent pursuant to Clause 2.7.1 is received by the Scheme Manager within 42 days of the date of the Valuation Statement, the contents of that Valuation Statement shall be deemed to be accepted by the relevant Scheme Creditor and, so far as the law permits, be final and binding on the Scheme Company and the relevant Scheme Creditor.

(b) A Scheme Creditor may only dispute an amount or other matter set out on a Valuation Statement other than the sums referred to in Clause 2.7.5(a) on the grounds of Manifest Error and, in the event of such a dispute, it shall inform the Scheme Manager of this by notice to be received by the Scheme Manager within 42 days of the date of the Valuation Statement. Such notice shall set out sufficient details of the alleged Manifest Error for the Scheme Manager to investigate it and, if necessary, correct it. The Scheme Manager shall resolve an alleged Manifest Error within 14 days of receiving notice of it.

(c) Within 14 days of a dispute concerning a Manifest Error on a Valuation Statement being resolved, the Scheme Manager shall send the relevant Scheme Creditor a revised Valuation Statement setting out the corrected amounts or other matters, as applicable. The revised Valuation Statement sent pursuant to this Clause 2.7.4(c) shall, subject to any matters to be resolved pursuant to Clause 2.7.4(d), 2.7.4(e) and Clause 2.7.5, so far as the law permits, be final and binding on the Scheme Company and the Scheme Creditor concerned.

(d) In the event that a Scheme Creditor disputes an amount or other matter set out on a Valuation Statement which is sent by the Scheme Manager to the Scheme Creditor pursuant to Clause 2.7.4(c) on the grounds of Manifest Error following a previous dispute as to Manifest Error, the provisions of Clause 2.7.4 shall apply to such later dispute as to Manifest Error save that the references in Clauses 2.7.4(a) a .7.4(b) to "within 42 days of the date of the Valuation Statement" shall be read as "within 28 days of the date of the revised Valuation Statement".

(e) If the Scheme Manager in respect of a dispute in relation to an alleged Manifest Error on a Valuation Statement referred to it in accordance with Clause 2.7.4(b), or the Scheme Adjudicator in respect of a dispute referred to it in accordance with Clause 2.7.5(c), determines that there is no ground for alteration of the original amount or preparation of a revised Valuation

Statement, it or he shall, within 14 days of making such determination, send notice to the relevant Scheme Creditor that that is the case. The Valuation Statement shall, subject to any other changes made by virtue of this Clause 2.7, thereupon, so far as the law permits, be final and binding on the Scheme Company and the Scheme Creditor concerned.

2.7.5 **Disputes as to calculation of Scheme Debts and other amounts on a Valuation Statement**

(a) Subject to Clause 2.7.5(e), a Scheme Creditor may dispute the calculation or determination of an amount other than the value of Agreed Claims shown on its Valuation Statement on grounds other than Manifest Error. It shall inform the Scheme Manager of this by notice to be received by the Scheme Manager within 42 days of the date of the Valuation Statement. Such notice shall set out the nature and grounds for the disagreement and shall be accompanied by any relevant supporting evidence.

(b) Upon receipt of a notice pursuant to Clause 2.7.5(a) within the 42-day period, the Scheme Manager will make available to the relevant Scheme Creditor relevant supporting evidence and/or explanation in relation to the disputed amounts (including, without limitation, in relation to Scheme Debts). The Scheme Manager and the Scheme Creditor shall endeavour to resolve and agree upon the disputed matters within 56 days of receipt of such notice. In the event that the disputed matters are resolved and agreed, the Valuation Statement shall be issued as soon as practicable reflecting the agreed amount and thereupon, subject to any matters to be resolved pursuant to Clause 2.7.4, so far as the law permits, be final and binding on the Scheme Company and the Scheme Creditor concerned.

(c) If a disputed matter duly notified in accordance with Clause 2.7.5(a) is not resolved within the 56-day period referred to in Clause 2.7.5(b), the Scheme Manager shall refer it to the Scheme Adjudicator.

(d) The Scheme Adjudicator shall determine whether the calculation or valuation, as appropriate, of the disputed amount was correctly carried out in accordance with the terms of the Scheme and, if not, what the correct calculation or valuation is. The Scheme Adjudicator shall notify the relevant Scheme Creditor and the Scheme Manager within 14 days of making his determination pursuant to this Clause 2.7.5(d). Subject to any matters to be resolved pursuant to Clause 2.7.4, a Valuation Statement including the amount determined by the Scheme Adjudicator shall be issued as soon as practicable thereafter by the Scheme Manager and thereupon, so far as the law permits, be final and binding on the Scheme Company and Scheme Creditor concerned.

(e) Nothing in this Clause 2.7.5 shall entitle a Scheme Creditor to dispute, or a Scheme Adjudicator to alter, the amounts of Agreed Claims (including the Agreed Claims of other Scheme Creditors) or the amounts of such

Agreed Claims of Scheme Creditors applied to contracts by which the Scheme Company is reinsured in respect of such claims for the purposes of set-off pursuant to Clause 2.7.1.

(f) Nothing in this Clause 2.7.5 shall entitle a Scheme Creditor to dispute, or a Scheme Adjudicator to alter, any items on a Valuation Statement which had already become binding on the Scheme Company and on the relevant Scheme Creditor in accordance with Clauses 2.4 or 2.5.

2.8 **Effect of the Scheme**

2.8.1 Save in respect of ICS where Clause 20 shall apply, except insofar as it has any Agreed Protected Claims or Protected Scheme Claims and/or any guarantee relating thereto, each Scheme Creditor (apart from the FSCS to which this Clause 2.8 shall not apply) shall be deemed to agree that:

(a) its Net Ascertained Claim shall constitute the Scheme Company's entire remaining Liability to the relevant Scheme Creditor in respect of all of its Scheme Claims and that the terms of all Insurance Contracts giving rise to Scheme Claims are amended accordingly;

(b) notwithstanding the terms of Clause 3.1.3, (and save in respect of EAIC, where Clause 12 shall apply and Home where Clause 25 shall apply) t (or any other means of payment or discharge including without limitation, any application of Security and any application of set-off) in accordance with the terms of the Scheme in the amount of the Net Ascertained Claim, by the Scheme Company shall be deemed to constitute payment in full and final settlement of all and any Scheme Claims of that Scheme Creditor against the Scheme Company;

(c) such payment in full and final discharge of all and any Scheme Claims shall also be deemed to be in full and final discharge of all sums and obligations due under any guarantee that may exist in respect of such Scheme Claims; and

(d) in the event that it signs and returns a Combined Valuation Statement, the terms of this Clause 2.8.1 shall apply (a) in the case of Clause 2.8.1(a), to each Net Ascertained Claim shown on a Provisional Valuation Statement or Valuation Statement sent with the Combined Valuation Statement; and (b) in the case of Clause 2.8.1(b) and 2.8.1(c), to the sending of a cheque or making of a telegraphic transfer in respect of the net amount shown on the Combined Valuation Statement.

2.8.2 Nothing in the Scheme shall result in any Liability which is not a Scheme Claim against the Scheme Company forming part of a Net Ascertained Claim against the Scheme Company.

2.8.3 Following the application of Clause 2.7, any Liability shown on a Provisional Valuation Statement or Valuation Statement, or Combined Valuation Statement, as a Net Debt shall be deemed to have extinguished all of the relevant Scheme Creditor's Scheme Claims (except for any Protected Scheme Claims) and the Scheme Company shall not owe any amount or have any liability in respect of them.

2.8.4 It is a requirement of the Scheme between each Scheme Company and its Scheme Creditors that such creditors shall, insofar as they are Scheme Creditors of any other Scheme Company, abide and be bound by the terms of the Scheme as it relates to that other Scheme Company. For the avoidance of doubt, this Clause 2.8.4 has no effect on any other schemes of arrangement which a Scheme Company may have implemented or may implement in the future.

3. PAYMENT OF NET ASCERTAINED CLAIMS AND NET DEBTS

3.1 Payment of Net Ascertained Claims

3.1.1 Clauses 3.1.2 and 3.1.3 shall not apply to EAIC, ICS or Home. Payments by EAIC, ICS or Home in respect of Net Ascertained Claims shall be made (if at all) pursuant to Clause 12, Clauses 19 to 21 and Clause 25.1.3, respectively.

3.1.2 Subject to Clause 3.1.1, the Scheme Manager (on behalf of the Scheme Company) will pay each Net Ascertained Claim by cheque or, if the Scheme Creditor so requests, or the Scheme Manager so decides, by telegraphic transfer, in favour of the relevant Scheme Creditor (or such other person as the Scheme Creditor may direct by notice in writing in a form satisfactory to the Scheme Manager). Where a Net Ascertained Claim comprises balances in more than one Scheme Currency (as selected or determined (as appropriate) following the application of Clause 2.7.3), the Scheme Manager shall (unless the relevant Scheme Creditor objects thereto) be entitled to make a single payment in the predominant Scheme Currency (and, for this purpose, shall convert those balances which are denominated in the other Scheme Currencies into that predominant Scheme Currency at the Scheme Rate). Cheques will be despatched by Post and telegraphic transfers will be made by the Scheme Manager as soon as reasonably practicable after the date on which each Valuation Statement or Provisional Valuation Statement containing a Net Ascertained Claim has become final and binding in accordance with Clause 2.7, and in any event within 42 days thereof. Payments by cheque will be at the risk of the Scheme Creditor (who shall bear the costs of clearing each such cheque) and such cheques will be sent to the last known address of the Scheme Creditor or to any other address of which the Scheme Manager may receive notification in a form satisfactory to the Scheme Manager from the Scheme Creditor, or to the last known address of such other person as is directed to receive payment under this Clause 3.1. Any payments made by telegraphic transfer shall be made to such bank account as the Scheme Creditor may from time to time notify to the Scheme Manager and which expense may be deducted from the relevant payment.

3.1.3 Without prejudice to the effect of Clause 2.8.1, in the event that a Scheme Creditor to whom a cheque is sent pursuant to Clause 3.1.2 notifies the Scheme Manager within six months of the date on which it was sent that the cheque has been lost or mislaid, the Scheme Manager shall, if satisfied that the cheque has not been cashed and can be cancelled, send a replacement cheque to the Scheme Creditor concerned at the address referred to in Clause 3.1.2.

3.1.4 If any payment pursuant to Clause 3.1 is uncashed or otherwise unclaimed by the intended payee after the expiration of six months from the posting of the cheque, or from the making of the attempted payment by telegraphic transfer, the Scheme Manager shall be entitled to treat the Scheme Creditor's right to such payment as forever extinguished and discharged.

3.1.5 Payments made pursuant to this Clause to:

(i) a Scheme Creditor; or

(ii) a person actually or ostensibly authorised to act on behalf of the Scheme Creditor,

pursuant to Clause 3.1.2 or otherwise shall, for all purposes, constitute a valid discharge of the Scheme Creditor's entitlement to payment in respect of such Net Ascertained Claim to the extent of such payment. For the purpose of this Clause 3.1, payment of any cheque by the bank on which it is drawn shall be 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 satisfaction of the obligation to pay the amount transferred.

3.2 **Cessation of payments**

Subject to Clause 13.9.4 in relation to EAIC and Clause 19.1 in relation to ICS and without prejudice to Clause 3.1, the Scheme Company shall be entitled not to pay or discharge Scheme Claims in the normal course of business from the Effective Date.

3.3 **Payments made on the basis of misrepresentation or fraud**

For the avoidance of doubt the Scheme Company shall be entitled to recover any amount which it has paid on the basis of a misrepresentation or fraud.

4. GENERAL PROVISIONS

4.1 Stay of Proceedings

4.1.1 Subject to the provisions of Clause 4.1.8 (a (including, but not limited to, the Home Claims Procedure Order)), no Scheme Creditor shall be permitted to institute or continue any Proceedings whatsoever against the Scheme Company or its Property to establish the existence or amount of a Scheme Claim except as expressly provided for in the Scheme or with the written consent of the Scheme Manager.

4.1.2 Save to the extent that the Scheme Manager (on behalf of the Scheme Company) has failed to perform any obligation to make a payment to a Scheme Creditor in respect of a Net Ascertained Claim (and subject always, in the case of Home, to New Hampshire insolvency law (including, but not limited to, the Home Claims Procedure Order)), no Scheme Creditor shall be entitled to take or continue any Proceedings against the Scheme Company or its Property in any jurisdiction whatsoever to enforce payment in whole or in part of any Scheme Claim, except as expressly provided for in the Scheme or with the written consent of the Scheme Manager.

4.1.3 If and to the extent that a Scheme Creditor obtains an order, judgment, decision or award of a court or tribunal against the Scheme Company in relation to a Scheme Claim in contravention of Clause 4.1.1 or Clause 4.1.2, such order, judgment, decision or award shall not give rise to an Agreed Claim and shall be disregarded when determining any Liability of the Scheme Company in respect of the relevant Scheme Claim.

4.1.4 If any Scheme Creditor takes any action which is prohibited by Clause 4.1.1 or Clause 4.1.2 after the Effective Date, then:

(a) it shall without prejudice to any other rights of the Scheme Company and/or the Scheme Manager be treated as having received an advance payment, on account of its Scheme Claim, or where applicable, in the case of EAIC or ICS, on account of the Payment Percentage or ICS Payment Percentage payable to it, equal to the amount or gross value of any money, Property or benefit or advantage obtained by it at the expense of the Scheme Company as a result of such action; and

(b) the process of valuing its Scheme Claim may be suspended, and the process of making payment in respect of it shall be suspended, until such action is discontinued.

4.1.5 If the gross value of any Property, benefit or advantage obtained by a Scheme Creditor cannot be agreed between the Scheme Manager and the Scheme Creditor within 28 days of the Scheme Manager advising the Scheme Creditor of its valuation of the same, the Scheme Manager shall refer the issue to the Scheme Adjudicator for Adjudication pursuant to Clause 6. In addition to

determining the gross value, the Scheme Adjudicator shall be entitled to award such amount as he may in his absolute discretion consider to be appropriate in respect of interest, costs, charges and expenses incurred by the Scheme Company or the Scheme Manager as a consequence of the action prohibited by Clause 4.1.1 or Clause 4.1.2.

4.1.6 If the amount of advance payment, which a Scheme Creditor is treated as having received pursuant to Clause 4.1.4, exceeds the total amount the relevant Scheme Creditor would otherwise be entitled to receive from the Scheme Company pursuant to the Scheme, then without prejudice to any other rights of the Scheme Company:

(a) the Scheme Creditor shall immediately repay the excess to the Scheme Company, failing which interest shall accrue on such excess for the period from the date upon which the Scheme Creditor's Net Ascertained Claim is established under the Scheme to the date of repayment of such excess, at a rate equal to LIBOR plus 5 per cent from time to time. Interest shall accrue from day to day for the duration of such period (from and including the first day thereof), shall be calculated on the basis of the actual number of days elapsed and a 365-day year in respect of Pounds Sterling and a 360-day year in respect of other currencies, and shall be payable on the last day of such period. Such excess shall be held on trust for the Scheme Company by the relevant Scheme Creditor until it is paid to the Scheme Company;

(b) the Scheme Company shall be deemed to have satisfied the full amount of its liability in respect of all of that Scheme Creditor's Scheme Claims pursuant to Clause 2.8.1.

4.1.7 In the event that Proceedings are commenced or continued by a Scheme Creditor as expressly provided for in the Scheme or with the written consent of the Scheme Manager (and subject always, in the case of Home, to New Hampshire insolvency law (including, but not limited to, the Home Claims Procedure Order)), any Final Award made in such Proceedings shall be treated as an Agreed Claim.

4.1.8 Where a Scheme Company commences or continues any Proceedings against a Scheme Creditor, the Scheme Creditor may assert and prosecute a Scheme Claim against such Scheme Company in those Proceedings (whether by way of claim or counterclaim) so long as:

(a) such Scheme Claim arises out of the same transaction or occurrence that is the subject matter of such Scheme Company's claim in those Proceedings; and

(b) such Scheme Claim does not require for its adjudication the presence of any third party over whom the court or tribunal in question cannot acquire jurisdiction.

4.1.9 For the purposes of Clause 4.1.8, a Scheme Company shall be deemed not to be continuing any Proceedings which commenced before the Effective Date and in which such Scheme Company is not actively prosecuting its claims against such Scheme Creditor.

4.2 **Interest**

4.2.1 No interest other than Admissible Interest shall form part of a Scheme Claim or Agreed Claim or Agreed Protected Claim, as the case may be.

4.2.2 Notwithstanding Clause 4.2.1, if and to the extent that a Scheme Creditor's Net Ascertained Claim against the Scheme Company (with the exception of EAIC, ICS or Home) is not paid within 12 calendar months from the Bar Date, the Scheme Manager (on behalf of the Scheme Company, with the exception of EAIC, ICS or Home) will pay interest to that Scheme Creditor on any unpaid amount of its Net Ascertained Claim against the Scheme Company at the rate described in the Estimation Guidelines at paragraph 5.4 of Appendix B of the Scheme applicable for the period of non-payment. Such interest shall be deemed to accrue on what is from time to time the unpaid amount from the Bar Date until the date of full payment of the Net Ascertained Claim by the Scheme Manager.

4.3 **Security, EAIC Security and ICS Security**

4.3.1 Nothing in the Scheme shall prevent a Scheme Creditor from obtaining payment by means of its Security, EAIC Security or ICS Security at any time, provided that this is done strictly in accordance with the terms of the contract pursuant to which such Security, EAIC Security or ICS Security was established and the terms (if any) of the Security, EAIC Security or ICS Security and subject always, in the case of Home, to New Hampshire insolvency law (including, but not limited to, the Home Claims Procedure Order).

4.3.2 Where a Scheme Creditor has the benefit of any Security which is greater in value than the amount of his Net Ascertained Claim (adding back, for this purpose, the value of any remaining Security which would otherwise fall to be netted off pursuant to Clause 2.7.1(iv)) the Scheme Creditor shall, at the request of the Scheme Manager, release, discharge or cancel the Security in relation to the surplus.

4.3.3 Where a Scheme Creditor has the benefit of any EAIC Security or ICS Security which it does not have the right to apply by way of payment of Agreed Claims against EAIC or ICS, respectively, and has a value in excess of the payments, if any, to which that Scheme Creditor is entitled to receive under the Scheme, that Scheme Creditor shall, at the request of the Scheme Manager, release, discharge or cancel such excess EAIC Security or ICS Security, as the case may be.

4.3.4 Any Scheme Creditor who shall obtain or receive payment by enforcing, drawing down or withdrawing any Security, EAIC Security or ICS Security in an amount which exceeds either the Scheme Company's Liability to it in respect of the Insurance Contract(s) for which that Security, EAIC Security or ICS

Security was issued or established, or the amount which it is contractually entitled to receive from that Security, EAIC Security or ICS Security, or, in the case of ICS Security, the amount which it is entitled to apply pursuant to the Scheme at the time when it receives or obtains payment, shall hold the amount of such excess on trust for the Scheme Company to apply the same in accordance with the terms of the Scheme, and shall forthwith pay the same to the Scheme Company without set-off, deduction, retention, abatement or counterclaim. The proceeds of any enforcement, drawdown or withdrawal under any Security, EAIC Security or ICS Security established by the Scheme Company, or on its behalf, in respect of any Insurance Contract, shall only be applied to a Liability arising under such Insurance Contract, or to any other Liability to which the Scheme Creditor is contractually entitled to apply it, or in accordance with the terms of the Scheme. Any surplus remaining after discharge of such Liabilities shall not be applied in satisfaction or reduction of any other Liability, but shall be held on trust for the purposes of the Scheme and shall be paid to the Scheme Company as aforesaid.

4.3.5 Nothing in the Scheme shall affect the rights of the Scheme Company under any applicable law against any person in respect of any wrongful or excessive enforcement, drawdown or withdrawal of funds in respect of any Security, EAIC Security or ICS Security.

4.3.6 Except in the cases of EAIC and ICS, to which Clause 4.3.7 shall apply, notwithstanding the Scheme Company's entitlement under the Scheme to make deductions in respect of a Scheme Creditor's Security for the purpose of determining a Scheme Creditor's Net Ascertained Claim, the Scheme Company shall be entitled, in its sole and absolute discretion, to disregard the value of a Scheme Creditor's Security when determining and then subsequently paying that Scheme Creditor's Net Ascertained Claim, subject to the Scheme Company receiving such commitment as the Scheme Company shall deem fit with respect to the waiver or release of such Security by the relevant Scheme Creditor.

4.3.7 Where a Scheme Creditor holds EAIC Security or ICS Security and is entitled to receive payment pursuant to the Scheme, that Scheme Creditor's Valuation Statement or Provisional Valuation Statement prepared in relation to EAIC or ICS shall reflect the deduction of the value of the EAIC Security or ICS Security from the amount otherwise payable, or such amount as is necessary to reduce the amount payable to zero.

4.4 **Compulsory Release**

Any Scheme Creditor which is a beneficiary of a Security provided on behalf of the Scheme Company in relation to any Scheme Claim shall not make any, or any further, drawings on any such Security from and including the Effective Date, unless expressly authorised by the terms of any agreement pursuant to which the Security has been established. Each Scheme Creditor hereby authorises the execution on its behalf by the Scheme Company of a deed of release in the form set out in Appendix E releasing the relevant Security provider (which may include a third party bank or other institution

which has issued a letter of credit or similar instrument in favour of, amongst others, the Scheme Creditor or a trustee, regulator or other fiduciary which holds a deposit or trust fund for the benefit of, amongst others, the Scheme Creditor) from further liabilities under its Security, such release to be conditional on the relevant Scheme Creditor's Net Ascertained Claim, if any, being paid in full.

4.5 **No Release**

Except in relation to ICS where clauses 21.2 and 27 of the Existing ICS Scheme shall apply, subject to Clause 2.3.4, Clause 2.8 and subject always, in the case of Home, to New Hampshire insolvency law (including, but not limited to, the Home Claims Procedure Order) a

4.6 **Third party funding**

Except in the case of the Policyholders Protection Board or the FSCS where they have taken assignments of Scheme Claims pursuant to or in connection with the Existing EAIC Scheme, a person who has funded the payment of a Scheme Claim shall not constitute a Scheme Creditor for the purposes of making such Scheme Claim in the Scheme unless:

4.6.1 that person has acquired an assignment of the funded Scheme Claim or written confirmation from the beneficiary of such funding that they are entitled to submit a Scheme Claim in the place of such beneficiary in respect of the funded Scheme Claim and that assignment or written confirmation has been produced in a form acceptable to the Scheme Manager; or

4.6.2 such funding took place pursuant to a contractual obligation of the person to the Scheme Company or in circumstances where, as a matter of law, the Scheme Company is liable to indemnify or reimburse such person. For the purpose of determining whether funding falls within this Clause 4.6.2 in the absence of agreement between the Scheme Manager and the relevant person, the matter shall be referred to the Scheme Adjudicator for Adjudication in accordance with Clause 2.5 and Clause 6 (in which case all references in that clause to the Scheme Creditor shall be read as references to the relevant person). The amount determined as being due in respect of that Scheme Claim shall, insofar as the law permits, be the amount that the Agreed Claim in respect of that Scheme Claim would have been if it had been asserted by the beneficiary referred to in Clause 4.6.1.

4.7 **Lloyd's Syndicates**

4.7.1 The Scheme Manager shall treat a Lloyd's Syndicate which has Scheme Claims as if it were a single Scheme Creditor of the Scheme Company in respect of all

such Scheme Claims and any Scheme Debt or contingent Scheme Debt which has fallen due or which may fall due to a Scheme Company from that Lloyd's Syndicate.

4.7.2 For the purposes of the Scheme, where the year of account of a Lloyd's Syndicate has been closed by means of a reinsurance to close into the year of account of another Lloyd's Syndicate, the rights and Liabilities of the former Lloyd's Syndicate, including any deemed to be its rights and Liabilities pursuant to this Clause 4.7, shall be deemed to be the rights and Liabilities of the latter Lloyd's Syndicate.

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

4.8.1 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 and, where applicable, Scheme Debts 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 evidence supporting the allocation the Scheme Manager shall, for the avoidance of doubt, be entitled to apply the provisions of Clause 4.8.3. All Scheme Creditors affected by such allocation pursuant to this Clause 4.8.1 shall be bound by the allocation.

4.8.2 The Scheme Manager shall as an alternative to Clause 4.8.1 have the power, the exercise of which shall bind Scheme Creditors, to treat those acting, or believed to be acting, on behalf of principals insured or reinsured by the Scheme Company or who reinsured 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 or debtor 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 insured or reinsured principal or reinsuring 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.

4.8.3 Should an agent or representative referred to in Clause 4.8.1 fail to provide sufficient details of the Scheme Claims allocated to each principal together with any necessary supporting evidence (as referred to in Clause 4.8.1) in a form acceptable to the Scheme Manager within 30 days after a Scheme Manager has submitted a request pursuant to Clause 4.8.1, neither such person nor any principals on whose behalf such person purports to act shall be entitled to claim in, or receive any payment under, the Scheme in respect of such Scheme Claim.

4.8.4 In the event of doubt as to which of Clauses 4.8.1 and 4.8.2 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.

5. SCHEME OFFICE HOLDERS

5.1 The Scheme Manager

5.1.1 The first Scheme Manager shall be PRO Insurance Solutions Limited which has given to the Scheme Company, and not withdrawn, its consent to act as Scheme Manager from the Effective Date and has contracted to be bound by the terms of the Scheme to the extent that the same apply to the Scheme Manager. In exercising its powers and carrying out its duties and functions under the Scheme, the Scheme Manager shall act in good faith, and with due care, and shall exercise its powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms. The Scheme Company undertakes to be bound by the acts and decisions of the Scheme Manager pursuant to the Scheme.

5.1.2 The Scheme Manager shall not have authority or power to bind the Scheme Company save as set out in the Scheme.

5.1.3 Nothing in the Scheme shall render the Scheme Manager liable for any Liabilities or other obligations of the Scheme Company.

5.1.4 The Scheme Company shall endeavour to procure that at all times during the Scheme Period there shall be a Scheme Manager. In the event of a vacancy in the office of Scheme Manager, the Scheme Company shall appoint a replacement Scheme Manager as soon as practicable **provided that** such replacement Scheme Manager is, in the reasonable opinion of the Scheme Company, suitably qualified and consents so to act. Without prejudice to the foregoing, in the event of a vacancy in the office of Scheme Manager, pending the appointment of a replacement Scheme Manager, the Scheme Company shall act as Scheme Manager and, for the avoidance of doubt, shall have the powers, rights, duties and functions conferred upon the Scheme Manager under the Scheme.

5.2 Powers, rights, duties and functions of the Scheme Manager

The Scheme Manager shall assist the Scheme Company in the application of the Scheme and shall have the powers, rights, duties and functions conferred upon it under the Scheme for such purpose.

5.3 The Scheme Actuary

5.3.1 On behalf of each Scheme Company, the Scheme Manager shall appoint a Scheme Actuary who shall have the powers, rights, duties and functions conferred upon him by the Scheme. In exercising his powers and carrying out his duties and functions under the Scheme, the Scheme Actuary shall act in good faith and with due care and shall exercise his powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms.

5.3.2 The Scheme Actuary shall provide such advice and assistance to the Scheme Company, Scheme Manager and the Scheme Adjudicator in respect of the

valuation of Scheme Claims and the application of the Estimation Guidelines as each may request in the discharge of its functions under the Scheme.

5.3.3 Unless the context otherwise requires, references in the Scheme to the Scheme Actuary shall be construed respectively as referring to the Scheme Actuary or any alternate or additional Scheme Actuary who is carrying out or is appointed to carry out the functions of the Scheme Actuary in relation to any particular matter.

5.3.4 The Scheme Actuary shall:

(a) be an individual who is a fellow of an actuarial body which is affiliated to the International Actuarial Association;

(b) have experience of non-marine, marine, aviation and casualty actuarial work; and

(c) be a different person from, and not in the same firm or organisation as, the Scheme Adjudicator.

5.3.5 The first Scheme Actuary in relation to all of the Scheme Companies shall be Philip Tippin of KPMG LLP, who has given, and not withdrawn, his consent to act as Scheme Actuary in relation to all of the Scheme Companies from the Effective Date and has contracted to be bound by the terms of the Scheme to the extent that the same apply to the Scheme Actuary.

5.4 **Removal and replacement of the Scheme Actuary**

5.4.1 The Scheme Manager may on the recommendation of the Scheme Adjudicator or for good cause (and in the case of EAIC, ICS and Home with the written consent of, respectively, the EAIC Scheme Administrators, the ICS Scheme Administrators and the Home Liquidator) remove the Scheme Actuary and/or alternate Scheme Actuary. In the event of any such removal, the Scheme Manager shall forthwith appoint such other person as it shall consider qualified pursuant to Clause 5.3.4 and who is not ineligible by reason of any of the matters referred to in Clause 5.6 to act as Scheme Actuary or alternate Scheme Actuary.

5.4.2 In the event of a vacancy in the office of Scheme Actuary, the Scheme Manager shall, and the Scheme Company shall if the Scheme Manager does not within 28 days, appoint as a replacement Scheme Actuary a person who is qualified so to act pursuant to Clause 5.3.4 and not ineligible by reason of any of the matters referred to in Clause 5.6.

5.4.3 In the event of the appointment of a Scheme Actuary under this Clause 5.4, the Scheme Manager shall place a notice on the Website to inform Scheme Creditors of the new appointment as soon as reasonably practicable.

5.5 **Conflicts of interest affecting the Scheme Actuary**

5.5.1 The Scheme Actuary shall not act in relation to any matter in respect of which he has a material conflict of interest. If the Scheme Actuary becomes aware of a material conflict of interest in respect of any matter referred to him for determination or other good reason why it may be inappropriate for him to act as such, he shall immediately notify the Scheme Manager and the Scheme Creditor concerned of the conflict or reason and that he is unable to act in relation to such matter.

5.5.2 The Scheme Actuary's powers shall thereupon cease in connection with that matter and the Scheme Manager shall appoint such other person as it shall consider qualified pursuant to Clause 5.3, and not subject to a conflict of interest or otherwise ineligible by reason of any of the matters referred to in Clause 5.6 to act as an alternate Scheme Actuary for the purpose only of dealing with the Scheme Claim or Scheme Claims which is or are the subject of the conflict.

5.5.3 For the avoidance of doubt, during the appointment of an alternate pursuant to Clause 5.5.2, the Scheme Actuary shall, subject to Clause 5.6, continue to act on all other matters unless a conflict of interest shall arise in respect of any of those matters, in which case Clauses 5.5.1 and 5.5.2 shall apply.

5.6 **Vacation of office by Scheme Actuary**

The office of Scheme Actuary shall be vacated if an Appointee to that office shall:

5.6.1 in the case of an individual, die or become bankrupt or in the case of an individual or organisation become insolvent within the meaning of the Insolvency Act or enter into any composition or arrangement with his or its creditors as the case may be within the meaning of the Insolvency Act;

5.6.2 in the case of an individual be convicted of an indictable offence by a court having jurisdiction in England and Wales in matters concerning indictable offences or be convicted of an offence by a court in any other jurisdiction which would be an indictable offence if committed in England;

5.6.3 resign his or its office by giving two months' written notice to the Scheme Manager, or such period of notice as may be agreed by the Scheme Manager;

5.6.4 in the case of an individual, be disqualified from acting as a director of a company under the Company Directors Disqualification Act;

5.6.5 in the case of an individual, be disqualified from acting as a professional member of a recognised body, society or association of professionals;

5.6.6 in the case of an individual, be admitted to any hospital because of mental disorder, or be the subject of an order concerning his mental disorder made by a court having jurisdiction, whether in England or elsewhere;

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5.6.7 in the case of an individual, become an Employee of the Scheme Company or of the Scheme Manager or (excluding for this purpose the role of the person being considered) of either the Scheme Actuary or Scheme Adjudicator;

5.6.8 be removed from office pursuant to Clause 5.4.1; and

5.6.9 cease to be a fellow of an actuarial body which is affiliated to the International Actuarial Association.

5.7 **Validation of acts of the Scheme Manager and the Scheme Actuary**

5.7.1 Subject to any applicable provision of the Act, and 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 and without wilful default or wilful breach of duty by the Scheme Manager or the Scheme Actuary in pursuance of their functions or duties under the Scheme or the exercise or non-exercise by them or either of them in good faith of any power or discretion conferred upon them for the purposes of the Scheme unless expressly permitted to do so by the Scheme. Neither the Scheme Manager nor the Scheme Actuary shall be liable for any loss whatsoever and howsoever arising out of any such act or omission, or exercise or non-exercise of any power or discretion, unless such loss is attributable to their own wilful default, wilful breach of duty or trust, fraud or dishonesty. For the avoidance of doubt, these provisions shall apply to alternate and substitute Scheme Actuaries as well as to the Scheme Company if and to the extent it fulfils the role of Scheme Manager.

5.7.2 Notwithstanding a subsequent discovery that the Scheme Manager or the Scheme Actuary was not eligible for its or his role pursuant to the provisions of the Scheme, all acts done by them or any of them prior to such discovery shall be valid as if every such person was so eligible.

5.8 **Responsibility of the Scheme Company and its directors**

Save in relation to EAIC to which clause 7.1.6 of the Existing EAIC Scheme applies and ICS to which clauses 52 and 53 of the Existing ICS Scheme apply, and subject to any applicable provisions of the Act and 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 and without wilful default or wilful breach of duty by the Scheme Company or any of its directors in accordance with, or to implement, the provisions of the Scheme or in the performance or exercise or non-exercise of any power, right, duty or function conferred upon it or him under the Scheme and/or by law and no such person shall be liable for any loss whatsoever and howsoever arising out of any such act or omission, or exercise or non-exercise of any power or discretion, unless such loss is attributable to his wilful default, wilful breach of duty or trust, fraud or dishonesty.

6. ADJUDICATION

6.1 Qualification, resignation and removal of the Scheme Adjudicator

6.1.1 Subject to the appointment of an alternate Scheme Adjudicator in accordance with Clause 6.1.2, there shall be one Scheme Adjudicator who shall be an individual who is duly qualified in the reasonable opinion of the Scheme Company, in consultation with the Scheme Manager, to discharge the function of the Scheme Adjudicator under the Scheme. The first Scheme Adjudicator shall be George Maher of Towers Perrin.

6.1.2 In the event that:

(a) the Scheme Adjudicator becomes aware that he has a conflict of interest in relation to any matter referred to him (in which case the Scheme Adjudicator shall, as soon as reasonably practicable thereafter, inform the Scheme Manager of such conflict); and/or

(b) the Scheme Company or the Scheme Manager becomes aware that the Scheme Adjudicator has a conflict of interest in relation to any matter referred to the Scheme Adjudicator (in which case the Scheme Manager will notify the Scheme Adjudicator of such conflict),

the Scheme Manager shall, in either event, appoint an alternate Scheme Adjudicator qualified to act in accordance with Clause 6.1.1 for the sole purpose of adjudicating on the relevant matter and shall as soon as reasonably practicable give notice of such appointment to the Scheme Creditor in relation to which the conflict arises. The Scheme Adjudicator's appointment shall continue during the appointment of any alternate Scheme Adjudicator and he shall continue to adjudicate on other matters referred to him unless a conflict shall arise in respect of those matters in which case the terms of this Clause 6.1.2 shall apply.

6.1.3 For the avoidance of doubt, the provisions of Clauses 6.1.4, 6.1.5, 6.2 and 6.3 shall apply *mutatis mutandis* to any alternate Scheme Adjudicator appointed pursuant to Clause 6.1.2.

6.1.4 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, relevant Scheme Creditor and the Scheme Manager have been provided with (and have provided) sufficiently detailed disclosure of the circumstances and 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 them.

6.1.5 The office of Scheme Adjudicator shall be vacated if the appointee to that office shall:

(a) die or become bankrupt;

(b) be admitted to hospital because of mental disorder or be the subject of an order in matters concerning his mental disorder made by a court having jurisdiction in such matters in England and Wales;

(c) be convicted of an indictable offence;

(d) resign his office in accordance with any terms agreed with the Scheme Company; or

(e) be removed for good cause by the Scheme Company,

and the Scheme Manager shall forthwith appoint a person who is qualified to act as Scheme Adjudicator pursuant to Clause 6.1.1 and not ineligible by reason of any of the matters referred to in this Clause 6.1.5.

6.2 **Powers, rights, duties and functions**

6.2.1 The Scheme Adjudicator shall be responsible for the adjudication of Disputed Claims and the determination of the Agreed Claim (in the case of a referral under Clauses 2.4.5 to 2.4.10 (inclusive) or the Net Ascertained Claim (in the case of a referral under Clause 2.7.5 and 4.6.2)) in respect of such Disputed Claims and shall have the powers, rights, duties and functions conferred upon him by the Scheme for such purposes.

6.2.2 The Scheme Adjudicator shall be paid such remuneration for the exercise and performance of his powers, rights, duties and functions under the Scheme as may be agreed between the Scheme Adjudicator and the Scheme Manager. Subject to Clauses 2.5.9 and 2.5.10, such remuneration shall be paid out of the Property of the Scheme Company.

6.3 **Responsibility and indemnity**

6.3.1 In exercising his powers and rights and in carrying out his duties and functions under the Scheme, the Scheme Adjudicator shall act in good faith and with due care and diligence and shall exercise his powers and rights under the Scheme to ensure that the Scheme is operated in accordance with its terms.

6.3.2 No Scheme Creditor shall be entitled to challenge the validity of any act done or permitted to be done within his powers and in good faith and with due care and diligence by the Scheme Adjudicator pursuant to the provisions of the Scheme or in the exercise or performance of any power, right, discretion, duty or function conferred upon him under the Scheme and, subject to the terms of the Scheme Adjudicator's engagement letter with the Scheme Manager, the Scheme Adjudicator shall not be liable for any loss unless any such loss is attributable to his own negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty.

6.3.3 Subject to the Act, the Scheme Adjudicator shall be entitled to an indemnity out of the Property of the Scheme Company against:

(a) all costs, charges, expenses and liabilities properly incurred by him in the course of exercising or performing his powers, rights, duties or functions under the Scheme in relation to the Scheme Company; and

(b) any liability incurred by him 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 his part in relation to the operation of the Scheme in which judgment is given in his favour or in which he is acquitted; or in connection with any application in any such Proceedings in which relief is granted to him by a court from liability for negligence, wilful default, wilful breach of duty or trust, fraud or dishonesty on his part in relation to the operation of the Scheme.

6.3.4 The Scheme Company may pay costs incurred by the Scheme Adjudicator in defending Proceedings of the nature described in Clause 6.3.3(b), provided that the Scheme Adjudicator undertakes to reimburse the Scheme Company (with interest) for any amount which would not, in the event, have been payable by the Scheme Company under Clause 6.3.3(b).

7. THE SCHEME COMPANY

7.1 General powers and obligations

For the purposes of implementing the Scheme, the Scheme Company shall have the powers and obligations conferred upon it by the Scheme. In exercising its powers and fulfilling its obligations under the Scheme, the Scheme Company shall act in good faith and with due care.

8. REPLACEMENT EMPLOYER'S LIABILITY INSURANCE

8.1 Upon the Effective Date, the Replacement EL Carrier will become liable under the Deed Poll (set out in Appendix F) to indemnify and hold harmless the EL Beneficiaries in respect of those employer's liability risks described in the Deed Poll, subject to and in accordance with the terms of the Deed Poll.

8.2 If and to the extent that, for whatever reason, the Replacement EL Carrier does not become so liable as described in Clause 8.1 above, the EL Covers shall be deemed to be excluded from the Scheme for all purposes. Further, if and to the extent that the Replacement EL Carrier does not become liable under the Deed Poll to indemnify and hold harmless an insured under an 'Additional Cover' (as that expression is defined in the Deed Poll) in respect of those employer's liability risks described in the Deed Poll, such Additional Cover shall likewise be deemed to be excluded from the Scheme for all purposes.

9. OTHER PROVISIONS

9.1 Effective Date

The Scheme shall come into operation on the Effective Date.

9.2 Notice of impending completion

Clauses 9.2 to 9.4 (inclusive) shall not apply to EAIC, ICS or Home, to which, respectively, Clauses 15, 24 and 27 shall instead apply.

9.2.1 When it believes that the Scheme has been implemented in accordance with its terms and that the provisions of Clauses 2 and 3 have been complied with, the Scheme Manager shall give at least 56 days' written notice to all Scheme Creditors which were entitled to receive a Valuation Statement pursuant to Clause 2.7.1, informing them of the date on which it is proposed that the Scheme will be declared complete.

9.2.2 The Scheme Manager shall, on the date proposed in the notice sent pursuant to Clause 9.2.1, issue a certificate of completion to the Scheme Company to certify that the Scheme has been implemented in accordance with its terms.

9.3 Completion of the Scheme

9.3.1 Upon the issue of a written certificate pursuant to Clause 9.2, then in relation to the Scheme Creditors to whom it relates the Scheme shall be complete and save in relation to any fraud or dishonesty, and so far as the law permits, all obligations and Liabilities of the Released Parties in connection with or pursuant to the Scheme shall cease and be released absolutely. Any such

obligation which has not been fulfilled in accordance with the Scheme by the Completion Date shall nonetheless be deemed to have been correctly and fully performed, and no Scheme Creditor shall have any claim in respect of it or any loss arising from it.

9.3.2 Following the Completion Date, no Scheme Creditor shall be entitled to any claim on, recovery from, or interest in, any Security, guarantee or indemnity in respect of a Scheme Claim or otherwise to make any claim or receive payment in respect of a Scheme Claim.

9.3.3 The Scheme Manager shall display any certificate of completion on the Website from the date on which it was issued until the date 12 months after the issue of the last certificate of completion pursuant to Clause 9.2.

9.3.4 Notwithstanding the provisions of Clause 2.8.1(c):

(a) Scheme Creditors shall, if so required by the Scheme Company, following the Completion Date execute a deed of release of the obligations of any guarantor of the Scheme Company's obligations to pay Scheme Claims, in a form reasonably satisfactory to the Scheme Company; and

(b) each Scheme Creditor hereby authorises the Scheme Company to execute such a deed on its behalf in the event that the Scheme Company does not receive one within 21 days of requesting it pursuant to Clause 9.3.4(a).

9.3.5 The benefit of the right to call for a deed of release under Clause 9.3.4, and the benefit of the rights to enforce the provisions of Clause 9.3.2, insofar as they relate to claims or recoveries from guarantors, shall be held on trust by the Scheme Company for each guarantor of its obligations to pay Scheme Claims. These rights shall be enforceable by the beneficiaries of such trust as well as the trustee. The beneficiary shall have sole and irrevocable power to replace the trustee.

9.4 **Insolvency Event**

Following an Insolvency Event, except in relation to ICS to which clause 51 of the Existing ICS Scheme shall apply:

9.4.1 the Scheme shall continue, so far as the law permits, save that the obligation to make payments under Clause 3 shall be replaced by an obligation to make such payments as shall be permitted in the insolvency of the Scheme Company; and

9.4.2 Scheme Creditors shall, insofar as the law applicable to that Insolvency Event permits, be bound by the calculation of their Net Ascertained Claim or Net Debt as the case may be.

9.5 **Reversion to run-off**

9.5.1 If, at any time on or before 180 days after the Bar Date, a Scheme Company other than EAIC or ICS or Home determines that the total value of Scheme

Claims submitted (or treated as so submitted) by Scheme Creditors on or prior to the Bar Date is (i) materially in excess of the sum of:

(a) technical provisions;

(b) provisions for other risks and charges;

(c) creditors' claims provided for in a Scheme Company's balance sheet as at 31 December 2008,

(but only insofar as the items described in (a), (b) and (c) above relate to Scheme Claims) (in the judgment of the directors of the Scheme Company, acting reasonably and taking into account the level at which they reasonably consider Scheme Claims may ultimately be determined in accordance with the Scheme), or (ii) is materially in excess of its capital resources requirement, in accordance with the rules contained in the FSA's General Prudential Sourcebook and the Prudential Sourcebook for Insurers, then such Scheme Company may send notice to all its Scheme Creditors in accordance with Clause 9.7, and place a notice in those newspapers and publications in which the Scheme Meetings were advertised (or should this not prove reasonably possible, in such other publications as it shall deem appropriate), that the Scheme shall terminate with respect to that Scheme Company (the first date on which any such advertisement appears being the "**Reversion to Run-Off Date**").

9.5.2 If the business of a Scheme Company reverts to run-off as contemplated by this Clause 9.5, Agreed Claims determined hereunder but which have not become Net Ascertained Claims pursuant to Clauses 2.4 or 2.7 shall cease to be binding on such Scheme Company and Scheme Creditor. Net Ascertained Claims (whether or not they have yet been paid) shall continue to be binding upon such Scheme Company and the Scheme Creditor (and therefore shall remain payable hereunder, if not yet paid), save where the Scheme Creditor elects otherwise, by written notice sent to the relevant Scheme Company in accordance with Clause 9.7 no later than 30 days after the Reversion to Run-Off Date, in which case, conditional on the Scheme Creditor reimbursing to the relevant Scheme Company any payment which it has received in respect of its Net Ascertained Claim, such determination shall likewise cease to be binding upon such Scheme Company and that Scheme Creditor.

9.5.3 Save as provided in Clause 9.5.2, upon the Reversion to Run-off Date in relation to a Scheme Company, the Scheme (including, without limitation, those provisions governing the submission and adjudication of claims) shall cease to be binding upon the relevant Scheme Company and its Scheme Creditors.

9.6 **Modification of the Scheme**

Except in relation to EAIC and ICS to which Clauses 16 and 24, respectively, apply, the Scheme Company may, at any hearing by the Court to sanction the Scheme, consent on behalf of the Scheme Creditors to any modification of or addition to the Scheme or any

terms or conditions which the Court may think fit to approve or impose, and which in its reasonable opinion would not directly or indirectly have a materially adverse effect on the interests of any Scheme Creditor under the Scheme.

9.7 **Communications**

9.7.1 Notwithstanding anything to the contrary in the Scheme, any information, forms, documents, notices or other written communications required to be or capable of being given or sent to the Scheme Manager, the Scheme Company, the EAIC Scheme Administrators, the ICS Scheme Administrators, the Scheme Adjudicator, the Scheme Actuary or the FSCS (as the case may be) under or in relation to the Scheme, including without limitation any Claim Form, shall be given in writing, in a form that is legible (and may be disregarded if not legible) and, if applicable, in the Prescribed Format, and may be given or sent in electronic form to the relevant E-mail address provided on page iv, or to such other electronic address as may be notified for the purposes of this Clause 9.7.1, or may be given either by delivering the same by hand (including by courier) or by Post to the relevant address or fax number provided on page iv or to such other address or fax number as may be notified to Scheme Creditors from time to time for the purposes of this Clause 9.7.1.

9.7.2 Notwithstanding anything to the contrary in the Scheme, any information, forms, documents, notices or other written communications referred to in Clause 9.7.1 to be given or sent by the Scheme Manager, the Scheme Company, the EAIC Scheme Administrators, the ICS Scheme Administrators, the Scheme Adjudicator, the Scheme Actuary or the FSCS (as the case may be) may be given either by delivering the same by hand (including by courier) or by Post to the relevant address or by fax to the fax number provided on page iv or to such other address or fax number as may be notified to Scheme Creditors from time to time for the purposes of this Clause 9.7.2 and, in the case of a Scheme Creditor, to its last known address or fax number of which the Scheme Manager or the Scheme Company is aware or to such address or fax number as may be notified to the Scheme Manager for the purposes of this Clause 9.7.2, or may be sent in electronic form to any E-mail address previously notified, or used, by the intended recipient (the use of which all Scheme Creditors hereby consent to) or to such other electronic address as may be notified for the purpose of this Clause 9.7.2.

9.7.3 Save in relation to Claim Forms, notices of disputes by Scheme Creditors and information, supporting evidence and other material to be provided by a Scheme Creditor in connection with a Scheme Claim, where the actual date of receipt shall apply, any notice or other written communication to be given under the Scheme shall (except as herein otherwise provided) be deemed to have been received:

(a) if delivered by hand or by courier pursuant to Clause 9.7.2, on the first Business Day following delivery;

(b) if given or sent by Post pursuant to Clause 9.7.2, on the second Business Day after posting if the recipient is in the country of despatch and otherwise on the seventh Business Day after posting;

(c) if given or sent by fax pursuant to Clause 9.7.2, upon receipt of a clear fax transmission report; and

(d) if given or sent in electronic form pursuant to Clause 9.7.1, on the first Business Day following delivery **provided that** the same shall have been sent to the relevant address referred to in Clause 9.7.1. In relation to electronic communications, "address" includes any number or address used for the purposes of such communications.

9.7.4 It shall be sufficient proof of delivery in the case of a notice or other written communication of the type referred to in Clause 9.7.2 sent by Post that the accompanying envelope was properly stamped, addressed and given to the recognised courier service or otherwise properly placed in the care of the relevant postal service for delivery.

9.7.5 It shall be sufficient proof of delivery in the case of a notice or other written communication of the type referred to in Clause 9.7.1 contained in electronic form that the notice or other communication was given or sent in accordance with Clause 9.7.3(d).

9.8 **Co-operation between Scheme Creditors, Scheme Manager, Scheme Companies, EAIC Scheme Administrators and ICS Scheme Administrators**

The Scheme Creditors, Scheme Manager, Scheme Company and, in the case of EAIC and ICS, the EAIC Scheme Administrators and the ICS Scheme Administrators respectively shall co-operate with each other and provide such assistance and information as any of them may reasonably require in connection with the Scheme and the enforcement of obligations owed to the Scheme Company pursuant to the Scheme including, but not limited to, the provision of information and documents in connection with Scheme Claims and the operation of the Scheme. Each Scheme Creditor is deemed to acknowledge that its obligations under the Scheme shall continue in the event that it becomes a Net Debtor.

9.9 **Extension of time limits**

9.9.1 Except in relation to the Bar Date, the Scheme Manager may at any time prior to the Completion Date, or the termination of the Scheme, where applicable, in its sole discretion extend any of the periods of time prior to the deadlines referred to in the Scheme as they relate to a specific Scheme Claim or Scheme Creditor or generally by such amount of time as it sees fit in its sole discretion, **provided that** no such period of time shall be extended by more than its original maximum length except in the case of force majeure or if the relevant parties so agree in writing. In the event that the Scheme Manager exercises such discretion, references to any relevant period of time or deadline in the Scheme shall be construed accordingly.

9.9.2 If at any time before the Bar Date, there has in the reasonable opinion of the Scheme Manager been a substantive failure of the Website then it may (but shall not be obliged to) extend the Bar Date to such later date as it deems appropriate.

9.9.3 The Scheme Manager shall give notice to such Scheme Creditors, in respect of which it holds current contact details and which it reasonably believes may be affected thereby, of any extension of time or deadlines pursuant to Clause 9.9.1 or 9.9.2. In the event of an extension of the Bar Date pursuant to Clause 9.9.2, the Scheme Manager shall, if practicable within the duration of such an extension, also Advertise notice of the date of the extended Bar Date and shall as soon as reasonably possible post notice of the extension on the Website.

9.10 **Prohibited payments**

9.10.1 For the avoidance of doubt, where a Scheme Company or the FSCS (if applicable) is prevented by any law or regulation imposing international sanctions or prohibitions promulgated by the United States of America, the United Kingdom or any other jurisdiction to which the Scheme Company is subject or to which the FSCS is or may be subject, from making a payment to a Scheme Creditor or otherwise complying with any term of the Scheme, the requirements of such law or regulation shall override the terms of the Scheme and for the avoidance of doubt, compliance with such law or regulation will constitute full discharge of such Scheme Creditor's Scheme Claims or the FSCS's obligations (as the case may be) under the Scheme.

9.10.2 Any Blocked Monies shall be applied by the Scheme Company or the FSCS (as the case may be) in accordance with the requirements of such law or regulation or the instructions of the relevant authority. The Scheme Company or the FSCS (as the case may be) shall be under no obligation to make any application to the relevant authority for a waiver of such law or regulation in any particular case.

9.10.3 In the event that the applicable law or regulation does not contain provisions as to how to deal with Blocked Monies, the Scheme Company or the FSCS (as the case may be) shall, prior to the Completion Date, hold them in an account with a United Kingdom clearing bank until such time prior to the Completion Date as the Scheme Company or the FSCS (as the case may be) is instructed by the relevant authority as to how to deal with the Blocked Monies or it becomes legal to pay them to the relevant Scheme Creditor. A

(as the case may be). In the event that no such instruction is received prior to the Completion Date, the Scheme Company or the FSCS (as the case may be) shall become entitled to take possession of the Blocked Monies immediately following the Completion Date and the relevant Scheme Creditor shall cease to have any entitlement to them. The Scheme Claim in respect of which such Blocked Monies would otherwise have been payable shall be deemed to be cancelled and the Scheme Creditor shall have no rights in respect of it.

9.11 **Governing la**

.11, or out of any action taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme, and, for such purposes, the Scheme Creditors irrevocably submit to the jurisdiction of the Court. For the avoidance of doubt, nothing in this Clause 9.11.1 shall affect the validity of provisions determining law and jurisdiction as between the Scheme Company and any Scheme Creditor contained in an Insurance Contract.

9.11.2 Notwithstanding the provisions of Clause 9.11.1, the Scheme Company retains the right to bring Proceedings in the courts of any other country having jurisdiction under its own laws to hear such Proceedings.

9.12 **The Website**

Scheme Creditors shall be bound by, and shall be deemed to accept, the contents of the Legal Disclaimer on the Website relating to its contents and use.

10. PROVISIONS RELATING TO EAIC

10.1 General

The provisions set out in this Clause 10 and Clauses 11 to 16 below apply only to EAIC and, to the extent that any such provisions are inconsistent with other clauses of the Scheme, the provisions of Clauses 10 to 16 shall prevail.

10.2 Amendment of the Existing EAIC Scheme

10.2.1 With effect from the Effective Date, and subject to Clause 10.2.2 below, the Existing EAIC Scheme shall be amended as to incorporate the provisions of the Scheme (but subject to the terms thereof).

10.2.2 For the avoidance of doubt, the Existing EAIC Scheme shall, save as amended by the Scheme, continue in full force and effect. In particular, the provisions in the Existing EAIC Scheme relating to the Policyholders Protection Act and the involvement of the Policyholders Protection Board continue to apply as amended by and set out in this Scheme, and references in the Existing EAIC Scheme and its Appendices to the Policyholders Protection Board and officers of the Policyholders Protection Board shall be read and construed with effect from the Effective Date as if they referred to the FSCS and its equivalent officers. If and to the extent that there is any inconsistency between the terms of the Existing EAIC Scheme and the terms of the Scheme (insofar as the latter apply to EAIC), the terms of the Scheme shall govern and the Existing EAIC Scheme shall be deemed to be amended to that extent.

10.3 The FSCS

The FSCS (as statutory successor to the Policyholders Protection Board) has consented to the amendment of the Existing EAIC Scheme and has agreed to continue to join in and be bound by the Scheme and to make payments in accordance with the Scheme (notwithstanding the occurrence of the Completion Date, Notification Date or an Insolvency Event) to Scheme Creditors who are Protected Policyholders.

11. GENERAL PROVISIONS APPLICABLE TO EAIC

11.1 Established Scheme Liabilities

Upon a Scheme Creditor's Net Ascertained Claim becoming binding on the Scheme Creditor and on EAIC in accordance with Clauses 2.7.4 or 2.7.5, that Net Ascertained Claim shall, for the avoidance of doubt, constitute an Established Scheme Liability.

11.2 Set-off

This Clause 11.2 shall apply to the preparation of Valuation Statements pursuant to Clause 2.7 and Provisional Valuation Statements pursuant to Clause 2.4 in respect of EAIC.

11.2.1 No Liability of EAIC to a Scheme Creditor which has been assigned or otherwise transferred (including but not limited to a transfer pursuant to a reorganisation or reconstruction of companies) to a person after the Original EAIC Scheme Date or which has been so assigned or transferred prior to that date but after that person had notice of the Winding-Up Petition may be included on a Valuation Statement prepared pursuant to Clause 2.7 or a Provisional Valuation Statement pursuant to Clause 2.4 so as to extinguish or reduce any Liability of that person to EAIC and the relevant Net Ascertained Claim or Net Debt if any shall be calculated accordingly. Where necessary, one or more further Valuation Statements may be prepared in order to comply with this Clause 11.2.1.

11.2.2 No Liability of a Scheme Creditor to EAIC which arises out of an obligation incurred by such Scheme Creditor after the Original EAIC Scheme Date may be included on a Provisional Valuation Statement prepared pursuant to Clause 2.4 or a Valuation Statement prepared pursuant to Clause 2.7 so as to extinguish or reduce any Scheme Claim which such Scheme Creditor has against EAIC.

11.2.3 The rights of set-off or cross-claim permitted or provided for under the Scheme shall be the only rights of set-off or cross-claim permitted between Scheme Creditors and EAIC.

12. PAYMENTS TO EAIC'S SCHEME CREDITORS

12.1 Application of assets of EAIC

On and from the Effective Date the assets of EAIC shall be applied for the benefit of Scheme Creditors (as well as for Excluded Creditors) in accordance with the provisions of the Scheme so as to ensure, so far as is possible, that (i) t

.9, and (ii) reserves are set aside for Scheme Costs, and payments are made to Excluded Creditors, in accordance with the provisions of the Existing EAIC Scheme.

12.2 Payment Percentage

12.2.1 Subject as hereinafter provided in this Clause 12, on and from the Effective Date the Payment Percentage shall be 35 per cent and the EAIC Scheme Administrators shall from time to time revise the Payment Percentage by setting a new Payment Percentage of a greater or lesser amount in accordance with the Scheme.

12.2.2 As soon as practicable after each Review Date, the EAIC Scheme Administrators shall review the Payment Percentage and consider, in the light of Clause 12.2.3, whether it should be revised.

12.2.3 The EAIC Scheme Administrators shall not revise the Payment Percentage in accordance with Clause 12.2.2 unless they consider, on the basis of the information and advice referred to in Clause 12.2.6, that after:

(a) EAIC has (by reference to a Payment Percentage at that rate) complied with the provisions of Clause 12.3.1 in relation to all Net Ascertained Claims owed by it as at the Review Date concerned; and

(b) such reserves have been created by EAIC as they consider to be prudent to enable EAIC to meet its Liabilities for Scheme Costs and its obligation to pay the Payment Percentage to Excluded Creditors under the Existing EAIC Scheme as and when they fall due and such funds as they consider necessary are available for the purposes of Clause 15.2.7,

EAIC will retain Scheme Assets of an amount which the EAIC Scheme Administrators consider sufficient to enable EAIC to comply with the provisions of Clause 12.3.1 (by reference to a Payment Percentage at that rate) in relation to all Liabilities of EAIC in respect of Scheme Claims which have become, or which the EAIC Scheme Administrators consider may become, Net Ascertained Claims after the Review Date concerned.

12.2.4 Subject to Clause 12.2.3 for the purposes of Clause 12.2.2, the Payment Percentage in relation to EAIC shall be set at, or adjusted to, such rate as the EAIC Scheme Administrators consider will ensure that all the Scheme Assets of EAIC remaining after:

EAIC has retained Scheme Assets of an amount which the EAIC Scheme Administrators consider sufficient to enable it to comply with the provisions of Clause 12.3 (by reference to a Payment Percentage at that rate) in relation to all liabilities of EAIC in respect of Scheme Claims which have become, or which the EAIC Scheme Administrators consider may become, Net Ascertained Claims after the Review Date concerned; and the creation of the reserves referred to in Clause 12.2.3(b), are distributed proportionately in respect of all the Net Ascertained Claims owed by EAIC as at the Review Date concerned.

12.2.5 If, on considering the current Payment Percentage pursuant to Clause 12.2.2, the EAIC Scheme Administrators shall consider that there are not sufficient Scheme Assets for such Payment Percentage to be set at that level and for the provisions of Clause 12.2.3 to be complied with, they shall reduce such Payment Percentage to such level as they consider appropriate.

12.2.6 For the purpose of setting the Payment Percentage as at a particular Review Date, the EAIC Scheme Administrators shall obtain and consider such financial and/or actuarial information and advice as the EAIC Scheme Administrators, following consultation with the EAIC Creditors' Committee, shall consider appropriate.

12.3 **Payments to Scheme Creditors other than in respect of Agreed Protected Claims**

12.3.1 As soon as reasonably practicable but, in any event, within 90 days following a Scheme Creditor's Valuation Statement or Provisional Valuation Statement becoming final and binding pursuant to Clause 2.7 or Clause 2.4, EAIC shall pay to the relevant Scheme Creditor the amount of:

(a) the Payment Percentage of the Net Ascertained Claim, if any, shown on the Valuation Statement or Provisional Valuation Statement;

(b) less the aggregate of any payments previously made or deemed to have been made in respect of such Net Ascertained Claim and, subject to Clause 12.3.5, any Scheme Payments made in respect of Scheme Claims included on or taken into account in preparing the Valuation Statement or Provisional Valuation Statement;

(c) less any payments deemed to have been received by the Scheme Creditor concerned pursuant to Clause 4.1.4;

(d) less any amount payable by the Scheme Creditor concerned pursuant to Clause 2.5.10 which has not been paid;

provided the sum of the amounts referred to in Clause 12.3.1(b) to 12.3.1(d) inclusive do not exceed the amount referred to in Clause 12.3.1(a).

12.3.2 As soon as reasonably practicable, but in any event within 90 days of the Payment Percentage being increased pursuant to Clause 12.2, EAIC shall pay to each Scheme Creditor with a Valuation Statement or Provisional Valuation Statement which is final and binding (whether or not the same person who received payment under Clause 12.3.1(a)), the amount resulting from the

calculation set out in Clause 12.3.1(a) to 12.3.1(d) inclusive, subject to the proviso in Clause 12.3.1.

12.3.3 Notwithstanding Clause 4.2, if all of the Liabilities of EAIC in respect of Scheme Claims shall have become Net Ascertained Claims (including the FSCS Amount determined pursuant to Clause 13.9) a (including for this purpose only Liabilities for interest, other than Admissible Interest referred to Clause 4.2, which shall then become payable), EAIC shall pay additional interest in respect of each such Net Ascertained Claim (including the FSCS Amount determined pursuant to Clause 13.9) in accordance with this Clause 12.3.3. The amount of such additional interest shall be an amount equal to LIBOR for the relevant currency on the unpaid amount of such Net Ascertained Claims (including the FSCS Amount determined pursuant to Clause 13.9) from time to time (such additional interest to be calculated on a daily basis from the date on which the Liability of EAIC in respect of the relevant Scheme Claim became a Net Ascertained Claim (including the FSCS Amount determined pursuant to Clause 13.9) up to the date of payment of such additional interest on the basis of a 365-day year in respect of Pounds Sterling and a 360-day year in respect of other currencies), **provided that** the amount of such additional interest shall not exceed the surplus assets of EAIC after adequate provision has been made for all other Liabilities of EAIC (otherwise than in respect of share capital) in existence at the time of payment of such additional interest (and so that the amount of additional interest payable in respect of each such Net Ascertained Claim shall, if necessary, be reduced *pro rata* accordingly).

12.3.4 The EAIC Scheme Administrators shall suspend payments under Clause 12.3.1 for such period (not exceeding six months) as they consider appropriate if information becomes available to them concerning the financial position of EAIC as a result of which they need to consider whether or not to set a reduced Payment Percentage. As soon as practicable during, and in any event at the end of, such period, the EAIC Scheme Administrators shall set a reduced Payment Percentage or conclude that the Payment Percentage need not be reduced, and thereupon the suspension of payments shall be lifted.

12.3.5 Where Scheme Payments have been made in respect of a Scheme Claim included or taken into account in preparing a Valuation Statement or Provisional Valuation Statement in a different currency to the Net Ascertained Claim, or the relevant part of it, shown on a Valuation Statement or Provisional Valuation Statement, for the purposes of Clause 12.3.1(b) the Scheme Payments made shall be converted into the currency of the Net Ascertained Claim, or the relevant part of it, at the same rate at which the Scheme Claim was converted into that currency for the purpose of preparing the Valuation Statement or Provisional Valuation Statement.

12.4 **Mechanics of payments to Scheme Creditors**

12.4.1 Subject to Clause 12.4.4, where payments are due to be made to a Scheme Creditor pursuant to Clause 12.3 in more than one Scheme Currency and the

amount of one or more of the payments is less than the *de minimis* amount, the EAIC Scheme Administrators shall have the discretion to convert such amounts as are smaller than the *de minimis* amount into the Scheme Currency of a payment exceeding the *de minimis* amount and aggregate any smaller amounts so converted with the largest amount for the purpose of making a single payment.

12.4.2 All payments to a Scheme Creditor may be made in the absolute discretion of the EAIC Scheme Administrators (or the FSCS in the case of payments made by it):

(a) by cheque in favour of such Scheme Creditor or as it may direct and sent by Post at the risk of the Scheme Creditor to the last known address of the Scheme Creditor or to such other address as the Scheme Creditor may from time to time notify in writing to EAIC (or, as the case may be, the FSCS) **provided that**, if no address for the Scheme Creditor is known, such payments may be sent by Post to the last known address of the insurance broker through whom the relevant contract or policy was effected or to such other address as such broker may from time to time notify to EAIC (or, as the case may be, the FSCS) in writing; or

(b) at the option of EAIC (or, as the case may be, that of the FSCS) (but only if requested by the Scheme Creditor) and at the expense of the Scheme Creditor (which expense may be deducted from the amount of the relevant payment) by telegraphic transfer to such bank account as the Scheme Creditor may from time to time notify EAIC (or, as the case may be, the FSCS); or

(c) in such other manner as the EAIC Scheme Administrators may from time to time determine or, in respect of payments by the FSCS, in such other manner or in favour of such other person, including any third party, as may be determined from time to time by the FSCS in its absolute discretion,

and the EAIC Scheme Administrators or, as the case may be, the FSCS may in connection with the making of any payment under the Scheme require the Scheme Creditor or other person to execute such forms of discharge, receipts or other documents as they may from time to time determine.

12.4.3 Any payment made under or pursuant to the Scheme (including any payment made by the FSCS) to a Scheme Creditor or other person which remains uncashed or otherwise unclaimed after the date on which the payment was sent by Post to the Scheme Creditor or other person (as the case may be) or otherwise made pursuant to Clause 12.4.2(c) shall upon the expiration of six months after the cheque being sent by Post as referred to in Clause 12.4.2(a), or the making of a payment in such other manner as the EAIC Scheme Administrators determine pursuant to Clause 12.4.2(c), be deemed to have been made and the Scheme Creditor's right to such payment shall be extinguished.

12.4.4 The EAIC Scheme Administrators may determine that any payment under the Scheme of less than the *de minimis* amount shall not be sent to a Scheme Creditor because of the cost involved in making or receiving such a payment. Any amount so withheld shall be paid to that Scheme Creditor upon the earliest of:

(a) receipt of a demand made in writing by that Scheme Creditor; or

(b) such time as the aggregate of such sums due to the relevant Scheme Creditor under the Scheme exceeds the *de minimis* amount; or

(c) the Completion Date.

12.4.5 Without prejudice to Clause 12.4.2, 13.7.3 or 13.7.4, and subject to Clause 13.7.2, payment by the FSCS in respect of an Agreed Protected Claim:

(a) to a Scheme Creditor who is a Protected Policyholder; or

(b) where two or more persons comprise a Scheme Creditor who is a Protected Policyholder to any one such person; or

(c) to any person who is authorised to act on behalf of the Scheme Creditor who is a Protected Policyholder (whether actually or ostensibly); or

(d) otherwise pursuant to Clause 12.4.2,

shall, for all purposes, constitute a valid and full discharge of the FSCS, in respect of such Agreed Protected Claim. For the foregoing purposes, payment of any cheque by the bank on which it is drawn shall be satisfaction of the obligation to pay the amount in which it was drawn, and receipt by the receiving bank of the amount of such telegraphic transfer as referred to in Clause 12.4.2(b) shall be satisfaction of the obligation to pay the amount transferred.

13. PROVISIONS RELATING TO THE FSCS

13.1 Payments by the FSCS

13.1.1 In consideration of the payments to be made by EAIC to the FSCS as provided for in Clause 13.9 and subject to the following provisions of this Clause 13 and Clause 11.2.3, the FSCS shall pay to each Protected Policyholder in respect of each Agreed Protected Claim owed to him an amount equal to the Protected Percentage of that Agreed Protected Claim, less the aggregate of:

(a) any payments made or treated as having been paid by EAIC pursuant to the Original EAIC Scheme, the Existing EAIC Scheme or the Scheme in respect of that Agreed Protected Claim at the time when the FSCS makes its payment; and

(b) the amount of any Admissible Interest paid or payable at that time pursuant to Clause 4.2, save to the extent that any Admissible Interest arises under the terms of the relevant policy; and

(c) the amount of any payment or payments previously made by the FSCS in respect of that Agreed Protected Claim.

13.1.2 Payment under Clause 13.1.1 in respect of an Agreed Protected Claim shall be made as soon as reasonably practicable following whichever is the later of:

(a) the date on which the EAIC Scheme Administrators or the Scheme Manager or EAIC notifies the FSCS that a Protected Scheme Claim has become an Agreed Protected Claim and that all available EAIC Security and amounts owing by the relevant Scheme Creditor have been taken into account in calculating the amount payable in respect of the Agreed Protected Claim;

(b) the date on which the FSCS agrees or it is otherwise determined (so as to bind the FSCS) that such claim is an Agreed Protected Claim including, where EAIC is a co-insurer under the policy giving rise to the Protected Scheme Claim, circumstances where the lead co-insurer has in the ordinary course of business properly entered into a Final Settlement of the Protected Scheme Claim and there are in the opinion of the FSCS no circumstances which could result in EAIC or the FSCS forming a different view on the merits and/or liability and/or quantum of the Agreed Protected Claim;

(c) in any case where it appears to the FSCS that the funds available to it fall short of what it requires to make the payment in question and to meet its responsibilities under or pursuant to the Policyholders Protection Act (as in force at any time) or otherwise, the date on which it appears to the FSCS that its funds are adequate for those purposes; and

(d) the date on which any condition imposed by Clause 13.3.3 is satisfied.

13.1.3 The provisions of this Clause 13.1 shall, as amended, survive the Completion Date or an Insolvency Event.

13.1.4 Where a Protected Policyholder has received payment from EAIC pursuant to Clause 12 in respect of a Protected Scheme Claim such payment will be treated as a payment on account of the obligations of the FSCS to that Scheme Creditor in respect of any such Protected Scheme Claim which subsequently becomes an Agreed Protected Claim.

13.1.5 Each Scheme Creditor (except for the FSCS in its capacity as such) agrees that in respect of any Agreed Protected Claim including those referred to in Clauses 13.1.1 and 13.1.4 above, the Scheme Creditor shall have no right to payment from EAIC or its assets which are the subject of the Scheme whatsoever whether under the Scheme or in any insolvency proceedings and consents (to the extent such consent is necessary) to the treatment of such claim in accordance with this Clause 13.1.

13.1.6 Notwithstanding any other provision of the Scheme and without prejudice to Clause 13.6, no Scheme Creditor shall have any right to payment in respect of a Protected Scheme Claim against the FSCS under the Scheme or any other applicable law or rules, whether before or after the Completion Date and notwithstanding an Insolvency Event, otherwise than in respect of an Agreed Protected Claim and then only in accordance with and subject to the provisions of the Scheme. Nothing in the Scheme shall prevent a Protected Policyholder from claiming an entitlement from the FSCS and being paid a Protected Percentage in respect of an Agreed Protected Claim, subject to the provisions of the Scheme notwithstanding that such Protected Policyholder is not entitled to receive a Payment Percentage or any other amount referred to in Clause 12 from EAIC in respect of that Agreed Protected Claim by virtue of this Clause.

13.1.7 The FSCS shall have no obligation to make any payments to a Protected Policyholder otherwise than on the basis of, and in accordance with and to the extent of, its duties and obligations under the Policyholders Protection Act and/or article 10 of the Transitional Order and the FSCS Rules applicable thereto as they may apply to any Protected Scheme Claim. The FSCS shall not, for the purposes of assessing eligibility under the Scheme or whether a Protected Scheme Claim is an Agreed Protected Claim, be bound by any information provided by a Scheme Creditor in relation to the estimation of that claim or any decision of or estimation by an EAIC Co-Insurer in respect of a Scheme Claim and the Scheme Creditor accepts that estimates of Protected Scheme Claims are not eligible for protection by the FSCS unless and until any such claim has become an Agreed Protected Claim. Scheme Creditors further accept that any estimate of a claim in respect of a Protected Scheme Claim shall not and does not constitute a Liability of EAIC under a policy which is due for payment.

13.1.8 Until the Completion Date (or, in relation to the EAIC Scheme Administrators, the Notification Date) EAIC, the EAIC Scheme Administrators, the Scheme Manager and any other agent engaged to administer Protected Scheme Claims shall at no cost to the FSCS continue to comply with their claims-handling responsibilities, duties and obligations (including those in respect of claim-related recoveries) (and EAIC shall continue to employ the Scheme Manager and any other relevant agent and shall procure such other agents' compliance with this Clause 13.1.8) insofar as is necessary for establishing and facilitating payment of Agreed Protected Claims.

13.1.9 The FSCS shall, from the Completion Date or the Notification Date, put in place such arrangements as it sees fit for the purpose of handling and agreeing (as may be required) Protected Scheme Claims. Such arrangements referred to in this Clause 13.1.9 may include the appointment of the Scheme Manager or such other person as the FSCS may consider appropriate to carry out the role hitherto performed by the Scheme Manager in relation to Protected Scheme Claims and Agreed Protected Claims and in that event, with effect from the Completion Date or the Notification Date, references in this Clause 13 to the Scheme Manager shall be construed as referring to the person to be appointed by the FSCS. The FSCS shall be solely responsible for the remuneration of any person so appointed.

13.1.10 Subject to Clause 13.1.8, EAIC shall use all reasonable endeavours to procure that the Scheme Manager and any other agent which is or may be concerned with administering Protected Scheme Claims will offer to the FSCS such services as it shall reasonably require after the Completion Date or Notification Date in order to enable it to perform its obligations under the Scheme on terms as to payment no less favourable than those obtained by EAIC under the Scheme.

13.1.11 In consideration of the FSCS agreeing to make payments in accordance with Clause 13.1, EAIC hereby:

(a) irrevocably transfers to the FSCS (and each Protected Policyholder irrevocably consents to such transfer) with effect from the Completion Date or the Notification Date, as applicable, the full, exclusive and absolute authority discretion and control with respect to the administration and conduct of Protected Scheme Claims (including but not limited to the defence, settlement and payment thereof and the appointment of claims handling agents) but so that the FSCS shall have sole responsibility for all costs incurred by it or any agent appointed by it in such administration and conduct; and

(b) irrevocably assigns to the FSCS the benefit of all of EAIC's claims handling rights under or in connection with the policy under which the Protected Scheme Claim arises.

13.1.12 The FSCS shall not assume or have any liability whatsoever of EAIC under any Insurance Contract to pay a Protected Policyholder in respect of a Scheme Claim against EAIC by reason of the transfer of rights and powers hereunder.

13.2 **Limitations on the FSCS's obligations**

13.2.1 Any obligation of the FSCS to a Protected Policyholder under the Scheme (whether before or after the Completion Date and notwithstanding an Insolvency Event) in respect of an Agreed Protected Claim shall be subject to the same conditions, limitations, qualifications and other provisions (*mutatis mutandis*) contained or referred to in, or capable of being imposed under, sections 9, 13(1) to (3) and 14 of the Policyholders Protection Act (and for the avoidance of doubt, so that for the purposes of section 13(3) in its application to the Scheme the FSCS shall be entitled to have regard both to its obligations under the Scheme and to its responsibilities otherwise than under the Scheme) as the duty which the FSCS would have had under sections 6 to 8 of the Policyholders Protection Act to secure the making of a payment to any policyholder or any other person in respect of that Agreed Protected Claim if EAIC were a company in liquidation (as defined in the Policyholders Protection Act) and, in the case of a Scheme Claim made in connection with article 10 of the Transitional Order, the Transitional Order and associated FSCS Rules.

13.2.2 Any obligation of the FSCS to make a payment under Clause 13.1.1 in respect of an Agreed Protected Claim shall unless the FSCS otherwise consents in any case, be conditional on the Protected Policyholder being entitled and able to assign to the FSCS all the rights and claims set out in Clause 13.3.1, subject to the proviso in Clause 13.3.5, as originally arising and free from any lien, charge, prior assignment, equity, encumbrance or other third party right.

13.2.3 Any sum payable in respect of any Agreed Protected Claim by the FSCS under Clause 13.1.1 which is a Non-Sterling Amount shall not exceed its Capped Sterling Equivalent. For the purpose of this Clause 13.2.3, if the Euro replaces Pounds Sterling as the lawful currency of the United Kingdom for the time being, the preceding provisions of this Clause shall thereafter have effect as if references to Pounds Sterling were references to the Euro and Capped Sterling Equivalent, Non-Sterling Amount and Specified Exchange Rate shall be construed accordingly.

13.2.4 Subject to Clause 13.2.4(a), the FSCS shall not have any greater obligation under the Scheme (whether or not an Insolvency Event occurs) in respect of any Scheme Creditor or Liability of EAIC than it would have had (and neither Scheme Creditors nor EAIC shall have any different or greater relief or remedy against the FSCS than they or it would have had) if EAIC had been a "company in liquidation" (as defined in the Policyholders Protection Act), the "beginning of the liquidation" (as so defined) had been on the Record Date and the payment to be made by the FSCS in respect of each Agreed Protected Claim had (after taking into account any applicable set-off or rights under an EAIC Security) been reduced by the amounts referred to in Clause 13.1.1 and no right of, or

condition imposed by, the FSCS under the Scheme in relation to any Scheme Creditor shall be limited or restricted by virtue of any obligation of the FSCS to that Scheme Creditor under the Scheme being less than the obligation which the FSCS would have had to it if EAIC had been a "company in liquidation" (as so defined).

(a) For the purpose of this Clause 13.2.4 it shall be assumed that:

(i) the currency of payment by the FSCS in respect of any Liability (and where that currency is not Pounds Sterling, its rate of exchange) would be the same on a liquidation of EAIC beginning on the Record Date as under the Scheme (including for these purposes the exchange rate limit set out in Clause 13.2.3); and

(ii) the amount of any liability of EAIC in liquidation would be as established in the case of an Agreed Protected Claim in accordance with the Scheme.

13.2.5 For the avoidance of doubt the FSCS:

(a) shall not be liable in respect of any interest payable in relation to a Scheme Claim to the extent that it is payable in respect of any period after the Record Date; and

(b) without prejudice to Clause 13.2.1 and 13.2.4, shall not have:

(i) any greater obligation under the Scheme by virtue of any amount of any EAIC Security (or any other amount failing to be taken into account under Clause 2.7.1 being taken into account in the calculation of any Agreed Protected Claim) than it would have had if that amount (as well as the amounts referred to in Clause 13.1.1) had been treated under Section 14(1) of the Policyholders Protection Act as reducing any sum which would have been payable by it in respect of the Liability concerned if EAIC had been a "company in liquidation" (as defined in the Policyholders Protection Act) and the "beginning of the liquidation" (as so defined) had been on the Record Date (but making the assumption in Clause 13.2.4(a)(ii);

(ii) any obligation under the Scheme towards any person who has paid or is liable to pay any such amount as is described in Clause 13.2.5(b)(i);

(iii) any greater obligation under the Scheme by virtue of any such amount as is described in Clause 13.2.5(b)(i) not being taken into account in the calculation of any Agreed Protected Claim than it would have had if that amount had been so taken into account,

and any amount which the FSCS would otherwise be obliged to pay under Clause 13.1.1 shall be reduced accordingly; **provided that** the FSCS may

in any case falling within Clause 13.2.5(b)(i) or 13.2.5(b)(iii) of 13.2.5 above elect at its discretion to pay the whole or any part of any such reduction. Any such payment by it shall be without prejudice to its rights under any other provision of this Scheme, including in particular Clauses 13.2.6 and 13.2.7 and 13.3.1 (and for the purposes of Clause 13.3.1 any such payment shall be treated as a payment pursuant to Clause 13.1) and may be made subject to such terms and conditions as the FSCS thinks fit;

(c) if EAIC is subject to an Insolvency Event the FSCS shall not have any obligation in respect of any policyholder or Liability of EAIC which it would not have had, or greater than it would have had, if the Insolvency Event had occurred on the Record Date; and if by virtue of EAIC being subject to an Insolvency Event after the Record Date the FSCS would, or would but for this Clause, be required to pay any amount to or on behalf of a policyholder in respect of a Liability of EAIC which it would not or could not have been required to pay if the Insolvency Event had occurred on the Record Date, then the Liability shall for all purposes be treated as not being a Liability under the terms of a policy, but as being a Liability only under the Scheme (a
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13.2.6 Without prejudice to Clauses 13.1.1, 13.2.3 and 13.2.5:

(a) if when calculating the amount payable to a Scheme Creditor in respect of any Agreed Protected Claim, any such amount as is described in Clause 13.2.5(b)(i) is not taken into account; and

(b) EAIC or the relevant Scheme Creditor receives or becomes entitled to receive any sum in respect of or referable to that Agreed Protected Claim (whether or not such sum forms part of a greater amount the balance of which is not referable to that Agreed Protected Claim) from such source as is described in Clause 13.2.5(b)(i),

EAIC or the relevant Scheme Creditor (as the case may be) shall, subject to the discharge therefrom of any valid and enforceable prior ranking encumbrances, equities or interests, as soon as reasonably practicable after receipt, pay the sum to the FSCS; and pending such payment shall hold that sum and interest thereon (or, as the case may be, its entitlement to receive the same) on trust absolutely for the FSCS.

13.2.7 The FSCS shall not have an obligation to make a payment in respect of an Agreed Protected Claim if it appears to the FSCS that such a payment would result in a benefit being conferred on either:

(a) any person who was a member of EAIC at the Petition Date; or

(b) any person who had any responsibility for or who may have profited from the circumstances giving rise to the financial difficulties of EAIC;

provided that there shall be disregarded for the purposes of Clause 13.2.7(a) and 13.2.7(b) above any benefit which might accrue to such persons therein mentioned who are policyholders of EAIC in their capacity as such. For the avoidance of doubt:

(c) references in Clauses 13.2.5 and 13.2.6 to any amount which falls to be taken into account in the calculation of any Agreed Protected Claim include references to any such amount whether paid or payable; and

(d) nothing in the Scheme shall require the FSCS to make any payment to a Protected Policyholder if he does not wish to claim it.

13.3 **Assignments to the FSCS**

13.3.1 Immediately upon any payment being made by the FSCS to a Protected Policyholder pursuant to Clause 13.1 in respect of an Agreed Protected Claim, there shall automatically be assigned to the FSCS absolutely, without any further act or document:

(a) all rights of the Protected Policyholder in respect of that Agreed Protected Claim (including in respect of the debt or claim constituted by or arising out of or relating to that Agreed Protected Claim) under or in respect of the policy relating to that Agreed Protected Claim and the Scheme;

(b) any rights and claims such Protected Policyholder may have in respect of payments made by him by way of premiums under the policy relating to that Agreed Protected Claim; and

(c) without prejudice to and subject to Clause 13.2.5(b), any rights and claims such Protected Policyholder may have against any other persons in respect of any event giving rise to that Agreed Protected Claim (other than another insurer which has insured the Protected Policyholder in respect of the same event but without prejudice to the application of this Clause 13.3.1 in relation to any Agreed Protected Claim to which the event has also given rise) or by reference to or in connection with the policy relating to that Agreed Protected Claim whether, in any such case, those rights or claims arise under or in respect of the policy relating to that Agreed Protected Claim, under or in respect of the Scheme, by virtue of any trust or legislation (primary or subordinate) or otherwise howsoever, and whatever the nature of those rights or claims. If, before making payment pursuant to Clause 13.1, in any particular case the FSCS in its absolute discretion determines that the terms of the assignment of rights and claims which would otherwise apply under this Clause 13.3.1(c) should be varied in that case, subject to the consent of the Protected Policyholder concerned to the variation, this Clause 13.3.1(c) shall have effect as if those terms of assignment as so varied applied in that case. If any question arises as to the identification of any Agreed Protected Claim, and accordingly as to whether that Liability is or is not the subject of an

assignment to the FSCS under this Clause 13.3.1, a certificate from the FSCS that it has made a payment in respect of that Liability shall be binding and conclusive on all persons for all purposes. Without prejudice to the provisions of Clause 13.3.4, the FSCS shall provide to EAIC such information relating to the date and amount of payments it makes to Protected Policyholders in respect of Agreed Protected Claims and relating to the form of any variation of the assignment of rights and claims provided for by this Clause 13.3.1 as EAIC may from time to time reasonably request.

13.3.2 Without prejudice to Clause 13.3.1, a Protected Policyholder to whom a payment is made pursuant to Clause 13.1 shall do such acts and things and execute such deeds and documents, and in particular such forms of assignment, transfer or assurance, as the FSCS may from time to time request to vest in it fully and effectively all rights and claims of that Protected Policyholder against EAIC or other persons under or in respect of the Agreed Protected Claim to which such payment relates, or to perfect or evidence the vesting in it of the same. Each Protected Policyholder hereby irrevocably and unconditionally appoints the Chairman from time to time of the FSCS to be his attorney and agent and on his behalf and in his name or otherwise to do such acts and things and execute such deeds and documents as may be required to give effect to this Clause 13.3.2, if such Protected Policyholder fails to comply promptly with his obligations hereunder. Without prejudice to Clause 13.3.1, if and to the extent that any interest in any such right or claim of a Protected Policyholder as falls to be assigned to the FSCS under that Clause upon any payment being made does not for any reason immediately vest fully and effectively in the FSCS, the same shall be held by the Protected Policyholder on trust absolutely for the FSCS until it does so vest (whether pursuant to that clause or the preceding provisions of this Clause or otherwise).

13.3.3 Without prejudice to Clauses 13.2.1 and 13.3.1, any obligation of the FSCS to make a payment to a Protected Policyholder under Clause 13.1 in respect of an Agreed Protected Claim shall, if the FSCS so elects, be conditional on there first being assigned to it, in such form as it may request, all such rights and claims as are mentioned in Clauses 13.3.1(a) to 13.3.1(c) (but as if the references there to Protected Policyholder or to Agreed Protected Claim were references to the Protected Policyholder or Agreed Protected Claim in respect of whom or which the election is made) or such of those rights and claims as the FSCS may determine.

13.3.4 Clause 13.3.1 shall be deemed to constitute for all purposes express notice in writing to EAIC of all assignments effected pursuant to its provisions and relating to Liabilities of EAIC.

13.3.5 For the avoidance of doubt (and without prejudice to Clause 2.7.1(iv)), rights and claims to which Clause 13.3.1 applies include all rights and claims which a Protected Policyholder may have in respect of an Agreed Protected Claim to

any payment out of, interest in, or recourse to or otherwise by virtue of, any such EAIC Security as is referred to in Clause 13.2.5(b)(i) or in respect of any other amount falling to be taken into account under Clause 2.7.1(iv), **provided that** if a Protected Policyholder has any right under an EAIC Security or in respect of any other amount falling to be taken into account under Clause 2.7.1(iv), then such right shall not be assigned to the FSCS to the extent that its being taken into account in calculating the FSCS's payment in respect of an Agreed Protected Claim under the Scheme results in a reduction in the amount which would otherwise have been payable by the FSCS in respect of that Agreed Protected Claim under the Scheme (except that if and to the extent that it is determined in any Proceeding (or the effect of a determination in any Proceeding is) t

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13.4 **Information to be provided to the FSCS**

13.4.1 Without prejudice to sections 219 and 221 of FSMA, EAIC (until it is dissolved) a IC Scheme Administrators (until they cease to hold office as such) shall promptly provide the FSCS with all such information in their respective possession or under their respective control or the control of the Scheme Manager or their other respective agents as the FSCS may from time to time request in order to establish whether (or the extent to which) any Scheme Claim is, or may become, an Agreed Protected Claim or whether (or the extent to which) a Scheme Creditor is a Protected Policyholder or otherwise for the purpose of enabling or assisting the FSCS to perform its obligations or exercise its rights under the Scheme or to carry out its functions or responsibilities under the Policyholders Protection Act as from time to time in force. Subject to sections 219 and 221 of FSMA, EAIC and the EAIC Scheme Administrators (until they cease to hold office as such) shall, so far as they are able, authorise and instruct any third party with any such information to disclose it to the FSCS. Subject to sections 219 and 221 of FSMA, EAIC's and the EAIC Scheme Administrators' obligations set out in this Clause 13.4.1 shall not extend to any information which EAIC or the EAIC Scheme Administrators are under a legal duty not to disclose, but neither EAIC nor the EAIC Scheme Administrators shall, without the prior written consent of the FSCS, enter into any agreement or incur any obligation which precludes or restricts disclosure to the FSCS of any such information as is reasonably capable of being the subject matter of a request under this Clause 13.4.1.

13.4.2 Without prejudice to sections 219 and 221 of FSMA and subject to receiving reasonable notice in any case, EAIC and the EAIC Scheme Administrators (until they cease to hold office as such) shall, for the purposes referred to in Clause 13.4.1, permit (and, so far as they are able, authorise and instruct their agents to permit) any person authorised by the FSCS to have access to, and to be provided with copies of, all or any of the books and records of EAIC and, in so far as they relate to EAIC, of such agents, during normal business hours.

Subject to sections 219 and 221 of FSMA, such obligation shall not extend to any such information which EAIC or any such agent is under a legal duty not to disclose. The FSCS shall pay the reasonable photocopying costs of providing such copies.

13.4.3 Without limitation to Clause 13.4.1, EAIC shall, as soon as reasonably practicable after payment of any amount to a Scheme Creditor under Clause 12, give notice of such payment to the FSCS to the extent required by the FSCS in order for the FSCS to fulfil its obligations under the Scheme.

13.5 **The FSCS's rights against EAIC in respect of any assignment to it of the rights of a Protected Policyholder**

For the avoidance of doubt and without prejudice to Clauses 13.1 to 13.3, EAIC agrees with the FSCS that any assignment by any Protected Policyholder of all or any rights whatsoever of the Protected Policyholder against EAIC, including without limitation an automatic assignment under Clause 13.3.1, shall be valid and binding on EAIC, and:

13.5.1 the FSCS may take actions and Proceedings in the name of such Protected Policyholder and exercise all his rights against EAIC, including without limitation his rights, prior to such assignment, against EAIC; and

13.5.2 EAIC shall take any steps reasonably requested by the FSCS to ensure that any assignment under or which falls to be made under the Scheme in favour of the FSCS is duly and effectively made and given full effect.

13.6 **The FSCS and continuation of the Scheme in liquidation**

13.6.1 If EAIC becomes subject to an Insolvency Event, the Scheme shall continue in full force and effect. The FSCS shall continue to make payments by reference to the terms of the Scheme and, notwithstanding the occurrence of an Insolvency Event, in relation to each Agreed Protected Claim to which this Clause 13.6.1 applies:

(a) there shall automatically be assigned to the FSCS absolutely, without any further act or document and before any payment has been made by the FSCS in respect of that Agreed Protected Claim, all such rights and claims as are mentioned in Clause 13.3.1(a) to 13.3.1(c) (bu .6 applies, the references there to Protected Policyholder or to Agreed Protected Claim were references to the Protected Policyholder or Agreed Protected Claim in respect of whom or which this Clause 13.6 applies);

(b) in consequence of such assignment, the provisions of this Clause 13 shall apply with the following modifications:

(i) Clause 13.1.1 shall apply as if:

(1) for the words "each Agreed Protected Claim owed to him" there were substituted the words "each Agreed Protected

Claim which, but for Clause 13.6.1(a), would be owed to him"; and

(2) Clause 13.1.1 referred only to so much of the amount there mentioned as is not paid to the FSCS,

(ii) Clauses 13.1.1, 13.2.4, 13.7.4 and Clause 13.2.5(b)(i) shall apply as if the reference to a company in liquidation were references to a company in liquidation outside, and not subject to the continuing provisions of, the Scheme;

(iii) Clause 13.2.2 shall apply as if, for the words "the Protected Policyholder being entitled and able to assign" there were substituted the words "there having been assigned";

(iv) Clause 13.3.1 shall not apply so far as it is rendered redundant by Clause 13.6.1(a) and if any question arises as to the identification of any Agreed Protected Claim, or as to whether any payment has been made by the FSCS in respect of that Liability, or as to whether that Liability is or is not the subject of an assignment to the FSCS under Clause 13.6.1(a), a certificate from the FSCS as to any such matter shall be binding and conclusive on all persons for the purpose of determining the same;

(v) Clauses 13.3.2 and 13.3.3 shall apply as if the references to Clause 13.3.1 were references to Clause 13.3.1 or Clause 13.6.1 and as if after the words "upon any payment being made" in Clause 13.3.2 there were inserted the words "or upon any Protected Scheme Claim first becoming an Agreed Protected Claim (as the case may be)";

(vi) Clause 13.3.4 shall apply as if for the words "Clause 13.3.1" there were substituted the words "Each of Clauses 13.3.1 and 13.6.1";

(vii) Clause 13.3.5 shall apply as if the reference to rights and claims to which Clause 13.3.1 applies included rights and claims to which Clause 13.6.1 applies by reference to Clause 13.3.1;

(viii) Clause 13.5 shall apply as if the reference to Clauses 13.1 to 13.3 were a reference to Clauses 13.1 to 13.3 and 13.6, and the reference to an automatic assignment under Clause 13.3.1 were a reference to an automatic assignment under Clause 13.3.1 or 13.6;

(c) for the avoidance of doubt, following an automatic assignment under this Clause 13.6.1, references to a Protected Policyholder in Clauses 13.1 to 13.5, as modified by Clause 13.6.1(b), shall, as between that person and the FSCS, be construed as references to the person from whom the automatic assignment is taken.

13.6.2 Subject to Clause 13.6.3, Clause 13.6.1 applies to each Agreed Protected Claim in respect of which the rights and claims mentioned in Clause 13.3.1(a) to 13.3.1(c) have not, prior to the Insolvency Event, been assigned to the FSCS.

13.6.3 Clause 13.6.1 shall not apply to any Agreed Protected Claim or categories thereof in respect of which the FSCS elects to disapply it.

13.6.4 The time at which the automatic assignment under Clause 13.6.1 shall take effect in relation to any Agreed Protected Claim shall be the time at which it first becomes an Agreed Claim.

13.7 **Other provisions applicable to the FSCS**

13.7.1 References in this Clause 13 to the FSCS paying or making payment of any sum include references to the FSCS securing the payment of that sum and references to the securing of payment in sections 9, 13 and 14 of the Policyholders Protection Act, as they apply by virtue of Clause 13.2.1 to the obligations of the FSCS under this Clause 13, shall be construed accordingly.

13.7.2 A payment by the FSCS under the Scheme shall not operate to reduce or discharge any Liability of EAIC or any part of such Liability.

13.7.3 Without prejudice to any other rights and remedies which the FSCS may have, any person receiving a payment in respect of a Liability who has knowingly provided false, misleading or incomplete information to the FSCS in support of an application for that payment shall be bound on demand to repay to the FSCS all such amounts as have been paid by the FSCS in respect of that Liability, together with interest at 15 per cent per annum (or such rate of interest as may be from time to time prescribed pursuant to section 17 of the Judgments Act 1838 (or such other rate as a court of competent jurisdiction may specify for the purpose of this Clause 13.7.3)) calculated on a daily basis from the date of payment to the date of repayment.

13.7.4 Where, in relation to any policy, the FSCS would be required or entitled under the Policyholders Protection Act to make a payment to any person other than, or instead of, the policyholder, if EAIC were in liquidation, the FSCS may similarly perform any obligation to make a payment under the Scheme in relation to that policy and references to a Protected Policyholder shall be construed accordingly as including payment to such a person (as well as, for the avoidance of doubt, any person, whether or not a policyholder, to whom payment may be made by the FSCS in discharge or satisfaction of any payment obligation to the Protected Policyholder or to whom payment may otherwise be made by the FSCS for or on behalf of the Protected Policyholder).

13.7.5 At any time prior to its payment obligation in relation to a Protected Policyholder under Clause 13.1 having arisen, the FSCS may elect to make a payment to or on behalf of a Protected Policyholder in respect of an Agreed Protected Claim on such terms (including terms requiring repayment and terms

as to assignment of rights in respect of the Agreed Protected Claim) and on such conditions as the FSCS thinks fit.

13.7.6 Notwithstanding EAIC becoming subject to an Insolvency Event, the FSCS and each Protected Policyholder shall continue to be bound by the Scheme.

13.8 **Protected Scheme Claims**

13.8.1 Subject to Clauses 13.8.3(b) and 13.8.3(c), the provisions of Clauses 2.4 to 2.7 shall have no application to Scheme Claims which are Protected Scheme Claims or Agreed Protected Claims. No Protected Policyholder shall have any right to receive any payment from EAIC in respect of Protected Scheme Claims or Agreed Protected Claims and all such Scheme Claims will instead be treated in accordance with this Clause 13.8. All Scheme Creditors who consider that the whole or part of any Scheme Claim on their Claim Form completed and returned by them under Clause 2.3 consists of or includes one or more Protected Scheme Claims, shall state this on the Claim Form to be submitted to the EAIC Scheme Administrators on or before the Bar Date in accordance with Clause 2.3 by identifying which of their Scheme Claims they consider to be Protected Scheme Claims. Such Claim Form submitted under Clause 2.3 shall be referred to the FSCS (for which purpose such Scheme Creditors hereby consent to such referral). The FSCS may in its sole discretion agree that one or more of the relevant Scheme Claims is, in principle, a Protected Scheme Claim. Such agreement of the FSCS shall be given solely for the purpose of performing the calculation of the FSCS Amount and shall not be binding on the FSCS for any other purpose including for determining the eligibility and/or amount of any claim for compensation by a Protected Policyholder in respect of an Agreed Protected Claim. In the event that the FSCS determines that the whole or any part of a Scheme Claim as notified to EAIC under this Clause is not a Protected Scheme Claim (as the case may be) and has so notified EAIC, then notice will be given by EAIC to the relevant Scheme Creditor of such determination. Any such Scheme Claim that is so determined not to be a Protected Scheme Claim will then be dealt with in accordance with Clauses 2.4 to 2.7.

13.8.2 In the event that:

(a) there is a dispute as to whether the whole or any part of a Scheme Claim is a Protected Scheme Claim, the EAIC Scheme Administrators may, at their discretion (but subject to the last sentence of Clause 13.8.1), reach an agreement with the FSCS and the relevant Scheme Creditor as to how such Scheme Claims should be dealt with. This agreement will include the manner in which sums may be paid under the terms of the Scheme, and any appropriate reservation of rights as between the FSCS and the Scheme Creditor. This will include the way in which the Scheme Creditor either will give credit to the FSCS for any amounts received by the Scheme Creditor from EAIC in respect of that Liability should it become an Agreed Protected Claim or will not receive any payment from EAIC in respect of any such Scheme Claims; and

(b) the FSCS determines or it is otherwise so determined (so as to bind the FSCS), in relation to a Protected Scheme Claim which becomes an actual present Liability owed to the Scheme Creditor that such Liability is not in fact protected under the Policyholders Protection Act or article 10 of the Transitional Order, then the provisions of this Clause 13.8.2(b) shall apply in relation to that Liability. The FSCS shall pay that part of the distributions it has received under Clause 13.9.4 in respect of that Protected Scheme Claim, such amount (if any) to be reasonably determined by reference to the Claim Form submitted by the Scheme Creditor and provided the Protected Scheme Claim in question has been included in the Claim Form and that claim has been taken into account in the calculation of the FSCS Amount as determined in accordance with Clause 13.9 to or on behalf of the relevant Scheme Creditor.

13.8.3 If in the EAIC Scheme Administrators' reasonable opinion, a Scheme Creditor has not, but should have, stated on its Claim Form that any Scheme Claim is a Protected Scheme Claim as required by Clause 13.8.1, the EAIC Scheme Administrators shall refer the matter to the FSCS together with the relevant Claim Form (for which purpose the Scheme Creditor hereby consents to such referral). If, after consideration of such Claim Form and any other relevant circumstances the FSCS is of the opinion that the relevant Scheme Claim appears, on the basis of the information available, to be a Protected Scheme Claim, the FSCS shall give notice of this fact to the EAIC Scheme Administrators who shall, in turn, give such notice to the Scheme Creditor, together with a requirement for the Scheme Creditor to show good cause as to its unprotected status which is reasonably satisfactory to the EAIC Scheme Administrators and the FSCS. Thereafter:

(a) if at that stage the Scheme Creditor agrees to the amendment of its Claim Form in respect of the relevant Liability to indicate that the Scheme Claim consists of a Protected Scheme Claim, it shall be dealt with as if it had originally so indicated its protected status on its Claim Form in accordance with Clause 13.8.1;

(b) if the Scheme Creditor shows good cause why it does not believe that it would be eligible for protection under the Policyholders Protection Act or article 10 of the Transitional Order, it shall be dealt with in accordance with Clauses 2.4 to 2.7;

(c) in the absence of showing good cause as referred to in Clause 13.8.3(b) above, the Scheme Creditor shall be dealt with in accordance with Clause 2. Prior to receiving any distribution under Clause 12, unless otherwise agreed by the FSCS, the Scheme Creditor shall confirm in a legally binding form satisfactory to the FSCS that it is not a Protected Policyholder in relation to the Liability concerned and that it irrevocably waives any rights or entitlement it may have against the FSCS under the

Policyholders Protection Act, the Transitional Order, the FSCS Rules, the Scheme or otherwise in relation to that Liability.

13.9 **The FSCS Amount**

13.9.1 As soon as reasonably practicable after the Bar Date, the EAIC Scheme Administrators shall make an initial valuation of the FSCS Amount and notify the FSCS of that initial valuation in writing. The FSCS Amount shall be based on the aggregate value of all Scheme Claims which are or reasonably appear to be Protected Scheme Claims notified to the Scheme Manager on Claim Forms and;

(a) the value of any such claims which EAIC, its agents, the EAIC Scheme Administrators, the Scheme Manager, their Employees or agents are aware of from any books and records of or relevant to EAIC which have not been included in a Claim Form submitted in accordance with the Scheme;

(b) any other Protected Scheme Claims which are actuarially or otherwise estimated to exist or which may arise in the future;

(c) the amount of any Agreed Protected Claims established under the Existing EAIC Scheme which are unpaid as at the Effective Date; and

(d) the total amount (as established under the Existing EAIC Scheme) of all Scheme Claims which have been assigned to the FSCS under the Existing EAIC Scheme.

13.9.2 The EAIC Scheme Administrators shall give full and complete details in support of their calculation of the FSCS Amount when notifying the FSCS of their initial valuation of the FSCS Amount under Clause 13.9.1. The EAIC Scheme Administrators shall deal promptly with any queries raised by the FSCS as to the calculation or the details provided to support their calculation of the FSCS Amount and shall act promptly and in good faith in endeavouring to agree the FSCS Amount with the FSCS. **Provided that** the EAIC Scheme Administrators have complied with this Clause 13.9.2, the FSCS shall not be entitled to request information or raise further queries after two months from receipt by it of the notice by the EAIC Scheme Administrators of the initial valuation of the FSCS Amount.

13.9.3 The FSCS and the EAIC Scheme Administrators may agree the final value of the FSCS Amount in writing. If, after the period of six months from receipt by the FSCS of the notice by the EAIC Scheme Administrators of the initial valuation of the FSCS Amount pursuant to Clause 13.9.1, the EAIC Scheme Administrators and the FSCS have not reached agreement as to the value of the FSCS Amount or any part thereof, the EAIC Scheme Administrators and the FSCS shall be at liberty to resolve the disagreement as they see fit, including, by mutual agreement, reference to the Scheme Adjudicator with a written request for a determination as to the FSCS Amount. If such a request is made,

the Scheme Adjudicator shall make such determination within 28 days of receiving such reference, based on submissions made by the EAIC Scheme Administrators and the FSCS to be received by him within seven days of such reference.

13.9.4 The FSCS shall be treated as a Scheme Creditor in respect of the final value of the FSCS Amount determined in accordance with Clause 13.9.3 and shall receive payments as if the FSCS Amount were a Net Ascertained Claim on a Valuation Statement or Provisional Valuation Statement which had become final and binding under the Scheme save that Clause 2.8 shall not apply and EAIC shall make the first such payment to the FSCS within seven days of the date upon which the FSCS Amount is determined in accordance with Clause 13.9.3, and in the event that the Payment Percentage is increased shall make any further payment in respect of the FSCS Amount consequent on the increase within seven days of the increase. Such payments shall be in an amount equal to the Payment Percentage calculated on the FSCS Amount and any increases therein from time to time, and shall constitute the only entitlement of the FSCS in its capacity as a Scheme Creditor to receive payment of the Payment Percentage from EAIC pursuant to the Scheme, but without prejudice to any rights or claims of the FSCS to or in respect of:

(a) assets capable of being realised after the Completion Date or Notification Date;

(b) assets set aside or placed in trust pursuant to Clause 15.2.7 or Clause 15.5.2; and

(c) the indemnities in clause 6.6 of the Existing EAIC Scheme.

13.10 **Stay of proceedings**

13.10.1 Without prejudice to Clauses 13.10.2, 13.10.3 and 13.10.3(b), no Scheme Creditor shall institute or continue any Proceeding or other judicial, quasi-judicial, administrative or regulatory process whatsoever against EAIC or its Property to establish the existence or amount of a Protected Scheme Claim unless the Scheme Creditor shall first have given to the Scheme Manager, EAIC and the FSCS notice of such Protected Scheme Claim in accordance with Clause 9.7, which notice shall include:

(a) fully particularised details of how and when the Protected Scheme Claim arose (including without limitation and to the extent possible, fully particularised details of the methodology and rationale for its allocation to the relevant coverage), of the Insurance Contract pursuant to which the Protected Scheme Claim is asserted (where applicable) and of the quantum of the Protected Scheme Claim (if reasonably calculable); and

(b) legible copies of all contracts, orders, judgments, decisions and awards which are relevant to the Protected Scheme Claim, and of all other items required to be provided to EAIC pursuant to the terms of the Insurance

Contract between EAIC and the Scheme Creditor, together with such other supporting information and documentation as the Scheme Manager, EAIC and/or the FSCS or their agents shall reasonably require.

13.10.2 Subject to Clauses 13.10.1 and 13.10.8, no Scheme Creditor shall, without the prior agreement of EAIC (which agreement, to be binding, must be in writing and must refer to this Clause 13.10.2), institute or continue any Proceeding or other judicial, quasi-judicial, administrative or regulatory process whatsoever against EAIC to establish the existence or amount of a Protected Scheme Claim in relation to which there is a Common Liability until the later of:

(a) the expiration of a period of six months after having given notice of its Protected Scheme Claim in the manner prescribed in Clause 13.10.1; and

(b) the expiration of a period of six months after notice by the Scheme Creditor to EAIC in accordance with Clause 13.10.4 of the occurrence of any one or more of the following events:

(i) a Substantive Judgment having been obtained in any Proceedings between the Scheme Creditor and an EAIC Co-Insurer in relation to the Common Liability giving rise to such Protected Scheme Claim; or

(ii) such Scheme Creditor having entered into a Final Settlement with a majority in value of EAIC Co-Insurers in relation to the Common Liability giving rise to such Scheme Claim (a "majority in value" being calculated by comparing the aggregate total of all EAIC Co-Insurers' proportionate shares in relation to the relevant contract (but leaving out of account those EAIC Co-Insurers against whom Proceedings have been stayed or restrained or have resulted in a Default Judgment in the manner described in Clause 13.10.2(b)(iii)) with the aggregate of the proportionate shares of EAIC Co-Insurers with whom such Scheme Creditor has entered into the Final Settlement in question); or

(iii) all Proceedings between such Scheme Creditor and all EAIC Co-Insurers in relation to the same Common Liability giving rise to such Scheme Claim having:

(1) been stayed or restrained by operation of law (other than by virtue of an agreement or arrangement between such Scheme Creditor and EAIC Co-Insurers or any of them); and/or

(2) resulted in such Scheme Creditor entering or obtaining a Default Judgment,

as against all such EAIC Co-Insurers.

13.10.3 Upon the expiration of the later of the two six-month periods referred to in Clause 13.10.2, a Scheme Creditor shall be entitled to institute or continue Proceedings against EAIC in relation to the Protected Scheme Claim in question, save that the Scheme Creditor shall not be entitled to institute or continue such Proceedings to establish the amount of its Protected Scheme Claim unless:

(a) the relevant Substantive Judgment or Final Settlement determined the quantum of the EAIC Co-Insurer's liability; or

(b) the relevant Substantive Judgment or Final Settlement determined EAIC Co-Insurer's liability and the Scheme Creditor can demonstrate, to EAIC's reasonable satisfaction, that the quantum of EAIC Co-Insurer's liability is not and will not be in dispute as between the Scheme Creditor and EAIC Co-Insurer.

13.10.4 Subject to Clause 13.10.8, no Scheme Creditor in relation to whose Protected Scheme Claim there is no Common Liability shall, without the prior agreement of EAIC (which agreement, to be binding, must be in writing and must refer to this Clause 13.10.4), institute or continue any Proceeding or other judicial, quasi-judicial, administrative or regulatory process whatsoever against EAIC to establish the existence or amount of such Protected Scheme Claim until the expiration of a period of six months after having given notice of the Protected Scheme Claim in the manner prescribed in Clause 13.10.1.

13.10.5 For the purposes of Clauses 13.10.2 and 13.10.3, notice shall take effect only upon delivery by the Scheme Creditor concerned to the Scheme Manager of:

(a) in the case of notice of an event under Clause 13.10.2(b), any of:

(i) a legible copy of the Substantive Judgment, certified by the issuing tribunal; or

(ii) a legible copy of the Substantive Judgment, certified as accurate by such Scheme Creditor; or

(iii) a legible copy of the transcript of the Substantive Judgment, either certified by the tribunal which issued the judgment or certified as accurate by such Scheme Creditor; or

(iv) a written certification from such Scheme Creditor's lawyer or attorney as to the fact of the Substantive Judgment and as to its precise terms, in a form reasonably satisfactory to EAIC and the FSCS;

(b) in the case of notice of an event under Clause 13.10.2(b)(ii), a copy of the Final Settlement, signed by or on behalf of all the parties thereto, certified as accurate by such Scheme Creditor, or, where no such document exists, such other documentary evidence as is available, certified as accurate by

such Scheme Creditor, of the Final Settlement and its terms, together with legible copies of any orders, judgments, decisions or awards made by a court or tribunal in proceedings between such Scheme Creditor and the relevant EAIC Co-Insurers relating to the claim in question; and

(c) in the case of notice of an event under Clause 13.10.2(b)(ii):

(i) (where applicable) a legible copy of the relevant order, judgment, decision or award, certified by the issuing tribunal; or

(ii) (where applicable) a legible copy of the relevant order, judgment, decision or award, certified as accurate by such Scheme Creditor; or

(iii) (where applicable) a legible copy of the transcript of the relevant order, judgment, decision or award, either certified by the issuing tribunal or certified as accurate by such Scheme Creditor; or

(iv) a written certification from such Scheme Creditor's lawyer or attorney as to the fact of the stay, restraint or Default Judgment in question and as to its precise terms, in a form reasonably satisfactory to EAIC.

The items set out in Clause 13.10.5(a)(i) to 13.10.5(a)(iv) above and Clauses 13.10.5(c)(i) to 13.10.5(c)(iv) above are in order of priority, so that the delivery to EAIC by the Scheme Creditor of one of these items will suffice for the purposes of this Clause 13.10.5 only if none of the preceding items is available.

13.10.6 Where a Substantive Judgment has been obtained as is referred to in Clause 13.10.2(b)(i) or a Final Settlement has been entered into as is referred to in Clause 13.10.2(b)(ii) and following receipt by EAIC of the documents referred to in Clauses 13.10.1 and 13.10.4, EAIC (in consultation with the FSCS) shall make all reasonable efforts to reach agreement as to such Scheme Creditor's Protected Scheme Claim on the basis of the Substantive Judgment or Final Settlement **provided that**, in so doing, EAIC (in consultation with the FSCS) shall take into account:

(a) the similarity of interests of EAIC and EAIC Co-Insurer(s) party to the Substantive Judgment or Final Settlement; and

(b) any material difference in the defences relied on by or claims made by EAIC Co-Insurer(s) in the relevant Proceeding and the defences or cross-claims which would or might be available to EAIC in relation to the Protected Scheme Claim.

13.10.7 If and to the extent that a Scheme Creditor obtains against EAIC in relation to a Protected Scheme Claim an order, judgment, decision or award of a court or tribunal in contravention of Clauses 13.10.1, 13.10.2 or 13.10.4, such order, judgment, decision or award shall not give rise to an Agreed Protected Claim

and shall be disregarded when determining the liability of the FSCS in respect of the Scheme Claim.

13.10.8 For the purposes of this Clause 13.10.8, EAIC shall not be deemed to be continuing any Proceeding which commenced prior to the Effective Date and in which EAIC is not actively prosecuting its claims.

(a) Subject to clause 5.3.3(l) of the Existing EAIC Scheme nothing in the Scheme shall preclude EAIC from either:

(i) commencing or continuing any Proceeding against a Scheme Creditor; or

(ii) seeking to be joined into any subsisting Proceeding between a Scheme Creditor and an EAIC Co-Insurer as an additional party thereto.

(b) Where EAIC commences, continues or is joined into any Proceeding against a Scheme Creditor as aforesaid, and without prejudice to the Scheme Creditor's rights of set-off under the Scheme and the Scheme Creditor's right to argue that the Proceeding in question has been commenced or is continuing in an inappropriate forum, nothing in the Scheme shall preclude the Scheme Creditor from asserting and prosecuting against EAIC in that Proceeding (whether by way of claim or counterclaim) a Protected Scheme Claim so long as:

(i) the Protected Scheme Claim arises out of the same transaction or occurrence that is the subject matter of EAIC's claim in that Proceeding; and

(ii) the Protected Scheme Claim does not require for its adjudication the presence of third parties over whom the court or tribunal in question cannot acquire jurisdiction.

13.11 **Enforcement against EAIC**

Where the FSCS is under an obligation under Clause 13.1 to pay a Protected Policyholder in respect of its Agreed Protected Claim the amount set out in Clause 13.1, that Protected Policyholder shall have no right of recourse against EAIC for payment of any sum (including, without limitation, the enforcement of any Proceedings brought against EAIC pursuant to Clause 13.10) in respect of that Agreed Protected Claim.

14. SCHEME ADMINISTRATORS OF EAIC

14.1 Functions and powers

14.1.1 The EAIC Scheme Administrators shall:

(a) supervise and manage the run-off of Protected Scheme Claims until the Completion Date or Notification Date;

(b) realise the assets of EAIC and apply them for the benefit of Scheme Creditors in accordance with the Scheme; and

(c) supervise the carrying out of the Scheme in accordance with its terms in relation to EAIC,

and for these purposes shall:

(d) have power in the name and on behalf of EAIC to manage the affairs, business and property of EAIC; and

(e) without prejudice to the generality of the foregoing, have the powers specified in clause 5.3.3 of the Existing EAIC Scheme.

15. COMPLETION AND RELEASE IN RELATION TO EAIC

15.1 Notice of impending completion

15.1.1 When it believes that the provisions of Clauses 2, 12 and 13.9 have been complied with by EAIC, the Scheme Manager or the EAIC Scheme Administrators, the Scheme Manager shall give notice to the EAIC Scheme Administrators to that effect. The EAIC Scheme Administrators, if they concur, shall, with the agreement of the EAIC Creditors' Committee determine the date on which the Scheme is to be declared complete and send written notice to all Scheme Creditors which were entitled to receive a Valuation Statement pursuant to Clause 2.7.1 or for a Provisional Valuation Statement pursuant to Clause 2.4 informing them of the proposed Completion Date at least 56 days before that date.

15.1.2 Any Scheme Creditor to which a notice pursuant to Clause 15.1.1 has been sent, and which believes that in relation to its Scheme Claims the provisions of Clauses 2 and 12 have not been complied with by EAIC, the Scheme Manager or the EAIC Scheme Administrators, may give notice in writing to that effect to the EAIC Scheme Administrators to be received by them prior to the proposed Completion Date. Where such a notice is received by the EAIC Scheme Administrators prior to the proposed Completion Date, the EAIC Scheme Administrators shall investigate the matter and, pending the completion of such investigation, the Scheme shall not be treated as completed for, and the terms of Clause 15.2 shall not apply to, that Scheme Creditor.

15.1.3 In respect of all other Scheme Creditors, the Scheme Administrator shall instruct the Scheme Manager, on the proposed Completion Date to issue a certificate of completion to EAIC certifying that the Scheme has been

implemented in accordance with its terms other than in respect of Protected Scheme Claims.

15.1.4 In relation to any Scheme Creditor from which notice has been received pursuant to Clause 15.1.2:

(a) the EAIC Scheme Administrators shall within 14 days send written notice to the Scheme Manager setting out the steps, if any, which they propose be taken in relation to the matter notified to them by the Scheme Creditor;

(b) as soon as reasonably practicable after the steps proposed by the EAIC Scheme Administrators pursuant to Clause 15.1.4(a) have been taken, or a notice is received from the EAIC Scheme Administrators indicating that no steps are to be taken, the Scheme Manager shall issue a certificate in the form referred to in Clause 15.1.3 in relation to the relevant Scheme Creditor, and the Scheme will thereupon be complete in relation to that Scheme Creditor and the provisions of Clause 15.2 shall then apply to it.

15.2 **Completion of the Scheme**

15.2.1 Upon the issue of a written certificate pursuant to Clause 15.1, in relation to the Scheme Creditors to whom it relates (except in relation to any Protected Scheme Claim) the Scheme shall be complete and save in relation to any fraud or dishonesty, and so far as the law permits, all obligations and Liabilities of the EAIC Released Parties in connection with or pursuant to the Scheme shall cease and be released absolutely. Any such obligation which has not been fulfilled in accordance with the Scheme or the Existing EAIC Scheme by the Completion Date shall nonetheless be deemed to have been correctly and fully performed, and no Scheme Creditor shall have any claim in respect of it or any loss arising from it.

15.2.2 Except in relation to Protected Scheme Claims, following the Completion Date, no Scheme Creditor shall be entitled to any claim on, recovery from, or interest in, any EAIC Security in respect of a Scheme Claim or otherwise to make any claim or receive payment in respect of a Scheme Claim.

15.2.3 The Scheme Manager shall display any certificate of completion on the Website from the date on which it was issued until the date 12 months after the issue of the last certificate of completion pursuant to Clause 15.1.

15.2.4 Notwithstanding the provisions of Clause 2.8.1(c):

(a) Scheme Creditors shall, if so required by the EAIC Scheme Administrators, following the Completion Date, execute and send to the EAIC Scheme Administrators a deed of release of the Liabilities of the EAIC Released Parties in respect of the Scheme (except for EAIC's Liabilities in respect of Protected Scheme Claims), and including, for the avoidance of doubt, the obligations of any guarantor of EAIC's Liabilities in relation to Scheme Claims (except for any guarantee relating to

Protected Scheme Claims), in a form reasonably satisfactory to the EAIC Scheme Administrators; and

(b) each Scheme Creditor hereby irrevocably and unconditionally authorises EAIC to execute such a deed on its behalf in the event that EAIC does not receive one within 21 days of requesting it pursuant to Clause 15.2.4(a).

15.2.5 The benefit of the right to call for a deed of release under Clause 15.2.4 and the benefit of the rights to enforce the provisions of Clause 15.2.2, insofar as they relate to claims or recoveries from guarantors, shall be held on trust by EAIC for the EAIC Released Parties in respect of Scheme Claims. These rights shall be enforceable by the beneficiaries of such trust as well as the trustee. The beneficiaries shall have sole and irrevocable power to replace the trustee.

15.2.6 The completion of the Scheme shall be without prejudice to:

(a) any right of an EAIC Released Party to an indemnity out of the assets of EAIC arising under the Scheme or the Existing EAIC Scheme; and

(b) all rights of the FSCS under or in connection with the Scheme;

(c) all rights of Excluded Creditors under the Existing EAIC Scheme;

and the provisions of this clause and Clause 13.6, Clauses 13.2.6, 13.7.4 and Clause 13.2.5(c) shall continue in full force and effect and the obligations of the FSCS to make payment under the Scheme in respect of Protected Scheme Claims shall continue.

15.2.7 In relation to any claim or potential claim against any of the EAIC Released Parties whether or not notified prior to the Completion Date under Clause 15.1.2, the EAIC Scheme Administrators will be entitled to set aside or place in trust, at such time and on such terms as they in their absolute discretion see fit, such sums out of the assets of EAIC by way of reserves as are deemed appropriate to meet any obligation that EAIC may at some future date have to pay. EAIC may, with the approval of the EAIC Creditors' Committee (such approval not to be unreasonably withheld or delayed) purchase and maintain for the benefit of the EAIC Released Parties insurance against any Liability, which they might incur notwithstanding the release in Clause 15.2.1 above or any Liability that they might incur in relation to fulfilling their obligations or functions under the Scheme howsoever arising, save in respect of any such EAIC Released Party's fraud or dishonesty. For the avoidance of doubt, any such obligation or Liability referred to in this clause shall include, without limitation, costs of defence.

15.2.8 Any Post-Completion Trust shall be established on such terms as the EAIC Scheme Administrators shall determine for the purposes of complying with Clause 15.2.7 including without limitation, terms providing for:

(a) the remuneration of the trustees;

(b) obligations concerning the distribution to Scheme Creditors of any surplus assets not required to meet any obligation of the trust;

(c) a procedure for the identification of and payment to Scheme Creditors of such surplus; and

(d) the ability to apply funds not claimed by Scheme Creditors to a registered charity.

15.2.9 Upon the completion of the Scheme in accordance with Clause 15.1.4(b) and 15.2.1, the EAIC Scheme Administrators shall, notwithstanding any provision of the Scheme to the contrary, be entitled to vacate their office with immediate effect and, for the avoidance of doubt shall, together with their Delegates and Employees, benefit from their release pursuant to Clause 15.2.1 notwithstanding such vacation.

15.3 **Termination Events**

15.3.1 Subject to clauses 7.2.4 of the Existing EAIC Scheme and Clause 15.3.2 (which shall survive such termination), the Scheme shall terminate if:

(a) all the liabilities of EAIC (including liabilities arising pursuant to clause 3.3.2 of the Existing EAIC Scheme have been discharged in full; or

(b) the EAIC Scheme Administrators, with the agreement of the EAIC Creditors' Committee, give notice in writing to EAIC at its registered office that, after due enquiry, they have concluded that the Scheme is no longer in the interests of the Scheme Creditors and that EAIC should be wound up (provided that, in reaching such conclusion, no account shall be taken of changes in currency exchange rates after the Record Date); or

(c) a resolution that the Scheme should be terminated and that EAIC be wound up is passed at a meeting of the Scheme Creditors; or

(d) certificates of completion are issued in accordance with Clause 15.1.

15.3.2 If the Scheme terminates the following provisions shall apply:

(a) termination of the Scheme shall be without prejudice to any right or obligation which shall have arisen under the Scheme as a result of any act or omission which took place prior to the termination of the Scheme including, without limitation:

(i) any right to an indemnity out of the assets of EAIC as a result of an act or omission which took place, or as a result of liabilities or expenses which were incurred, prior to the termination of the Scheme; and

(ii) any rights of the Policyholders Protection Board arising by reason of clauses 4.3.1, 4.3.2, 4.3.4 and 4.3.5 of the Existing EAIC Scheme

and the provisions of this clause and clauses 4.2.5A and 4.5.3 of the Existing EAIC Scheme together with the provisions of paragraph 8 of the Special Resolution (as defined in the Existing EAIC Scheme) shall continue in full force and effect and the obligations of the Policyholders Protection Board under the Scheme shall cease: and

(b) as soon as practicable following termination, the EAIC Scheme Administrators shall cause notices stating that the Scheme has terminated to be placed in such newspaper as the EAIC Scheme Administrators consider appropriate for one day a week for three consecutive weeks following such termination,

provided however that if the Scheme terminates pursuant to Clause 15.3.1(d) above, then this Clause 15.3.2 shall be read subject to the provisions of Clauses 15.1 and 15.2.

15.4 **Effect of winding up**

If EAIC is wound up in circumstances where the Scheme has terminated in accordance with Clause 15.3.1(b) or 15.3.1(c) t

) all its Liabilities that are given preference in its winding-up by virtue of the statute pursuant to which the winding-up is conducted;

(b) all Liabilities proved in its winding-up in respect of all claims against it (which shall include, without limitation, Scheme Costs) other than Scheme Claims; and

(c) Scheme Claims,

and to the extent that any such Liabilities are in excess of the amount of EAIC's assets, they shall be paid in the order set out in this Clause 15.4.1 and rateably within each category of Liabilities referred to in paragraphs (a), (b) a (c) above;

15.4.2 the entitlement to dividends in the winding-up of EAIC of each Scheme Creditor who has received a payment under the Scheme in respect of a Net Ascertained Claim shall be determined as follows:

(a) such Scheme Creditor shall be treated as having proved in the winding-up for the amount for which it actually proves in the winding-up increased by the Scheme Amount;

(b) such Scheme Creditor shall be treated as having received by way of dividend in the winding-up an amount equal to the Scheme Amount and shall not be entitled to any dividend in the winding-up unless and until all the Scheme Creditors proving in the winding-up have received an equivalent percentage dividend; and

(c) such Scheme Creditor shall be entitled to receive dividends in the winding-up of EAIC (calculated by reference to the amount for which it is treated as having proved as aforesaid) *pari passu* with all the Scheme Creditors of EAIC; and

15.4.3 accordingly:

(a) for the purposes of any duty which the FSCS may owe under sections 6 to 8 of the Policyholders Protection Act (as then in force) in respect of any Liability of EAIC towards a policyholder or other person arising out of a Scheme Claim, the amount of that Liability shall (subject to Clause 13.2.5(c)) be the amount for which that person shall be treated as having proved in the winding-up in respect of such Scheme Claim, calculated in accordance with Clause 15.4.2(a); and

(b) any amount treated as having been received by that person under Clause 15.4.2(b) shall, for the purposes of section 14 of the Policyholders Protection Act, be treated as a payment referable to such Liability towards that person and as reducing any sum payable by the FSCS under the Policyholders Protection Act by reference to such Liability.

15.5 **Vacation of Office following an Insolvency Event**

15.5.1 If, following an Insolvency Event in relation to EAIC, the EAIC Scheme Administrators reasonably consider, after consultation with the EAIC Creditors' Committee, that they cannot, by reason of the Insolvency Event, continue to fulfil their functions under the Scheme, the EAIC Scheme Administrators shall be entitled to vacate their office with immediate effect by written notice to the FSCS, the Scheme Manager and EAIC and, save in relation to any fraud or dishonesty and, so far as the law permits, all Liabilities and obligations under or in connection with the Scheme of the EAIC Released Parties (with the exception of EAIC) shall cease and be released absolutely with effect from such notice (the "**Notification Date**").

15.5.2 Following an Insolvency Event, where applicable, the provisions of Clauses 15.2.4, 15.2.5, 15.2.6, 15.2.7 and 15.2.8 shall apply as if the references to Completion Date therein were replaced by Notification Date as defined in Clause 15.5.1.

16. MODIFICATION OF THE SCHEME IN RELATION TO EAIC

16.1 **General**

Subject to Clause 16.2, EAIC 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 of the Court to sanction the Scheme in accordance with Part 26 of the Act.

16.2 **FSCS**

Any modification, term or condition as is referred to in Clause 16.1 which, in the opinion of the FSCS, would directly or indirectly adversely affect the interest of the FSCS in the Scheme shall not take effect unless approved in writing by the FSCS.

17. PROVISIONS RELATING TO ICS

17.1 Amendment of the Existing ICS Scheme

17.1.1 With effect from the Effective Date the Existing ICS Scheme shall be amended to incorporate and reflect the provisions of the Scheme. The provisions set out in this Clause 17 and Clauses 18 to 24 below apply only to ICS. To the extent that the provisions of Clauses 17 to 24 are inconsistent with other clauses of the Scheme or the Existing ICS Scheme, the provisions of Clauses 17 to 24 shall prevail.

17.1.2 Subject to Clauses 17.1.1 and 22, the Existing ICS Scheme shall continue in full force and effect.

17.2 The FSCS

The FSCS (as statutory successor to the Policyholders Protection Board) has consented to the Scheme in relation to ICS and has agreed to join in and be bound by the Scheme and to make payments in accordance with the Scheme (notwithstanding the termination of the Scheme or an Insolvency Event) to Scheme Creditors who are Protected Policyholders.

17.3 General Assets

The ICS Scheme Administrators shall be authorised to make a transfer of funds from the General Assets to the Creditors' Fund in an amount, if any, advised by the Scheme Manager, in connection with an agreement entered into by certain of the Scheme Companies regarding the settlement of reinsurance balances payable between them.

18. GENERAL PROVISIONS RELATING TO ICS

18.1 Set-Off

This Clause 18.1 shall apply to the preparation of Valuation Statements or Provisional Valuation Statements pursuant to Clause 2.7 or 2.4.

18.1.1 No Liability of ICS to a Scheme Creditor which has been assigned or otherwise transferred (including but not limited to a transfer pursuant to a reorganisation or reconstruction of companies) to a person after the Existing ICS Scheme Date or which has been so assigned or transferred prior to that date but after that person had notice of the ICS Winding-Up Petition may be included on a Valuation Statement or Provisional Valuation Statement prepared pursuant to Clause 2.7 or 2.4 so as to extinguish or reduce any Liability of that person to ICS and the relevant Net Ascertained Claim or Net Debt if any shall be calculated accordingly. Where necessary, more than one Provisional Valuation Statement or Valuation Statement may be prepared in order to comply with this Clause 18.1.1.

18.1.2 No Liability of a Scheme Creditor to ICS which arises out of an obligation incurred by such Scheme Creditor after the Existing ICS Scheme Date may be included on a Valuation Statement or Provisional Valuation Statement prepared pursuant to Clause 2.7 or 2.4 so as to extinguish or reduce any Scheme Claim

which such Scheme Creditor has against ICS. Where necessary, more than one Provisional Valuation Statement or Valuation Statement may be prepared in order to comply with this Clause 18.1.2.

18.1.3 The rights of set-off or cross-claim permitted or provided for under the Scheme shall be the only rights of set-off or cross-claim permitted between Scheme Creditors and ICS.

19. PAYMENTS BY ICS TO GENERAL CREDITORS AND E&A POOL CREDITORS

19.1 Cessation of Payments

The Scheme Manager shall cease making payments to General Creditors and E&A Pool Creditors under the Existing ICS Scheme forthwith upon the Scheme becoming effective.

19.2 Creditors' Fund

19.2.1 As soon as reasonably practicable after the Bar Date, the Scheme Manager shall report to the ICS Scheme Administrators on the maximum possible aggregate value of the Agreed Claims of General Creditors and E&A Pool Creditors which would appear on the Valuation Statements or Provisional Valuation Statements which would be issued to them based on the Claim Forms submitted by them including any Admitted Claims determined under the Existing ICS Scheme which have not been paid. The Scheme Manager shall provide further reports to the ICS Scheme Administrators on such maximum possible aggregate value from time to time at their request.

19.2.2 In the event that the maximum possible aggregate value of the Agreed Claims referred to in Clause 19.2.1 is not greater than the value for the time being of the Creditors' Fund;

(i) The ICS Scheme Administrators shall from time to time put the Scheme Manager in funds, to be paid into the Operating Fund established under the Existing ICS Scheme, so as to enable it to make payments to General Creditors and E&A Pool Creditors in accordance with Clause 19.2.2(ii); and

(ii) Subject to Clause 19.3 becoming applicable, as soon as reasonably practicable but, in any event, within 90 days following a General Creditor's or E&A Pool Creditor's Valuation Statement or Provisional Valuation Statement becoming final and binding pursuant to Clause 2.7 or 2.4, the Scheme Manager shall pay to that Scheme Creditor from the Operating Fund the Net Ascertained Claim, if any, shown on the Valuation Statement or Provisional Valuation Statement less any amounts deemed to have been received by the Scheme Creditor concerned pursuant to Clause 4.1.4 and any amount payable by the Scheme Creditor concerned pursuant to Clause 2.5.10 which has not been paid and any amount of ICS Security determined in accordance with Clause 4.3.7.

19.2.3 In the event that funds remain in the Creditors' Fund after all payments falling to be made under the Scheme to General Creditors and E&A Pool Creditors pursuant to Clause 19.2.2 have been made or deemed to have been made, the ICS Scheme Administrators shall transfer the balance of the Creditors' Fund to the General Assets.

19.2.4 The references in clause 27 of the Existing ICS Scheme to "Admitted Claims" shall be read as references to "Net Ascertained Claims".

19.2.5 In the event that the maximum possible aggregate value of the Admitted Claims referred to in Clause 19.2.1 is greater than the value for the time being of the Creditors' Fund, then Clause 19.3 shall apply.

19.3 **ICS Payment Percentage**

19.3.1 If the maximum possible aggregate value of the Agreed Claims reported by the Scheme Manager to the ICS Scheme Administrators pursuant to Clause 19.2.1 is greater than the value for the time being of the Creditors' Fund, the ICS Scheme Administrators shall set an ICS Payment Percentage. Unless the ICS Scheme Administrators have received a subsequent report from the Scheme Manager indicating that the maximum possible aggregate value of Agreed Claims is less than the Creditors' Fund, they shall set an ICS Payment Percentage after receipt of the first such report from the Scheme Manager, having regard to the possibility, as it reasonably appears to them from time to time, that it may not be necessary to set an ICS Payment Percentage.

19.3.2 In the event that the Scheme Manager commences making payments pursuant to Clause 19.2.2 but it subsequently appears to the ICS Scheme Administrators that the remaining payments to be made to General Creditors and E&A Pool Creditors and to the General Fund will or may exceed the funds remaining in the Creditors' Fund, then the ICS Scheme Administrators shall suspend further payments forthwith and shall set an ICS Payment Percentage.

19.3.3 An ICS Payment Percentage shall be set by the ICS Scheme Administrators after consultation with the ICS Creditors' Committee. An ICS Payment Percentage shall be set at a level which, having regard to the value of the Creditors' Fund, the maximum possible value of Agreed Claims referred to in 19.2.1 they reasonably consider can be paid to each General Creditor and E&A Pool Creditor when their respective Net Ascertained Claims become binding on them and ICS in accordance with Clause 2.4, Clause 2.7.4 or Clause 2.7.5.

19.3.4 The ICS Scheme Administrators shall review the ICS Payment Percentage on receipt of further reports provided pursuant to Clause 19.2.1 as to the maximum possible value of Agreed Claims from the Scheme Manager, and if they think it appropriate, shall amend the ICS Payment Percentage.

19.3.5 The ICS Payment Percentage shall not exceed 100 per cent. In the event that the ICS Payment Percentage has been set at 100 per cent and all payments to be made under the Scheme to General Creditors and E&A Pool Creditors have

been made or deemed to have been made, the ICS Scheme Administrators shall transfer any balance of the Creditors' Fund which remains to the General Fund.

19.4 **Payments at the ICS Payment Percentage**

19.4.1 Subject to this Clause 19.4 as soon as reasonably practicable after the later of an ICS Payment Percentage being set and a General Creditor's or E&A Pool Creditor's Valuation Statement becoming final and binding, the Scheme Manager shall pay to that Scheme Creditor the ICS Payment Percentage of the Scheme Creditor's Net Ascertained Claim, if any, less any amounts deemed to have been received by the Scheme Creditor concerned pursuant to Clause 4.1.4 and any amount payable by the Scheme Creditor concerned pursuant to Clause 2.5.10 which has not been paid and any amount of ICS Security determined in accordance with Clause 4.3.7 and any payments made pursuant to Clause 19.2.2(ii).

19.4.2 In the event that the ICS Payment Percentage is increased, the Scheme Manager shall pay to each Scheme Creditor who has previously received payment pursuant to Clause 19.4.1 an amount equal to the increase in the ICS Payment Percentage applied to that Scheme Creditor's Net Ascertained Claim, subject to the deduction of any adjustments in respect of Clauses 2.5.10, 4.1.4 or 4.3.7 which have not been made from previous payments to that Scheme Creditor.

19.4.3 In the event that an ICS Payment Percentage is set, the ICS Scheme Administrators shall put the Scheme Manager in funds, to be paid into the Operating Fund established under the Existing ICS Scheme, to enable the Scheme Manager to make payments pursuant to Clauses 19.4.1 and 19.4.2.

19.4.4 Where more than one Valuation Statement has been issued to a Scheme Creditor pursuant to Clause 18.1 and the final balance on one or more of those Valuation Statements represents a Net Debt, any amounts otherwise payable to that Scheme Creditor by way of the ICS Payment Percentage in respect of a final balance on a Valuation Statement which is a Net Ascertained Claim shall be applied against any Net Debt due from that Scheme Creditor and only the balance, if any of the ICS Payment Percentage payable to the Scheme Creditor shall actually be paid to the Scheme Creditor.

THESE PROVISIONS RELATE TO ICS ONLY

20. PAYMENTS BY ICS TO E&A POOL PARTICIPANTS

20.1 As soon as reasonably practicable after all payments falling to be made under the Scheme to General Creditors and E&A Pool Creditors have been made, the ICS Scheme Administrators shall calculate and pay the Final Entitlements of the E&A Pool Participants. After the Valuation Statements of all of the E&A Pool Participants have become final and binding pursuant to Clause 2.7, the ICS Scheme Administrators may, in their absolute discretion, make payments on account to E&A Pool Participants of their Final Entitlements.

20.2 In the event that the Available General Assets are less than the aggregate of any payments made by E&A Pool Participants to ICS pursuant to clause 9 of the Existing ICS Scheme, the Available General Assets shall be paid to E&A Pool Participants in proportion to the respective aggregate of such payments previously made by each of the E&A Pool Participants to ICS and there shall be no Final Entitlements.

20.3 In the event that the Available General Assets are greater than the aggregate of any payments made by E&A Pool Participants to ICS pursuant to clause 9 of the Existing ICS Scheme, each E&A Pool Participant shall be repaid such amounts as were paid by them thereunder in priority to payments in relation to E&A Pool Participants' Final Entitlements.

20.4 An E&A Pool Participant's Final Entitlement shall be calculated by:

20.4.1 applying an E&A Pool Participant's Final Agreed Percentage to the sum of the Available General Assets (after deducting the amount of any payments pursuant to Clause 20.3) a

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20.4.3 where applicable, applying the adjustments described in Clause 20.5.4.

20.5 The Final Agreed Percentage of each E&A Pool Participant shall be calculated as the percentage that the amount described in Clause 20.5.1 constitutes of the amount described in Clause 20.5.2, provided that the amount described in Clause 20.5.1 shall be disregarded for the purposes of Clause 20.5.2 in the case of an E&A Pool Participant whose final Valuation Statement shows a Net Debt and such an E&A Pool Participant shall not have a Final Agreed Percentage.

20.5.1 The first amount in relation to each E&A Pool Participant for the purposes of this Clause 20.5 shall be the Net Ascertained Claim on the relevant E&A Pool Participant's Valuation Statement.

20.5.2 The second amount for the purposes of Clause 20.5 shall be the aggregate of the amounts calculated pursuant to Clause 20.5.1.

20.5.3 The total of an E&A Pool Participant's Agreed Claims shall include the aggregate value of all Admitted Claims agreed pursuant to the Existing ICS Scheme, but shall not include any interest.

20.5.4 In the event that the Final Entitlements of one or more E&A Pool Participants are less than zero, the aggregate amount of such Final Entitlements shall be deducted from the Final Entitlements which are greater than zero in proportion to the value of the Final Entitlements which are greater than zero.

21. PAYMENTS TO SCHEME CREDITORS OF ICS

21.1 Payments made by the Scheme Manager and the ICS Scheme Administrators

21.1.1 Payments made by the Scheme Manager pursuant to Clauses 19.2.2(ii) and 19.4.1, and payments made by the FSCS pursuant to Clause 23.1 where applicable, shall be made by cheque in favour of the Scheme Creditor or of such other person as he may direct by notice in writing given to the Scheme Manager, or the FSCS where applicable, and shall be sent by Post at the risk of the Scheme Creditor to the last known address of the Scheme Creditor or to any other address of which the Scheme Manager, or the FSCS where applicable, may receive notice in writing from the Scheme Creditor. The Scheme Creditor shall bear the costs of clearing such cheques. Payments made by the ICS Scheme Administrators pursuant to Clause 20.1 shall be made in the manner agreed with the payee.

21.1.2 The sending by Post of a cheque pursuant to Clause 21.1.1 shall be deemed to be good discharge of the obligation to make the payment in respect of which the cheque was drawn and shall be constitute conclusive evidence that the relevant Scheme Creditor has received such cheque.

21.1.3 Without prejudice to Clause 21.1.1, 23.7.3 or 23.7.4, and subject to Clause 23.7.2, payment by the FSCS in respect of an Agreed Protected Claim:

(a) to a Scheme Creditor who is a Protected Policyholder; or

(b) where two or more persons comprise a Scheme Creditor who is a Protected Policyholder to any one such person; or

(c) to any person who is authorised to act on behalf of the Scheme Creditor who is a Protected Policyholder (whether actually or ostensibily); or

(d) otherwise pursuant to Clause 21.1.1,

shall, for all purposes, constitute a valid and full discharge of the FSCS, in respect of such Agreed Protected Claim. For the foregoing purposes, payment of any cheque by the bank on which it is drawn shall be satisfaction of the obligation to pay the amount in which it was drawn, and receipt by the receiving bank of the amount of such telegraphic transfer as referred to in Clause 12.4.2(b) shall be satisfaction of the obligation to pay the amount transferred.

21.2 Obligation to pay Scheme Creditors

A Scheme Creditor of ICS shall have no entitlement to receive payment from ICS in respect of Scheme Claims except for its entitlement to receive payments pursuant to the Scheme in respect of its Net Ascertained Claim or Agreed Percentage or Final Entitlement, as the case may be, if any. Except in relation to Agreed Protected Claims

and Protected Scheme Claims, such entitlement as a Scheme Creditor may have to receive payment pursuant to the Scheme shall, if not already satisfied, be extinguished on the termination of the Scheme pursuant to Clause 24.

22. PROVISIONS OF EXISTING ICS SCHEME REVOKED OR AMENDED

22.1.1 The following provisions of this Clause 22 shall have effect from the Effective Date.

22.1.2 Clause 4 of the Existing ICS Scheme shall cease to have effect, except for clause 4.2, excluding clause 4.2.1, which shall be read as if the reference to clause 4.1 were a reference to Clause 4.1.1 of the Scheme.

22.1.3 The references in clause 5.4 of the Existing ICS Scheme shall be read as a reference to Clause 20.5 of the Scheme.

22.1.4 Clauses 6 and 7 of the Existing ICS Scheme shall cease to have effect.

22.1.5 Clauses 12.2, 12.4 and 12.5 of the Existing ICS Scheme shall cease to have effect.

22.1.6 Clauses 13, 14, 17, 18, 20, 21, 22, 23, 24, 25 and 26 of the Existing ICS Scheme shall cease to have effect.

22.1.7 Clauses 35, 36 and 37 of the Existing ICS Scheme shall cease to have effect, save in relation to any matter which has been referred to a Scheme Adjudicator (as that term is defined in the Existing ICS Scheme) prior to the Effective Date, in which case they will remain in effect in respect of that matter.

22.1.8 Clauses 48, 49 and 50.4 of the Existing ICS Scheme shall cease to have effect.

23. PROVISIONS RELATING TO THE FSCS

23.1 Payments by the FSCS

In consideration of the payments to be made by ICS to the FSCS as provided for in Clause 23.9 and subject to the following provisions of this Clause 23, which shall survive the termination of the Scheme, and Clause 18.1.3, the FSCS has agreed to undertake to be bound by the Scheme and, accordingly, shall pay to each Protected Policyholder in respect of each Agreed Protected Claim owed to him an amount equal to the Protected Percentage of that Agreed Protected Claim, less the aggregate of:

(a) the amount of any Admissible Interest paid or payable at that time pursuant to Clause 4.2, save to the extent that any Admissible Interest arises under the terms of the relevant policy; and

(b) the amount of any payment or payments previously made by the FSCS in respect of that Agreed Protected Claim; and

(c) any payments made or treated as having been paid by ICS pursuant to the Scheme in respect of that Agreed Protected Claim at the time when the FSCS makes its payment.

THESE PROVISIONS RELATE TO ICS ONLY

23.1.1 Payment under Clause 23.1 in respect of an Agreed Protected Claim shall be made as soon as reasonably practicable following whichever is the later of:

(a) the date on which one of the ICS Scheme Administrators or the Scheme Manager or ICS notifies the FSCS that a Protected Scheme Claim has become an Agreed Protected Claim and that all available ICS Security and amounts owing by the relevant Scheme Creditor have been taken into account in calculating the amount payable in respect of the Agreed Protected Claim;

(b) the date on which the FSCS agrees or it is otherwise determined (so as to bind the FSCS) that such claim is an Agreed Protected Claim including, where ICS is a co-insurer under the policy giving rise to the Protected Scheme Claim, circumstances where the lead co-insurer has in the ordinary course of business properly entered into a Final Settlement of the Protected Scheme Claim and there are in the opinion of the FSCS no circumstances which could result in ICS or the FSCS forming a different view on the merits and/or liability and/or quantum of the Agreed Protected Claim;

(c) in any case where it appears to the FSCS that the funds available to it fall short of what it requires to make the payment in question and to meet its responsibilities under or pursuant to the Policyholders Protection Act (as in force at any time) or otherwise, the date on which it appears to the FSCS that its funds are adequate for those purposes; and

(d) the date on which any condition imposed by Clause 23.3.3 is satisfied.

23.1.2 The provisions of this Clause 23.1 shall, as amended, survive the termination of the Scheme pursuant to Clause 24 or an Insolvency Event.

23.1.3 Where a Protected Policyholder has received payment from ICS pursuant to Clause 19 in respect of a Protected Scheme Claim such payment will be treated as a payment on account of the obligations of the FSCS to that Scheme Creditor in respect of any such Protected Scheme Claim which subsequently becomes an Agreed Protected Claim.

23.1.4 Each Scheme Creditor (except for the FSCS in its capacity as such) agrees that in respect of any Agreed Protected Claim including those referred to in Clauses 23.1.1 and 23.1.3 above, the Scheme Creditor shall have no right to payment from ICS or its assets which are the subject of the Scheme whatsoever whether under the Scheme or in any insolvency proceeding and consents (to the extent such consent is necessary) to the treatment of such claim in accordance with this Clause 23.1.4.

23.1.5 Notwithstanding any other provision of the Scheme and without prejudice to Clause 23.6, no Scheme Creditor shall have any right to payment in respect of a Protected Scheme Claim against the FSCS under the Scheme or any other applicable law or rules, whether before or after the termination of the Scheme

pursuant to Clause 24 and notwithstanding an Insolvency Event, otherwise than in respect of an Agreed Protected Claim and then only in accordance with and subject to the provisions of the Scheme. Nothing in the Scheme shall prevent a Protected Policyholder from claiming an entitlement from the FSCS and being paid a Protected Percentage in respect of an Agreed Protected Claim, subject to the provisions of the Scheme notwithstanding that such Protected Policyholder is not entitled to receive an ICS Payment Percentage or any other amount referred to in Clause 19 from ICS in respect of that Agreed Protected Claim by virtue of this Clause.

23.1.6 The FSCS shall have no obligation to make any payments to a Protected Policyholder otherwise than on the basis of, and in accordance with and to the extent of, its duties and obligations under the Policyholders Protection Act and/or article 10 of the Transitional Order and the FSCS Rules applicable thereto as they may apply to any Protected Scheme Claim. The FSCS shall not, for the purposes of assessing eligibility under the Scheme or whether a Protected Scheme Claim is an Agreed Protected Claim, be bound by any information provided by a Scheme Creditor in relation to the estimation of that claim or any decision of or estimation by an ICS Co-Insurer in respect of a Scheme Claim and the Scheme Creditor accepts that estimates of Protected Scheme Claims are not eligible for protection by the FSCS unless and until any such claim has become an Agreed Protected Claim. Scheme Creditors further accept that any estimate of a claim in respect of a Protected Scheme Claim shall not and does not constitute a Liability of ICS under a policy which is due for payment.

23.1.7 Until the termination of the Scheme pursuant to Clause 24.2 ICS, the ICS Scheme Administrators, the Scheme Manager and any other agent engaged to administer Protected Scheme Claims shall at no cost to the FSCS continue to comply with their claims-handling responsibilities, duties and obligations (including those in respect of claim-related recoveries) (and ICS shall continue to employ the Scheme Manager and any other relevant agent and shall procure such other agents' compliance with this Clause 23.1.7) insofar as is necessary for establishing and facilitating payment of Agreed Protected Claims.

23.1.8 The FSCS shall, from the termination of the Scheme pursuant to Clause 24, put in place such arrangements as it sees fit for the purpose of handling and agreeing (as may be required) Protected Scheme Claims. Such arrangements referred to in this Clause 23.1.8 may include the appointment of the Scheme Manager or such other person as the FSCS may consider appropriate to carry out the role hitherto performed by the Scheme Manager in relation to Protected Scheme Claims and Agreed Protected Claims and in that event, with effect from such termination of the Scheme, references in this Clause 23.1.8 to the Scheme Manager shall be construed as referring to the person to be appointed by the FSCS. The FSCS shall be solely responsible for the remuneration of any person so appointed.

23.1.9 Subject to Clause 23.1.7, ICS shall use all reasonable endeavours to procure that the Scheme Manager and any other agent which is or may be concerned with administering Protected Scheme Claims will offer to the FSCS such services as it shall reasonably require after the termination of the Scheme pursuant to Clause 24 in order to enable it to perform its obligations under the Scheme on terms as to payment no less favourable than those obtained by ICS under the Scheme.

23.1.10 In consideration of the FSCS agreeing to make payments in accordance with Clause 23.1, ICS hereby:

(a) irrevocably transfers to the FSCS (and each Protected Policyholder irrevocably consents to such transfer) with effect from the termination of the Scheme pursuant to Clause 24, the full, exclusive and absolute authority discretion and control with respect to the administration and conduct of Protected Scheme Claims (including but not limited to the defence, settlement and payment thereof and the appointment of claims handling agents) but so that the FSCS shall have sole responsibility for all costs incurred by it or any agent appointed by it in such administration and conduct; and

(b) irrevocably assigns to the FSCS the benefit of all of ICS's claims handling rights under or in connection with the policy under which the Protected Scheme Claim arises.

23.1.11 The FSCS shall not assume or have any liability whatsoever of ICS under any Insurance Contract to pay a Protected Policyholder in respect of a Scheme Claim against ICS by reason of the transfer of rights and powers hereunder.

23.2 **Limitations on the FSCS's obligations**

23.2.1 Any obligation of the FSCS to a Protected Policyholder under the Scheme (whether before or after the termination of the Scheme pursuant to Clause 24 notwithstanding an Insolvency Event) in respect of an Agreed Protected Claim shall be subject to the same conditions, limitations, qualifications and other provisions (*mutatis mutandis*) contained or referred to in, or capable of being imposed under, sections 9, 13(1) to (3) and 14 of the Policyholders Protection Act (a (3) in its application to the Scheme the FSCS shall be entitled to have regard both to its obligations under the Scheme and to its responsibilities otherwise than under the Scheme) as the duty which the FSCS would have had under sections 6 to 8 of the Policyholders Protection Act to secure the making of a payment to any policyholder or any other person in respect of that Agreed Protected Claim if ICS were a company in liquidation (as defined in the Policyholders Protection Act) and, in the case of a Scheme Claim made in connection with article 10 of the Transitional Order and associated FSCS Rules.

23.2.2 Any obligation of the FSCS to make a payment under Clause 23.1 in respect of an Agreed Protected Claim shall unless the FSCS otherwise consents in any case, be conditional on the Protected Policyholder being entitled and able to

assign to the FSCS all the rights and claims set out in Clause 23.3.1, subject to the proviso in Clause 23.3.5, as originally arising and free from any lien, charge, prior assignment, equity, encumbrance or other third party right.

23.2.3 Any sum payable in respect of any Agreed Protected Claim by the FSCS under Clause 23.1 which is a Non-Sterling Amount shall not exceed its Capped Sterling Equivalent. For the purpose of this Clause 23.2.3, if the Euro replaces Pounds Sterling as the lawful currency of the United Kingdom for the time being, the preceding provisions of this clause shall thereafter have effect as if references to Pounds Sterling were references to the Euro and Capped Sterling Equivalent, Non-Sterling Amount and Specified Exchange Rate shall be construed accordingly.

23.2.4 Subject to Clause 23.2.4(a), the FSCS shall not have any greater obligation under the Scheme (whether or not an Insolvency Event occurs) in respect of any Scheme Creditor or Liability of ICS than it would have had (and neither Scheme Creditors nor ICS shall have any different or greater relief or remedy against the FSCS than they or it would have had) if ICS had been a company in liquidation (as defined in the Policyholders Protection Act), the beginning of the liquidation (as so defined) had been on the Record Date and the payment to be made by the FSCS in respect of each Agreed Protected Claim had (after taking into account any applicable set-off or rights under an ICS Security) been reduced by the amounts referred to in Clause 23.1 and no right of, or condition imposed by, the FSCS under the Scheme in relation to any Scheme Creditor shall be limited or restricted by virtue of any obligation of the FSCS to that Scheme Creditor under the Scheme being less than the obligation which the FSCS would have had to it if ICS had been a company in liquidation (as so defined).

(a) For the purpose of this Clause 23.2.4 it shall be assumed that:

(i) the currency of payment by the FSCS in respect of any Liability (and where that currency is not Pounds Sterling, its rate of exchange) would be the same on a liquidation of ICS beginning on 19 October 2001 as under the Scheme (including for these purposes the exchange rate limit set out in Clause 23.2.3); and

(ii) the amount of any liability of ICS in liquidation would be as established in the case of an Agreed Protected Claim in accordance with the Scheme.

23.2.5 For the avoidance of doubt the FSCS:

(a) shall not be liable in respect of any interest payable in relation to a Scheme Claim to the extent that it is payable in respect of any period after 19 October 2001;

(b) without prejudice to Clause 23.2.1 and 23.2.4, shall not have:

(i) any greater obligation under the Scheme by virtue of any amount of any ICS Security (or any other amount failing to be taken into account under Clause 2.7.1 being taken into account in the calculation of any Agreed Protected Claim) than it would have had if that amount (as well as the amounts referred to in Clause 23.1) had been treated under Section 14(1) of the Policyholders Protection Act as reducing any sum which would have been payable by it in respect of the Liability concerned if ICS had been a "company in liquidation" (as defined in the Policyholders Protection Act) and the "beginning of the liquidation" (as so defined) had been on the Record Date (but making the assumption in Clause 23.2.4(a)(ii);

(ii) any obligation under the Scheme towards any person who has paid or is liable to pay any such amount as is described in Clause 23.2.5(a)(i);

(iii) any greater obligation under the Scheme by virtue of any such amount as is described in Clause 23.2.5(a)(i) not being taken into account in the calculation of any Agreed Protected Claim than it would have had if that amount had been so taken into account,

and any amount which the FSCS would otherwise be obliged to pay under Clause 23.1.1 shall be reduced accordingly; **provided that** the FSCS may in any case falling within Clause 23.2.5(a)(i) or 23.2.5(a)(iii) above elect at its discretion to pay the whole or any part of any such reduction. Any such payment by it shall be without prejudice to its rights under any other provision of this Scheme, including in particular Clauses 23.2.6 and 23.2.7 and 23.3.1 (a .3.1 any such payment shall be treated as a payment pursuant to Clause 23.1) and may be made subject to such terms and conditions as the FSCS thinks fit; and

(c) if ICS is subject to an Insolvency Event the FSCS shall not have any obligation in respect of any policyholder or Liability of ICS which it would not have had, or greater than it would have had, if the Insolvency Event had occurred on the Record Date; and if by virtue of ICS being subject to an Insolvency Event after 19 October 2001 the FSCS would, or would but for this Clause, be required to pay any amount to or on behalf of a policyholder in respect of a Liability of ICS which it would not or could not have been required to pay if the Insolvency Event had occurred on that date, then the Liability shall for all purposes be treated as not being a Liability under the terms of a policy, but as being a Liability only under the Scheme (and admissible for proof in the liquidation as such).

23.2.6 Without prejudice to Clauses 23.1, 23.2.3 and 23.2.5:

(a) if when calculating the amount payable to a Scheme Creditor in respect of any Agreed Protected Claim, any such amount as is described in Clause 23.2.5(b)(i) is not taken into account; and

(b) ICS, prior to the termination of the Scheme, or the relevant Scheme Creditor receives or becomes entitled to receive any sum in respect of or referable to that Agreed Protected Claim (whether or not such sum forms part of a greater amount the balance of which is not referable to that Agreed Protected Claim) from such source as is described in Clause 23.2.5(b)(i),

ICS or the relevant Scheme Creditor (as the case may be) shall, subject to the discharge therefrom of any valid and enforceable prior ranking encumbrances, equities or interests, as soon as reasonably practicable after receipt, pay the sum to the FSCS; and pending such payment shall hold that sum and interest thereon (or, as the case may be, its entitlement to receive the same) on trust absolutely for the FSCS.

23.2.7 The FSCS shall not have an obligation to make a payment in respect of an Agreed Protected Claim if it appears to the FSCS that such a payment would result in a benefit being conferred on either:

(a) any person who was a member of ICS at the ICS Petition Date; or

(b) any person who had any responsibility for or who may have profited from the circumstances giving rise to the financial difficulties of ICS;

provided that there shall be disregarded for the purposes of Clause 23.2.7(a) and 23.2.7(b) above any benefit which might accrue to such persons therein mentioned who are policyholders of ICS in their capacity as such. For the avoidance of doubt:

(a) references in Clauses 23.2.5 and 23.2.6 to any amount which falls to be taken into account in the calculation of any Agreed Protected Claim include references to any such amount whether paid or payable; and

(b) nothing in the Scheme shall require the FSCS to make any payment to a Protected Policyholder if he does not wish to claim it.

23.3 **Assignments to the FSCS**

23.3.1 Immediately upon any payment being made by the FSCS to a Protected Policyholder pursuant to Clause 23.1 in respect of an Agreed Protected Claim, there shall automatically be assigned to the FSCS absolutely, without any further act or document:

(a) all rights of the Protected Policyholder in respect of that Agreed Protected Claim (including in respect of the debt or claim constituted by or arising out of or relating to that Agreed Protected Claim) under or in respect of the policy relating to that Agreed Protected Claim and the Scheme;

(b) any rights and claims such Protected Policyholder may have in respect of payments made by him by way of premiums under the policy relating to that Agreed Protected Claim; and

(c) without prejudice to and subject to Clause 23.2.5(a), any rights and claims such Protected Policyholder may have against any other persons in respect of any event giving rise to that Agreed Protected Claim (other than another insurer which has insured the Protected Policyholder in respect of the same event but without prejudice to the application of this Clause 23.3.1 in relation to any Agreed Protected Claim to which the event has also given rise) or by reference to or in connection with the policy relating to that Agreed Protected Claim whether, in any such case, those rights or claims arise under or in respect of the policy relating to that Agreed Protected Claim, under or in respect of the Scheme, by virtue of any trust or legislation (primary or subordinate) or otherwise howsoever, and whatever the nature of those rights or claims. If, before making payment pursuant to Clause 23.1, in any particular case the FSCS in its absolute discretion determines that the terms of the assignment of rights and claims which would otherwise apply under this Clause 23.3.1(c) should be varied in that case, subject to the consent of the Protected Policyholder concerned to the variation, this Clause 23.3.1(c) shall have effect as if those terms of assignment as so varied applied in that case. If any question arises as to the identification of any Agreed Protected Claim, and accordingly as to whether that Liability is or is not the subject of an assignment to the FSCS under this Clause 23.3.1, a certificate from the FSCS that it has made a payment in respect of that Liability shall be binding and conclusive on all persons for all purposes. Without prejudice to the provisions of Clause 23.3.4, the FSCS shall provide to ICS such information relating to the date and amount of payments it makes to Protected Policyholders in respect of Agreed Protected Claims and relating to the form of any variation of the assignment of rights and claims provided for by this Clause 23.3.1 as ICS may from time to time reasonably request.

23.3.2 Without prejudice to Clause 23.3.1, a Protected Policyholder to whom a payment is made pursuant to Clause 23.1 shall do such acts and things and execute such deeds and documents, and in particular such forms of assignment, transfer or assurance, as the FSCS may from time to time request to vest in it fully and effectively all rights and claims of that Protected Policyholder against ICS or other persons under or in respect of the Agreed Protected Claim to which such payment relates, or to perfect or evidence the vesting in it of the same. Each Protected Policyholder hereby irrevocably and unconditionally appoints the Chairman from time to time of the FSCS to be his attorney and agent and on his behalf and in his name or otherwise to do such acts and things and execute such deeds and documents as may be required to give effect to this Clause 23.3.2, if such Protected Policyholder fails to comply promptly with his obligations hereunder. Without prejudice to Clause 23.3.1, if and to the extent that any interest in any such right or claim of a Protected Policyholder as falls to be assigned to the FSCS under that Clause upon any payment being made does not for any reason immediately vest fully and effectively in the FSCS, the same shall be held by the Protected Policyholder on trust absolutely for the FSCS

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until it does so vest (whether pursuant to that clause or the preceding provisions of this clause or otherwise).

23.3.3 Without prejudice to Clauses 23.2.1 and 23.3.1, any obligation of the FSCS to make a payment to a Protected Policyholder under Clause 23.1 in respect of an Agreed Protected Claim shall, if the FSCS so elects, be conditional on there first being assigned to it, in such form as it may request, all such rights and claims as are mentioned in Clauses 23.3.1(a) to 23.3.1(c) (but as if the references there to Protected Policyholder or to Agreed Protected Claim were references to the Protected Policyholder or Agreed Protected Claim in respect of whom or which the election is made) or such of those rights and claims as the FSCS may determine.

23.3.4 Clause 23.3.1 shall be deemed to constitute for all purposes express notice in writing to ICS of all assignments effected pursuant to its provisions and relating to Liabilities of ICS.

23.3.5 For the avoidance of doubt (and without prejudice to Clause 2.7.1(i)), rights and claims to which Clause 23.3.1 applies include all rights and claims which a Protected Policyholder may have in respect of an Agreed Protected Claim to any payment out of, interest in, or recourse to or otherwise by virtue of, any such ICS Security as is referred to in Clause 23.2.5(a) or in respect of any other amount falling to be taken into account under Clause 2.7.1, **provided that** if a Protected Policyholder has any right under an ICS Security or in respect of any other amount falling to be taken into account under Clause 2.7.1(iv), then such right shall not be assigned to the FSCS to the extent that its being taken into account in calculating the FSCS's payment in respect of an Agreed Protected Claim under the Scheme results in a reduction in the amount which would otherwise have been payable by the FSCS in respect of that Agreed Protected Claim under the Scheme (except that if and to the extent that it is determined in any Proceeding (or the effect of a determination in any Proceeding is) that this proviso causes, or would but for this exception cause, the assignment of such right or any other right to be invalid or unenforceable, the proviso shall not have effect).

23.4 **Information to be provided to the FSCS**

23.4.1 Without prejudice to sections 219 and 221 of FSMA, ICS (until it is dissolved) and the ICS Scheme Administrators (until they cease to hold office as such) shall promptly provide the FSCS with all such information in their respective possession or under their respective control or the control of the Scheme Manager or their other respective agents as the FSCS may from time to time request in order to establish whether (or the extent to which) any Scheme Claim is, or may become, an Agreed Protected Claim or whether (or the extent to which) a Scheme Creditor is a Protected Policyholder or otherwise for the purpose of enabling or assisting the FSCS to perform its obligations or exercise its rights under the Scheme or to carry out its functions or responsibilities under the Policyholders Protection Act. Subject to sections 219 and 221 of FSMA, ICS and the ICS Scheme Administrators (until they cease to hold office as such)

shall, so far as they are able, authorise and instruct any third party with any such information to disclose it to the FSCS. Subject to sections 219 and 221 of FSMA, ICS's and the ICS Scheme Administrators' obligations set out in this Clause 23.4.1 shall not extend to any information which ICS or the ICS Scheme Administrators are under a legal duty not to disclose, but neither ICS nor the ICS Scheme Administrators shall, without the prior written consent of the FSCS, enter into any agreement or incur any obligation which precludes or restricts disclosure to the FSCS of any such information as is reasonably capable of being the subject matter of a request under this Clause 23.4.1.

23.4.2 Without prejudice to sections 219 and 221 of FSMA and subject to receiving reasonable notice in any case, ICS and the ICS Scheme Administrators, whilst they remain in office, shall, for the purposes referred to in Clause 23.4.1, permit (and, so far as they are able, authorise and instruct their agents to permit) any person authorised by the FSCS to have access to, and to be provided with copies of, all or any of the books and records of ICS and, in so far as they relate to ICS, of such agents, during normal business hours. Subject to sections 219 and 221 of FSMA, such obligation shall not extend to any such information which ICS or any such agent is under a legal duty not to disclose. The FSCS shall pay the reasonable photocopying costs of providing such copies.

23.4.3 Without limitation to Clause 23.4.1, ICS shall, as soon as reasonably practicable after payment of any amount to a Scheme Creditor under Clause 21, give notice of such payment to the FSCS to the extent required by the FSCS in order for the FSCS to fulfil its obligations under the Scheme.

23.5 **The FSCS's rights against ICS in respect of any assignment to it of the rights of a Protected Policyholder**

For the avoidance of doubt and without prejudice to Clauses 23.1 to 23.3, ICS agrees with the FSCS that any assignment by any Protected Policyholder of all or any rights whatsoever of the Protected Policyholder against ICS, including without limitation an automatic assignment under Clause 23.3.1, shall be valid and binding on ICS, and:

23.5.1 the FSCS may take actions and Proceedings in the name of such Protected Policyholder and exercise all his rights against ICS, including without limitation his rights, prior to such assignment, against ICS; and

23.5.2 ICS shall take any steps reasonably requested by the FSCS to ensure that any assignment under or which falls to be made under the Scheme in favour of the FSCS is duly and effectively made and given full effect.

23.6 **The FSCS and continuation of the Scheme in liquidation**

23.6.1 If ICS becomes subject to an Insolvency Event, the Scheme shall continue in full force and effect. The FSCS shall continue to make payments by reference to the terms of the Scheme and, notwithstanding the occurrence of an Insolvency Event, in relation to each Agreed Protected Claim to which this Clause 23.6.1 applies:

THESE PROVISIONS RELATE TO ICS ONLY

(a) there shall automatically be assigned to the FSCS absolutely, without any further act or document and before any payment has been made by the FSCS in respect of that Agreed Protected Claim, all such rights and claims as are mentioned in Clause 23.3.1(a) to 23.3.1(c) (bu

.6 applies);

(b) in consequence of such assignment, the provisions of this Clause 23 shall apply with the following modifications:

(i) Clause 23.1.1 shall apply as if:

(1) for the words "each Agreed Protected Claim owed to him" there were substituted the words "each Agreed Protected Claim which, but for Clause 23.6.1(a), would be owed to him"; and

(2) Clause 23.1.1 referred only to so much of the amount there mentioned as is not paid to the FSCS,

(ii) Clauses 23.2.1, 23.2.4, 23.7.4 and Clause 23.2.5(b)(i) shall apply as if the reference to a "company in liquidation" were references to a "company in liquidation outside, and not subject to the continuing provisions of, the Scheme";

(iii) Clause 23.2.2 shall apply as if, for the words "the Protected Policyholder being entitled and able to assign" there were substituted the words "there having been assigned";

(iv) Clause 23.3.1 shall not apply so far as it is rendered redundant by Clause 23.6.1(a) and if any question arises as to the identification of any Agreed Protected Claim, or as to whether any payment has been made by the FSCS in respect of that Liability, or as to whether that Liability is or is not the subject of an assignment to the FSCS under Clause 23.6.1(a), a certificate from the FSCS as to any such matter shall be binding and conclusive on all persons for the purpose of determining the same;

(v) Clauses 23.3.2 and 23.3.3 shall apply as if the references to Clause 23.3.1 were references to Clause 23.3.1 or Clause 23.6.1 and as if after the words "upon any payment being made" in Clause 23.3.2 there were inserted the words "or upon any Protected Scheme Claim first becoming an Agreed Protected Claim (as the case may be)";

(vi) Clause 23.3.4 shall apply as if for the words "Clause 23.3.1" there were substituted the words "Each of Clauses 23.3.1 and 23.6.1";

(vii) Clause 23.3.5 shall apply as if the reference to rights and claims to which Clause 23.3.1 applies included rights and claims to which Clause 23.6.1 applies by reference to Clause 23.3.1;

(viii) Clause 23.5 shall apply as if the reference to Clauses 23.1 to 23.3 were a reference to Clauses 23.1 to 23.3 and 23.6, and the reference to an automatic assignment under Clause 23.3.1 were a reference to an automatic assignment under Clause 23.3.1 or 23.6;

(c) for the avoidance of doubt, following an automatic assignment under this Clause 23.6.1, references to a Protected Policyholder in Clauses 23.1 to 23.5, as modified by Clause 23.6.1(b), shall, as between that person and the FSCS, be construed as references to the person from whom the automatic assignment is taken.

23.6.2 Subject to Clause 23.6.3, Clause 23.6.1 applies to each Agreed Protected Claim in respect of which the rights and claims mentioned in Clause 23.3.1(a) to 23.3.1(c) have not, prior to the Insolvency Event, been assigned to the FSCS.

23.6.3 Clause 23.6.1 shall not apply to any Agreed Protected Claim or categories thereof in respect of which the FSCS elects to disapply it.

23.6.4 The time at which the automatic assignment under Clause 23.6.1 shall take effect in relation to any Agreed Protected Claim shall be the time at which it first becomes an Agreed Claim.

23.7 **Other provisions applicable to the FSCS**

23.7.1 References in this Clause 23.7 to the FSCS paying or making payment of any sum include references to the FSCS securing the payment of that sum and references to the securing of payment in sections 9, 13 and 14 of the Policyholders Protection Act, as they apply by virtue of Clause 23.2.1 to the obligations of the FSCS under this Clause 23, shall be construed accordingly.

23.7.2 A payment by the FSCS under the Scheme shall not operate to reduce or discharge any Liability of ICS or any part of such Liability.

23.7.3 Without prejudice to any other rights and remedies which the FSCS may have, any person receiving a payment in respect of a Liability who has knowingly provided false, misleading or incomplete information to the FSCS in support of an application for that payment shall be bound on demand to repay to the FSCS all such amounts as have been paid by the FSCS in respect of that Liability, together with interest at 15 per cent per annum (or such rate of interest as may be from time to time prescribed pursuant to section 17 of the Judgments Act 1838 (or such other rate as a court of competent jurisdiction may specify for the purpose of this Clause 23.7.3)) calculated on a daily basis from the date of payment to the date of repayment.

23.7.4 Where, in relation to any policy, the FSCS would be required or entitled under the Policyholders Protection Act to make a payment to any person other than, or instead of, the policyholder, if ICS were in liquidation, the FSCS may similarly

perform any obligation to make a payment under the Scheme in relation to that policy and references to a Protected Policyholder shall be construed accordingly as including payment to such a person (as well as, for the avoidance of doubt, any person, whether or not a policyholder, to whom payment may be made by the FSCS in discharge or satisfaction of any payment obligation to the Protected Policyholder or to whom payment may otherwise be made by the FSCS for or on behalf of the Protected Policyholder).

23.7.5 At any time prior to its payment obligation in relation to a Protected Policyholder under Clause 23.1 having arisen, the FSCS may elect to make a payment to or on behalf of a Protected Policyholder in respect of an Agreed Protected Claim on such terms (including terms requiring repayment and terms as to assignment of rights in respect of the Agreed Protected Claim) and on such conditions as the FSCS thinks fit.

23.7.6 Notwithstanding ICS becoming subject to an Insolvency Event, the FSCS and each Protected Policyholder shall continue to be bound by the Scheme.

23.8 **Protected Scheme Claims**

23.8.1 Subject to Clauses 23.8.3(b) and 23.8.3(c), the provisions of Clauses 2.4 to 2.7 shall have no application to Scheme Claims which are Protected Scheme Claims or Agreed Protected Claims. No Protected Policyholder shall have any right to receive any payment from ICS in respect of Protected Scheme Claims or Agreed Protected Claims and all such Scheme Claims will instead be treated in accordance with this Clause 23.8. All Scheme Creditors who consider that the whole or part of any Scheme Claim on their Claim Form completed and returned by them under Clause 2.3 consists of or includes one or more Protected Scheme Claims, shall state this on the Claim Form to be submitted to the ICS Scheme Administrators on or before the Bar Date in accordance with Clause 2.3 by identifying which of their Scheme Claims they consider to be Protected Scheme Claims. Such Claim Form submitted under Clause 2.3 shall be referred to the FSCS (for which purpose such Scheme Creditors hereby consent to such referral). The FSCS may in its sole discretion agree that one or more of the relevant Scheme Claims is, in principle, a Protected Scheme Claim. Such agreement of the FSCS shall be given solely for the purpose of performing the calculation of the FSCS Amount and shall not be binding on the FSCS for any other purpose including for determining the eligibility and/or amount of any claim for compensation by a Protected Policyholder in respect of an Agreed Protected Claim. In the event that the FSCS determines that the whole or any part of a Scheme Claim as notified to ICS under this Clause is not a Protected Scheme Claim (as the case may be) and has so notified ICS, then notice will be given by ICS to the relevant Scheme Creditor of such determination. Any such Scheme Claim that is so determined not to be a Protected Scheme Claim will then be dealt with in accordance with Clauses 2.4 to 2.7.

23.8.2 In the event that:

(a) there is a dispute as to whether the whole or any part of a Scheme Claim is a Protected Scheme Claim, the ICS Scheme Administrators may, at their discretion (but subject to the last sentence of Clause 23.8.1), reach an agreement with the FSCS and the relevant Scheme Creditor as to how such Scheme Claims should be dealt with. This agreement will include the manner in which sums may be paid under the terms of the Scheme, and any appropriate reservation of rights as between the FSCS and the Scheme Creditor. This will include the way in which the Scheme Creditor either will give credit to the FSCS for any amounts received by the Scheme Creditor from ICS in respect of that Liability should it become an Agreed Protected Claim or will not receive any payment from ICS in respect of any such Scheme Claims; and

(b) the FSCS determines or it is otherwise so determined (so as to bind the FSCS), in relation to a Protected Scheme Claim which becomes an actual present Liability owed to the Scheme Creditor that such Liability is not in fact protected under the Policyholders Protection Act or article 10 of the Transitional Order, then the provisions of this Clause 23.8.2(b) shall apply in relation to that Liability. The FSCS shall pay that part of the distributions it has received under Clause 21 in respect of that Protected Scheme Claim, such amount (if any) to be reasonably determined by reference to the Claim Form submitted by the Scheme Creditor and provided the Protected Scheme Claim in question has been included in the Claim Form and that claim has been taken into account in the calculation of the FSCS Amount as determined in accordance with Clause 23.9 to or on behalf of the relevant Scheme Creditor.

23.8.3 If in the ICS Scheme Administrators' reasonable opinion, a Scheme Creditor has not, but should have, stated on its Claim Form that any Scheme Claim is a Protected Scheme Claim as required by Clause 23.8.1, the ICS Scheme Administrators shall refer the matter to the FSCS together with the relevant Claim Form (for which purpose the Scheme Creditor hereby consents to such referral). If, after consideration of such Claim Form and any other relevant circumstances the FSCS is of the opinion that the relevant Scheme Claim appears, on the basis of the information available, to be a Protected Scheme Claim, the FSCS shall give notice of this fact to the ICS Scheme Administrators who shall, in turn, give such notice to the Scheme Creditor, together with a requirement for the Scheme Creditor to show good cause as to its unprotected status which is reasonably satisfactory to the ICS Scheme Administrators and the FSCS. Thereafter:

(a) if at that stage the Scheme Creditor agrees to the amendment of its Claim Form in respect of the relevant Liability to indicate that the Scheme Claim consists of a Protected Scheme Claim, it shall be dealt with as if it had originally so indicated its protected status on its Claim Form in accordance with Clause 23.8.1;

(b) if the Scheme Creditor shows good cause why it does not believe that it would be eligible for protection under the Policyholders Protection Act or article 10 of the Transitional Order, it shall be dealt with in accordance with Clauses 2.4 to 2.7;

(c) in the absence of showing good cause as referred to in Clause 23.8.3(b) above, the Scheme Creditor shall be dealt with in accordance with Clause 2. Prior to receiving any distribution under Clause 21, unless otherwise agreed by the FSCS, the Scheme Creditor shall confirm in a legally binding form satisfactory to the FSCS that it is not a Protected Policyholder in relation to the Liability concerned and that it irrevocably waives any rights or entitlement it may have against the FSCS under the Policyholders Protection Act, the Transitional Order, the FSCS Rules, the Scheme or otherwise in relation to that Liability.

23.9 **The Payment of the FSCS**

On and from the Effective Date, the FSCS shall be treated as a General Creditor in respect of a Net Ascertained Claim admitted in the amount of £50,000 (fifty thousand Pounds Sterling) and payments shall be made to the FSCS pursuant to the Scheme accordingly.

23.10 **Stay of proceedings**

23.10.1 Without prejudice to Clauses 23.10.2, 23.10.3 and 23.10.3(b), no Scheme Creditor shall institute or continue any Proceeding or other judicial, quasi-judicial, administrative or regulatory process whatsoever against ICS or its Property to establish the existence or amount of a Protected Scheme Claim unless the Scheme Creditor shall first have given to the Scheme Manager, ICS and the FSCS notice of such Protected Scheme Claim in accordance with Clause 9.7, which notice shall include:

(a) fully particularised details of how and when the Protected Scheme Claim arose (including without limitation and to the extent possible, fully particularised details of the methodology and rationale for its allocation to the relevant coverage), of the Insurance Contract pursuant to which the Protected Scheme Claim is asserted (where applicable) and of the quantum of the Protected Scheme Claim (if reasonably calculable); and

(b) legible copies of all contracts, orders, judgments, decisions and awards which are relevant to the Protected Scheme Claim, and of all other items required to be provided to ICS pursuant to the terms of the Insurance Contract between ICS and the Scheme Creditor, together with such other supporting information and documentation as the Scheme Manager, ICS and/or the FSCS or their agents shall reasonably require.

23.10.2 Subject to Clauses 23.10.1 and 23.10.8, no Scheme Creditor shall, without the prior agreement of ICS (which agreement, to be binding, must be in writing and must refer to this Clause 23.10.2), institute or continue any Proceeding or other judicial, quasi-judicial, administrative or regulatory process whatsoever against

ICS to establish the existence or amount of a Protected Scheme Claim in relation to which there is a Common Liability until the later of:

(a) the expiration of a period of six months after having given notice of its Protected Scheme Claim in the manner prescribed in Clause 23.10.1; and

(b) the expiration of a period of six months after notice by the Scheme Creditor to ICS in accordance with Clause 23.10.4 of the occurrence of any one or more of the following events:

(i) a Substantive Judgment having been obtained in any Proceedings between the Scheme Creditor and an ICS Co-Insurer in relation to the Common Liability giving rise to such Protected Scheme Claim: or

(ii) such Scheme Creditor having entered into a Final Settlement with a majority in value of ICS Co-Insurers in relation to the Common Liability giving rise to such Scheme Claim (a "majority in value" being calculated by comparing the aggregate total of all ICS Co-Insurers' proportionate shares in relation to the relevant contract (but leaving out of account those ICS Co-Insurers against whom Proceedings have been stayed or restrained or have resulted in a Default Judgment in the manner described in Clause 23.10.2(b)(iii) with the aggregate of the proportionate shares of ICS Co-Insurers with whom such Scheme Creditor has entered into the Final Settlement in question); or

(iii) all Proceedings between such Scheme Creditor and all ICS Co-Insurers in relation to the same Common Liability giving rise to such Scheme Claim having:

(1) been stayed or restrained by operation of law (other than by virtue of an agreement or arrangement between such Scheme Creditor and ICS Co-Insurers or any of them); and/or

(2) resulted in such Scheme Creditor entering or obtaining a Default Judgment,

as against all such ICS Co-Insurers.

23.10.3 Upon the expiration of the later of the two six-month periods referred to in Clause 23.10.2, a Scheme Creditor shall be entitled to institute or continue Proceedings against ICS in relation to the Protected Scheme Claim in question, save that the Scheme Creditor shall not be entitled to institute or continue such Proceedings to establish the amount of its Protected Scheme Claim unless:

(a) the relevant Substantive Judgment or Final Settlement determined the quantum of the ICS Co-Insurer's liability; or

(b) the relevant Substantive Judgment or Final Settlement determined ICS Co-Insurer's liability and the Scheme Creditor can demonstrate, to ICS' reasonable satisfaction, that the quantum of ICS Co-Insurer's liability is not and will not be in dispute as between the Scheme Creditor and ICS Co-Insurer.

23.10.4 Subject to Clause 23.10.8, no Scheme Creditor in relation to whose Protected Scheme Claim there is no Common Liability shall, without the prior agreement of ICS (which agreement, to be binding, must be in writing and must refer to this Clause 23.10.4), institute or continue any Proceeding or other judicial, quasi-judicial, administrative or regulatory process whatsoever against ICS to establish the existence or amount of such Protected Scheme Claim until the expiration of a period of six months after having given notice of the Protected Scheme Claim in the manner prescribed in Clause 23.10.1.

23.10.5 For the purposes of Clauses 23.10.2 and 23.10.3, notice shall take effect only upon delivery by the Scheme Creditor concerned to the Scheme Manager of:

(a) in the case of notice of an event under Clause 23.10.2(b), any of:

(i) a legible copy of the Substantive Judgment, certified by the issuing tribunal; or

(ii) a legible copy of the Substantive Judgment, certified as accurate by such Scheme Creditor; or

(iii) a legible copy of the transcript of the Substantive Judgment, either certified by the tribunal which issued the judgment or certified as accurate by such Scheme Creditor; or

(iv) a written certification from such Scheme Creditor's lawyer or attorney as to the fact of the Substantive Judgment and as to its precise terms, in a form reasonably satisfactory to ICS and the FSCS;

(b) in the case of notice of an event under Clause 23.10.2(b)(ii), a copy of the Final Settlement, signed by or on behalf of all the parties thereto, certified as accurate by such Scheme Creditor, or, where no such document exists, such other documentary evidence as is available, certified as accurate by such Scheme Creditor, of the Final Settlement and its terms, together with legible copies of any orders, judgments, decisions or awards made by a court or tribunal in proceedings between such Scheme Creditor and the relevant ICS Co-Insurers relating to the claim in question; and

(c) in the case of notice of an event under Clause 23.10.2(b):

(i) (where applicable) a legible copy of the relevant order, judgment, decision or award, certified by the issuing tribunal; or

(ii) (where applicable) a legible copy of the relevant order, judgment, decision or award, certified as accurate by such Scheme Creditor; or

(iii) (where applicable) a legible copy of the transcript of the relevant order, judgment, decision or award, either certified by the issuing tribunal or certified as accurate by such Scheme Creditor; or

(iv) a written certification from such Scheme Creditor's lawyer or attorney as to the fact of the stay, restraint or Default Judgment in question and as to its precise terms, in a form reasonably satisfactory to ICS.

The items set out in Clause 23.10.5(a)(a)(i) to 23.10.5(a)(iv) above and Clauses 23.10.5(c)(i) to 23.10.5(c)(iv) above are in order of priority, so that the delivery to ICS by the Scheme Creditor of one of these items will suffice for the purposes of this Clause 23.10.5 only if none of the preceding items is available.

23.10.6 Where a Substantive Judgment has been obtained as is referred to in Clause 23.10.2(b)(i) or a Final Settlement has been entered into as is referred to in Clause 23.10.2(b)(ii) and following receipt by ICS of the documents referred to in Clauses 23.10.1 and 23.10.4, ICS (in consultation with the FSCS) shall make all reasonable efforts to reach agreement as to such Scheme Creditor's Protected Scheme Claim on the basis of the Substantive Judgment or Final Settlement **provided that**, in so doing, ICS (in consultation with the FSCS) shall take into account:

(a) the similarity of interests of ICS and any ICS Co-Insurer(s) party to the Substantive Judgment or Final Settlement; and

(b) any material difference in the defences relied on by or claims made by ICS Co-Insurer(s) in the relevant Proceeding and the defences or cross-claims which would or might be available to ICS in relation to the Protected Scheme Claim.

23.10.7 If and to the extent that a Scheme Creditor obtains against ICS in relation to a Protected Scheme Claim an order, judgment, decision or award of a court or tribunal in contravention of Clauses 23.10.1, 23.10.2 or 23.10.4, such order, judgment, decision or award shall not give rise to an Agreed Protected Claim and shall be disregarded when determining the liability of the FSCS in respect of the Scheme Claim.

23.10.8 For the purposes of this Clause 23.10.8, ICS shall not be deemed to be continuing any Proceeding which commenced prior to the Effective Date and in which ICS is not actively prosecuting its claims.

(a) Subject to clause 5.3.3(l) of the Existing ICS Scheme nothing in the Scheme shall preclude ICS from either:

(i) commencing or continuing any Proceeding against a Scheme Creditor; or

(ii) seeking to be joined into any subsisting Proceeding between a Scheme Creditor and an ICS Co-Insurer as an additional party thereto.

(b) Where ICS commences, continues or is joined into any Proceeding against a Scheme Creditor as aforesaid, and without prejudice to the Scheme Creditor's rights of set-off under the Scheme and the Scheme Creditor's right to argue that the Proceeding in question has been commenced or is continuing in an inappropriate forum, nothing in the Scheme shall preclude the Scheme Creditor from asserting and prosecuting against ICS in that Proceeding (whether by way of claim or counterclaim) a Protected Scheme Claim so long as:

(i) the Protected Scheme Claim arises out of the same transaction or occurrence that is the subject matter of ICS's claim in that Proceeding; and

(ii) the Protected Scheme Claim does not require for its adjudication the presence of third parties over whom the court or tribunal in question cannot acquire jurisdiction.

23.11 **Enforcement against ICS**

Where the FSCS is under an obligation under Clause 23.1 to pay a Protected Policyholder in respect of its Agreed Protected Claim the amount set out in Clause 23.1, that Protected Policyholder shall have no right of recourse against ICS for payment of any sum (including, without limitation, the enforcement of any Proceedings brought against ICS pursuant to Clause 23.10) in respect of that Agreed Protected Claim.

24. MODIFICATION AND TERMINATION OF THE SCHEME IN RELATION TO ICS

24.1 Modification of the Scheme in relation to ICS

24.1.1 General

Subject to Clause 24.1.2, ICS 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 of the Court to sanction the Scheme in accordance with Part 26 of The Companies Act 2006.

24.1.2 FSCS

Any modification, term or condition as is referred to in Clause 24.1.1 which, in the opinion of the FSCS, would directly or indirectly adversely affect the interest of the FSCS in the Scheme shall not take effect unless approved in writing by the FSCS.

24.2 **Termination**

Save where expressly otherwise provided, the Scheme shall forthwith cease to have effect upon the occurrence of the first of the following events:

24.2.1 the last payment of a Final Entitlement to an E&A Pool Participant by the ICS Scheme Administrators pursuant to Clause 20; and

24.2.2 the Scheme Creditors passing a Creditors' Resolution (with the prior agreement of the ICS Scheme Administrators or the Court) that the Scheme be terminated.

24.3 **Released Parties**

With effect from the termination of the Scheme in accordance with Clause 24.2 without prejudice to rights against ICS in respect of Protected Scheme Claims:

24.3.1 the Released Parties and the ICS Released Parties shall, so far as the law permits, be released absolutely from any and all obligations in connection with or pursuant to the Scheme. Any obligation which has not then been fulfilled in accordance with the Scheme shall nonetheless be deemed to have been correctly and fully performed and no Scheme Creditor shall have any claim in respect of it or any loss arising from it; and

24.3.2 no Scheme Creditor shall be entitled to any claim on, recovery from or interest in any ICS Security, indemnity or guarantee in respect of a Scheme Claim or otherwise to make any claim or receive payment in respect of a Scheme Claim.

25. PROVISIONS RELATING TO HOME

25.1 GENERAL

25.1.1 The provisions set out in Clauses 25 to 27 (inclusive) apply only to Home and to the extent that any such provisions are inconsistent with other clauses of the Scheme the provisions of Clauses 25 to 27 (inclusive) shall prevail.

25.1.2 A Scheme Creditor's Net Ascertained Claim shall be eligible to be admitted to proof in the New Hampshire Liquidation, subject always to compliance by the Scheme Creditor with the provisions regarding the filing of claims contained in the Home Claims Procedure Order and subject to any rights of set-off or counterclaim which Home may be entitled to assert against the Scheme Creditor in respect of policies or contracts which are not subject to the Scheme.

25.1.3 A Scheme Creditor's entitlement to rank for payment of a distribution from Home under the Home Liquidation in respect of its Net Ascertained Claim (including, but not limited to, questions of priority, currency, timing and good discharge) shall be governed by the provisions of New Hampshire insolvency law (including, but not limited to, the Home Claims Procedure Order).

26. COMPLETION AND RELEASE IN RELATION TO HOME

26.1 Notice of impending completion

26.1.1 When it believes that the provisions of the Scheme have been complied with by Home, the Scheme Manager or the Home Liquidator, the Scheme Manager shall give notice to the Home Liquidator to that effect. The Home Liquidator, if he concurs, shall determine the date on which the Scheme is to be declared complete and send written notice to all Scheme Creditors which were entitled to receive a Valuation Statement or Provisional Valuation Statement pursuant to Clause 2.7.1 or Clause 2.4 informing them of the proposed Completion Date at least 56 days before that date.

26.1.2 Any Scheme Creditor to which a notice pursuant to Clause 26.1.1 has been sent, and which believes that in relation to its Scheme Claims the provisions of the Scheme have not been complied with by Home, the Scheme Manager or the Home Liquidator, may give notice in writing to that effect to the Home Liquidator to be received by him prior to the proposed Completion Date. Where such a notice is received by the Home Liquidator prior to the proposed Completion Date, the Home Liquidator shall investigate the matter and, pending the completion of such investigation, the Scheme shall not be treated as completed for, and the terms of Clause 26.2 shall not apply to, that Scheme Creditor.

26.1.3 In respect of all other Scheme Creditors, the Home Liquidator shall instruct the Scheme Manager, on the proposed Completion Date to issue a certificate of completion to Home certifying that the Scheme has been implemented in accordance with its terms.

26.1.4 In relation to any Scheme Creditor from which notice has been received pursuant to Clause 26.1.2:

(a) the Home Liquidator shall within 14 days send written notice to the Scheme Manager setting out the steps, if any, which they propose be taken in relation to the matter notified to them by the Scheme Creditor;

(b) as soon as reasonably practicable after the steps proposed by the Home Liquidator pursuant to Clause 26.1.4(a) have been taken, or a notice is received from the Home Liquidator indicating that no steps are to be taken, the Scheme Manager shall issue a certificate in the form referred to in Clause 26.1.3 in relation to the relevant Scheme Creditor, and the Scheme will thereupon be complete in relation to that Scheme Creditor and the provisions of Clause 26.2 shall then apply to it.

26.2 **Completion of the Scheme**

26.2.1 Upon the issue of a written certificate pursuant to Clause 26.1, in relation to the Scheme Creditors to whom it relates, the Scheme shall be complete and save in relation to any fraud or dishonesty, and so far as the law permits, all obligations and Liabilities of the Home Released Parties in connection with or pursuant to the Scheme shall cease and be released absolutely. Any such obligation which has not been fulfilled in accordance with the Scheme by the Completion Date shall nonetheless be deemed to have been correctly and fully performed, and no Scheme Creditor shall have any claim in respect of it or any loss arising from it.

26.2.2 Following the Completion Date, no Scheme Creditor shall be entitled to any claim on, recovery from, or interest in, any Security in respect of a Scheme Claim or otherwise to make any claim or receive payment in respect of a Scheme Claim.

26.2.3 The Scheme Manager shall display any certificate of completion on the Website from the date on which it was issued until the date 12 months after the issue of the last certificate of completion pursuant to Clause 26.1.

26.2.4 Notwithstanding the provisions of Clause 2.8.1(c):

(a) Scheme Creditors shall, if so required by the Home Liquidator, following the Completion Date, execute and send to the Home Liquidator a deed of release of the Liabilities of the Home Released Parties in respect of the Scheme, and including, for the avoidance of doubt, the obligations of any guarantor of Home's Liabilities in relation to Scheme Claims, in a form reasonably satisfactory to the Home Liquidator; and

(b) each Scheme Creditor hereby irrevocably and unconditionally authorises Home to execute such a deed on its behalf in the event that Home does not receive one within 21 days of requesting it pursuant to Clause 26.2.4(a).

26.2.5 The benefit of the right to call for a deed of release under Clause 26.2.4 and the benefit of the rights to enforce the provisions of Clause 26.2.2, insofar as they relate to claims or recoveries from guarantors, shall be held on trust by Home

for the Home Released Parties in respect of Scheme Claims. These rights shall be enforceable by the beneficiaries of such trust as well as the trustee. The beneficiaries shall have sole and irrevocable power to replace the trustee.

26.2.6 The completion of the Scheme shall be without prejudice to any right of a Home Released Party to an indemnity out of the assets of Home arising under the Scheme and the provisions of this Clause shall continue in full force and effect.

27. TERMINATION IN RELATION TO HOME

27.1 Subject to Clause 27.2 (which shall survive such termination), the Scheme shall terminate if:

(a) all the liabilities of Home to Scheme Creditors have been discharged in full; or

(b) the Home Liquidator has concluded after due enquiry that the Scheme is no longer in the interests of the Scheme Creditors as a whole; or

(c) a resolution that the Scheme be terminated is passed at a meeting of the Scheme Creditors, with the agreement of the Home Liquidator; or

(d) certificates of completion are issued in accordance with Clause 26.

27.2 If the Scheme terminates the following provisions shall apply:

(a) termination of the Scheme shall be without prejudice to any right or obligation which shall have arisen under the Scheme as a result of any act or omission which took place prior to such termination;

(b) as soon as practicable following termination, the Home Liquidator shall cause notices stating that the Scheme has terminated to be placed in such newspaper as the Home Liquidator consider appropriate for one day a week for three consecutive weeks following such termination,

provided however that if the Scheme terminates pursuant to Clause 27.1(d), this clause shall be read subject to the provisions of Clauses 26.1 and 26.2.

APPENDIX A
Scope of Scheme - Liabilities constituting Scheme Claims

A Scheme Claim is any Liability of the Scheme Company which is a Pool Liability or Other Liability referred to below.

1. INTRODUCTION

The Scheme Companies each underwrote insurance and reinsurance business in pooling arrangements through one or more of the pools described below.

1.1 The EAUA Pools

The EAUA Pools comprise three pools of business: the Marine Pool, the Aviation Pool and the Non-Marine Pool.

1.1.1 The Marine Pool, also known as English and American Marine or "M" Group or Bowring Marine Group, underwrote from 1954 to 1992 primarily through London market brokers and via the Institute of London Underwriters, covering marine as well as some non-marine (long tail liability) business, split into various accounts, including those that covered cargo and excess of loss business, hull liability and energy business.

1.1.2 The Aviation Pool underwrote from 1980 to 1992 as three separate accounts, originally in the name of TAIG (Transglobe Aviation Insurance Group), which changed in 1983 to EAAG (English & American Aviation Group). Business was primarily written through London market brokers and via the Institute of London Underwriters. The accounts were:

(a) The Direct and Facultative account 1980 to 1992. The business written was in relation to major airlines and manufacturers, war, industrial aid, satellite, reinsurance and rotor wing.

(b) The General Aviation account. This was written from 1991 to 1992 and predominately written on a direct and facultative basis but there was a large element of reinsurance involvement covering light aircraft and rotor wing classes of business.

(c) The Excess of Loss account written 1984 to 1992. This covered reinsurance of direct insurers and retrocession business. Additional classes of war, satellite and personal accident were added in 1991 and 1992.

1.1.3 The Non-Marine Pool underwrote from 1977 to 1992 (including direct and reinsurance business from 1977 to 1985 and reinsurance business only from 1986 to 1992) originally in the name of CT Bowring Underwriting Services and Aurora Underwriters Limited through London market brokers.

1.2 **The TAUS Pool**

The TAUS Pool was an aviation account underwritten in Guernsey from 1990 to 1992, each year comprising a mix of direct, facultative and reinsurance business in respect of various classes of aviation business.

1.3 **The Transglobe Re Pool**

The underwriting years of account for this pool were 1982 and 1983 and the business included a mix of facultative, proportional reinsurance and excess of loss. In general, all of the accounts provided reinsurance protection to direct aviation underwriters of mainly airline, airports and aviation products manufacturers.

1.4 **The E&A Re Pool**

E&A Re was an underwriting agency established by the English & American Group in Brussels in June 1981. Its objective was to write a mainly facultative reinsurance account in Continental Europe. The account consisted essentially of London market broker produced business with a strong orientation towards the United States of America. A proportional reinsurance book was also written in parallel to the facultative account. The overall book consisted mainly of property risks. The account was placed into run-off on 1 August 1984.

1.5 **Non-Pools Business being included in The Schemes**

1.5.1 English & American Insurance Company Limited ("**EAIC**")

EAIC had a number of discontinued or run-off operations prior to November 1992 now commonly referred to as "non pool". These included:

(a) The London Market Non-Marine account, which comprised London Market non-marine and some aviation business written principally between 1952 and 1976;

(b) The ANMC, BIAN, BPI and BEAF fronting facility arrangements written between 1977 and 1986;

(c) The Bowring International Reinsurance Group (BIRG) account which wrote London Market Excess of Loss ("LMX") reinsurance between 1967 and 1983;

(d) An International account which encompassed various overseas agency operations. These were discontinued in 1985;

(e) A Home account which consisted of various agencies in the UK. This business was also discontinued in 1985; and

(f) The general insurance business of Providence Capitol Life Assurance Company Limited, formerly Slater Walker Life Assurance Company Limited, which was transferred to EAIC in 1988 and consisted of marine and non-marine business written in the name of Slater Walker between 1972 and 1976.

1.5.2 City International Insurance Company Limited

City International Insurance Company Limited is also including its non-Pools Business within the Scheme, namely all Liabilities arising by it (or by its predecessor in title) or in connection with any reinsurance or contract of insurance or reinsurance underwritten including, without limitation, in respect of its own non-marine reinsurance business during the years 1985 to 1992. Classes of business underwritten included facultative property, facultative liability, miscellaneous facultative business, proportional reinsurance property, proportional PA/KR, proportional property, bloodstock, non-proportional liability and non-proportional property. Since April 1996, the run off of this account has been managed by Capita Commercial Insurance Services Limited (formerly Claims Management Group Limited). This non-pools business amounts to less than 4 per cent of this company's overall underwriting liabilities.

1.5.3 The Insurance Corporation of Singapore (U.K.) Limited

Provision was made in the Existing ICS Scheme for Oberon Pool Claims to be submitted to St Paul Re, and paid by that company. Those provisions are not amended by the Scheme and ICS has no remaining liability or obligation whatsoever to make payment in respect of those claims.

2. POOL LIABILITIES

2.1 Save as excluded in paragraph 4, "**Pool Liabilities**" are all Liabilities arising under or in relation to the Insurance Contracts referred to in paragraphs 1.1 to 1.4 above. For the avoidance of doubt, Pool Liabilities include all Liabilities arising under any agreement pursuant to which an insurance broker is entitled to brokerage or commission from the Scheme Company in respect of placing an Insurance Contract referred to in paragraphs 1.1 to 1.4 above, and Liabilities arising under rights of contribution and subrogation in respect of such an Insurance Contract.

3. OTHER LIABILITIES

3.1 "**Other Liabilities**" are:

3.1.1 all Liabilities of EAIC which are neither Pool Liabilities nor Liabilities excluded by paragraph 4 below; and

3.1.2 all Liabilities of City International Insurance Company Limited which are neither Pool Liabilities nor Liabilities excluded by paragraph 4 below;

4. LIABILITIES WHICH ARE NOT POOL LIABILITIES OR OTHER LIABILITIES

4.1 Pool Liabilities and Other Liabilities shall not include:

4.1.1 Liabilities in respect of fees, costs and expenses (including any Tax thereon), in respect of services or advice, payable to service providers, excluding brokers, but including, without limitation, lawyers and loss adjusters, unless they are Liabilities incurred by EAIC or ICS before the Record Date.

4.1.2 In the case of EAIC only, Liabilities under policies signed and issued by the Institute of London Underwriters on EAIC's behalf with an inception date between 3 July 1980 and 6 October 1983 (both dates inclusive) which have not become Established Scheme Liabilities under the Existing EAIC Scheme by the Effective Date.

4.1.3 In the case of Nippon Insurance Company of Europe Limited only, Liabilities under any employer's liability policy or cover written by that company.

4.1.4 If and to the extent that (i) the Scheme is not approved by the requisite statutory majorities of creditors under EL Covers at the separate class meetings (or at any adjournment thereof) convened for those creditors of each affected Scheme Company to vote on the Scheme, or (ii) the Scheme is not subsequently sanctioned by the Court in respect of the class of creditors of each affected Scheme Company comprising creditors under EL Covers, in either or both cases, the EL Covers written by the affected Scheme Company concerned.

5. PRESENT AND FORMER NAMES OF THE SCHEME COMPANIES

Current name	Previous names/additional information
The Baloise Insurance Company Limited	
City International Insurance Company Limited	City Insurance Company (UK) Ltd
Dowa Insurance Company (Europe) Limited	Dowa Insurance Company (UK) Ltd
East West Insurance Company Limited	
English & American Insurance Company Limited	The general business of Providence Capitol Life Assurance Company Limited (previously Slater Walker Life Assurance Company Limited, Slater Walker Insurance Company Limited and Arrow Life Assurance Company Limited) was transferred 28 February 1988
Fuji International Insurance Company Limited	Fuji Fire & Marine Insurance Company (UK) Ltd
Hiscox Insurance Company Limited	Economic Insurance Company Ltd
The Home Insurance Company (In Liquidation) (as successor in interest through merger to City Insurance Company of New Jersey)	City Insurance Company of New Jersey

Current name	Previous names/additional information
The Insurance Corporation of Singapore (U.K.) Limited	
K	(UK) PLC, Lombard Insurance Company (UK) Limited and Maltese Cross Insurance Company Limited
Metropolitan Reinsurance Company (U.K.) Limited	
Moorgate Insurance Company Limited	Pohjola Insurance Company (UK) Ltd
Nippon Insurance Company of Europe Limited	The Nippon Fire & Marine Insurance Company (UK) Ltd
Polygon Insurance Company Limited	
Swiss Re International SE, UK Branch	SR International Business Insurance Company PLC, SR International Business Insurance Company Limited, Switzerland Insurance Company (UK) Limited, and Switzerland General Insurance Company (London) Ltd as a subsidiary of Schweiz Allgemeine Versicherungs-AG
Tower Insurance Limited	The National Insurance Company of New Zealand Ltd

6. POOL COMPANIES NOT PROPOSING TO SCHEME

The two members of the Pools described below whose share of the Pools liabilities amounts to less than 3 per cent (and less than 1 per cent of the total Scheme liabilities), are not proposing a scheme but, in order to preserve the benefits for policyholders of the unified closure of the Pools business, are willing to consider commuting with creditors of the Pools on parallel terms as if they were in the Scheme.

Current Name	Previous Names
ACE European Group Limited	ACE INA UK Limited, Insurance Company of North America (U) Limited, Continental Assurance Company of London Limited, Crusader Insurance PLC
Swiss Re Europe S.A., UK Branch	Swiss Reinsurance Company UK Limited, ERC Frankona Reinsurance (II) Limited, GE Frankona

	Reinsurance Limited, Kemper Reinsurance London Limited, Tower Hill Insurance Company Limited

APPENDIX B
Estimation Guidelines for the Valuation of Scheme Claims

1. Introduction

1.1 Purpose and Scope

The purpose of this Appendix to the Scheme is to set out and explain the Estimation Guidelines that the Scheme Actuary will use to calculate Scheme Claims that are referred to the Scheme Actuary pursuant to the Scheme.

This Appendix explains the information that Scheme Creditors will be asked to submit to support their Scheme Claim. It can also be used as a guide to Scheme Creditors as to the types of methodologies that they might wish to use to estimate the Incurred But Not Reported ("**IBNR**") element of their Scheme Claims.

This Appendix, including the Attachments, contains a considerable amount of detail in relation to the Estimation Guidelines. This is designed to make the process as transparent to Scheme Creditors as possible. Scheme Creditors are advised to read this Appendix in its entirety.

If any Scheme Creditor is in doubt as to any aspect of this Appendix or as to the action they should take, then they should consider seeking appropriate professional actuarial or other advice.

If at any stage of the process, either before voting, or during compilation by a Scheme Creditor of their supporting information for their Scheme Claim, the Scheme Creditor has any questions relating to the possible future application of the Estimation Guidelines to their Scheme Claim, then they should contact the Scheme Manager, in the first instance, who will be pleased to assist them.

1.2 Definitions

The terms defined below are those capitalised terms used within the Estimation Guidelines Appendix. Other capitalised terms, defined in the Scheme, bear the same meanings within this Appendix, except where otherwise indicated.

Additional Unpaid Claims

The value, as at the Ascertainment Date, of Scheme Claims that the Scheme Creditor asserts on a Claim Form are due for payment to it by the Scheme Company which are not included in any Unpaid Agreed Claims.

Ascertainment Date

This is the estimation date chosen by the Scheme Creditor, which must be a date earlier than the Bar Date, that will be used by the Scheme Creditor to value their Scheme Claim.

Best Estimate

An estimate of insurance liabilities that is intended to be the mean, or average of the range of possible outcomes. In other words, it is intended to represent the "expected" outcome. In practice, it may not be possible to apply strict statistical tests regarding whether the estimate is in fact an estimate of the mean or average outcome, but the description is designed to convey the principles on which the estimate is based.

Burn Factor

This is a factor that is usually applied to a limited layer of excess insurance/reinsurance coverage to derive an estimate of the ultimate losses to that layer.

Claims filed

In the context of the Asbestos Direct Methodology, this relates to the number of asbestos claims filed against the Scheme Creditor or underlying assured.

IBNR

The value, as at the Ascertainment Date, of Scheme Claims in respect of losses which have been incurred by a Scheme Creditor but not notified to it, for which it asserts on a Claim Form that an amount will become due for payment to it by the Scheme Company, excluding any amounts already included in Unpaid Claims and/or Outstanding Claims.

Incurred Claims

Reported claims as at the Ascertainment Date. This equals cumulative Paid Claims plus Outstanding Claims at the Ascertainment Date.

Link Ratio / Chain Ladder Approach / Development Factors

A "Link Ratio" / "Development Factor" is the name given to the ratios formed for each origin period by taking:

The associated projection method involves using the crude link ratios in two stages:

(a) Selection of smoothed link ratios for those periods where sufficient development data are available.

(b) Estimation of link ratios for periods where the development data available are sparse or non-existent.

The first stage involves examining various weighted averages of past development and the selection of representative estimates to be applied to future years. The second stage involves fitting curves to the ratios selected in the first stage and using these curves to project ratios for the tail of the development.

These ratios are then applied to the latest cumulative Paid and/or Incurred Claim figures, separately for each period of origin, to project future claims to ultimate.

LMX

London Market Excess of Loss reinsurance business. Can relate to either reinsurance of direct business, or reinsurance of reinsurance (including excess of loss reinsurance). Can also include "spiral" business.

Outstanding Claims

The value, as at the Ascertainment Date, of Scheme Claims in respect of losses notified to the Scheme Creditor for which it asserts on a Claim Form that an amount will become due for payment to it by the Scheme Company, excluding any amounts already included in Unpaid Claims.

Paid Claims

The value of cumulative claims and allocated loss adjustment expenses arising under an Insurance Contract that have been booked as paid claims by the Scheme Creditor as at the Ascertainment Date. This may include Unpaid Claims.

Paid Survival Ratio

This is defined as:

Current Reserve / A suitable average historical amount paid per annum.

Referred Claim

Any component of the Scheme Creditor's Scheme Claim which is referred to the Scheme Actuary for evaluation. Whilst in most cases this will be confined to the IBNR submitted by the Scheme Creditor, it may include other components where the uncertainty preventing agreement of the claim by the Scheme Manager is considered by the Scheme Manager and Scheme Actuary to merit actuarial appraisal.

Reserve

Outstanding Claims plus IBNR.

Settlement Distribution

In the context of the Asbestos Direct Methodology, this relates to the assumed payment pattern profile of a newly filed or pending asbestos claim.

Ultimate Claims

The sum of Incurred and IBNR Claims (including ultimate indemnity and expense amounts, where appropriate). It also equals Paid Claims plus Reserve.

Unpaid Agreed Claims

The value of Scheme Claims which according to the Scheme Manager's records have been agreed as due to the relevant Scheme Creditor as at the Effective Date but not paid or discharged by the operation of set-off or otherwise, and in the case of the insolvent EAUA Scheme Companies, before taking account of any Scheme Payments.

Unpaid Claims

The sum of all Unpaid Agreed Claims and Additional Unpaid Claims.

1.3 **Summary**

The Estimation Guidelines will be applied by the Scheme Actuary to Referred Claims, as defined in Section 1.2. The design of the Scheme is such that not all Scheme Claims will necessarily be reviewed by the Scheme Actuary. In particular, Scheme Claims that contain no IBNR element are less likely to be referred to the Scheme Actuary, and not all Scheme Claims with IBNR will be referred to the Scheme Actuary. Further comment on what might be included as part of the Referred Claim is given in Section 2.1.

The Scheme Actuary will apply the Estimation Guidelines in a consistent way for all Referred Claims. For example, the methodology and assumptions will be similar, where possible, across the same claim types for different Scheme Creditors.

In summary, the process that the Scheme Actuary will apply to all Referred Claims will be as follows:

- Obtain and review all relevant documentation and correspondence from the Scheme Manager (and possibly a Scheme Adjudicator if he has become involved with the claim), relating to that Scheme Creditor's claim, and, if appropriate, relating to similar Scheme Claims from other Scheme Creditors.
- Discuss details of the Scheme Claim with the Scheme Manager and the Scheme Creditor, as needed.
- Request clarification from one or more of the Scheme Manager, Scheme Company, Scheme Adjudicator and the Scheme Creditor, as needed.
- Apply the Estimation Guidelines to the relevant agreed or adjudicated data to derive the Scheme Actuary's estimate of the Scheme Creditor's Referred Claim as at the Ascertainment Date. The Estimation Guidelines varies by claim type and is outlined in Section 4, with full details in Attachments A to H. This part of the process will also include consideration of a Scheme Creditor's own methodology, if appropriate. Further commentary on the possible use of a Scheme Creditor's own methodology is given in Sections 4.3 and 4.4.
- Prepare a summary setting out the results of application of the Estimation Guidelines to the Scheme Creditor's Referred Claim.
- Subsequent to the summary being provided, if requested by the Scheme Manager or Scheme Creditor through the Scheme Manager, a report will be prepared outlining the application of the Estimation Guidelines to that Scheme Creditor's Referred Claim.

The process is designed to be on a "Best Estimate" basis, that is, it is intended to derive an estimate equivalent to a mean, expected or average outcome. Further explanation of this basis is given in Section 1.2.

It is possible that, for some Referred Claims, the Scheme Actuary may only need to review the adjustment for discounting (i.e. time value of money). In such cases, the only relevant parts of the Estimation Guidelines relate to the impact of discounting.

The methodology proposed in this Appendix has been devised by the Scheme Actuary using his knowledge and experience of the business to which the Scheme will apply. In addition, the Scheme Actuary has taken into account the methodology used previously in other schemes of arrangement, including most closely the methodology used for the WFUM Pools Scheme. As many of the Scheme Creditors are likely to have similar exposures in the EAUA Pools Scheme it is considered fairer to Scheme Creditors to encourage them to submit their Scheme Claims in a similar fashion.

If the Scheme becomes effective, the Estimation Guidelines as set out in this Appendix will be binding on any part of the Scheme Creditor's claim which is included as part of a Referred Claim. Once effective, a Scheme Creditor can challenge the application of the Estimation Guidelines to their Scheme Claim, but not the Estimation Guidelines themselves. The mechanism in the Scheme for such a challenge is that the Scheme Creditor will be able to ask for a disputed valuation by the Scheme Actuary to be referred to the Scheme Adjudicator, who will review whether the Estimation Guidelines have been applied correctly by the Scheme Actuary. Once the Scheme is effective, the Scheme Companies are unable to challenge the Estimation Guidelines, and in addition are bound by their application by the Scheme Actuary, or if different, the Scheme Adjudicator.

This Appendix also describes the data and information that Scheme Creditors should submit to support their Scheme Claims. In general terms, the more detailed this data and information is, the more likely it will be that the Scheme Actuary will be able to take that information into account when applying the Estimation Guidelines.

2. Process Overview

2.1 Submission of claims under the scheme

There are three types of Scheme Claim:

- Unpaid Claims, including one or both of Unpaid Agreed Claims and Additional Unpaid Claims;
- Outstanding Claims; and
- IBNR Claims.

These three types are defined in Section 1.2.

This Appendix focuses mainly on the third type of claim, IBNR Claims. However, it should be noted that in some cases it may be appropriate for the Scheme Actuary to apply the Estimation Guidelines to calculate the Reserve (that is, Outstanding Claims plus IBNR) or the Ultimate Claims (t) and hence Referred Claims may include other types of claim. Referred Claims could also include those where there is no IBNR submitted by the Scheme Creditor, but where the Outstanding Claims relate to matters that are capable of

actuarial analysis (as opposed, for example, to purely factual-based Outstanding Claims for known individual claims).

Any Scheme Creditor who wishes to claim for Additional Unpaid Claims, Outstanding Claims and/or IBNR Claims should insert details of these on their Claim Form and this must be accompanied by supporting information and documentation prepared in accordance with the instructions for completion of the Claim Form. Section 3 of this Appendix outlines the type of information that a Scheme Creditor should supply to assist the Scheme Manager in trying to agree their Scheme Claim and the Scheme Actuary in applying the Estimation Guidelines to estimate the element of the Scheme Creditor's Scheme Claim which has been referred to him.

2.2 **Review Process adopted by the Scheme Actuary**

Referred Claims will be reviewed by the Scheme Actuary using the following worksteps:

(i) Obtain from the Scheme Manager copies of all relevant manual and electronic files in relation to the Scheme Creditor's Scheme Claim, including all relevant correspondence between the Scheme Manager and the Scheme Creditor.

(ii) Understand which element of the Scheme Claim (if not all of it) requires review by the Scheme Actuary as the Referred Claim (e.g. some part of the Scheme Claim may be agreed between the Scheme Manager and the Scheme Creditor, whilst certain elements may not). In many cases, it is expected that the Referred Claim will relate only to the IBNR part of the Scheme Claim.

(iii) Check that the Scheme Manager has verified all relevant policies, Additional Unpaid Claims and Outstanding Claims entered by the Scheme Creditor on their Claim Form, and has also checked that the Scheme Claim does not breach policy limits. In addition, the Scheme Actuary will check that the Scheme Manager has verified any Paid Claims which have been used by the Scheme Creditor in deriving their Scheme Claim. If these checks have not been completed, then the Scheme Actuary will request that these stages are completed by the Scheme Manager before proceeding to review the claim (unless, for example, the Outstanding Claims are to be reviewed by the Scheme Actuary, as mentioned in Section 2.1).

(iv) Consider all supporting documents supplied by the Scheme Creditor that the Scheme Actuary considers relevant to the estimation of the Scheme Claim.

(v) Consider the method used by the Scheme Creditor to derive their Scheme Claim.

(vi) Understand, and if necessary obtain copies of and review, the data, information and assumptions used by the Scheme Manager on other relevant Scheme Creditors' Claims.

(vii) Ask questions of the Scheme Manager as needed (e.g. for additional documents to support Scheme Claims etc). The additional information that may be requested shall only be for the purposes of clarification of supporting evidence submitted before the Bar Date.

(viii) Refer back any issues to the Scheme Adjudicator, if required, and suspend consideration of the Scheme Creditor's Scheme Claim until the relevant matters are resolved.

Taking into account the above data and information, the Scheme Actuary will then derive his own estimate of the Scheme Creditor's Referred Claim using the Estimation Guidelines described in Section 4 of this Appendix and in Attachments A to F to this Appendix.

In certain circumstances, the Estimation Guidelines used by the Scheme Actuary may mirror that used by the Scheme Creditor to estimate their Scheme Claim, as opposed to being the relevant methodology set out in this Appendix. Further details are given in Section 4.

The Scheme Actuary will then derive the value of the Scheme Creditor's discounted Referred Claim, by using the discount factors derived using the approach outlined in Section 5 of this Appendix.

The Scheme Actuary will provide the Scheme Creditor and Scheme Manager with a summary of the results of the application of the Estimation Guidelines, including details of the Undiscounted and Discounted value of the Referred Claim.

If requested by the Scheme Manager, the Scheme Actuary will subsequently prepare a report on the calculation of the Scheme Creditor's Referred Claim, including sections covering items such as data, analysis, limitations, methodology, results and the determination of the Referred Claim.

If a particular Referred Claim does not fall into one of the categories of claim type for which the methodology is described in Attachments A to F (e.g. unusual or anomalous claims), then the Scheme Actuary will apply an appropriate actuarial methodology, based on his experience and judgement. Any such instances will be clearly communicated to the Scheme Manager and Scheme Creditor, and if required the approach will be documented in the Scheme Actuary's report in relation to that Scheme Creditor's Referred Claim.

The Scheme Actuary will, if he deems it appropriate, seek external input from other experts. These experts, may, for example, be asked to give input on certain legal matters.

If a Scheme Creditor's Referred Claim is affected by a particular market settlement agreement, then the Scheme Actuary will take this into account in considering the Scheme Creditor's Referred Claim. However, the Scheme Actuary will not be obliged to abide by this settlement where the relevant Scheme Company is not bound by the settlement agreement.

Where a Scheme Creditor has made settlement agreements with other insurers, then, where relevant, the Scheme Actuary will take these agreements into account when reviewing the Scheme Creditor's Referred Claim, for example to ensure that appropriate set-off is allowed for.

Reinstatement and/or other adjustment premiums and/or profit commissions will not be considered by the Scheme Actuary, but rather will be calculated by the Scheme Manager, as required, unless they are presented as Scheme Claims (for example, as might arise under Reinstatement Premium Protection policies).

It should be noted that the process described here relates primarily to claims where it is necessary for the Scheme Actuary to derive the undiscounted value of the Referred Claim. However, it is possible that the Scheme Actuary may be asked to only review the impact of discounting, without the need to review the undiscounted Referred Claim. In such cases, the above process will be modified accordingly so that the Scheme Actuary only reviews the impact of discounting.

3. Supporting Evidence

3.1 Evidence to Support Claims

Each Scheme Creditor making a claim in respect of Additional Unpaid Claims, Outstanding Claims and/or IBNR Claims as part of the Scheme process will be required to provide evidence to support their claim before the Bar Date. This evidence is needed to enable the Scheme Manager/Scheme Actuary to form a judgement on the reasonableness of the claim. Such information will be required regardless of whether any part of the Scheme Claim is referred to the Scheme Actuary under the terms of the Scheme.

The nature of the evidence required is explained in the following paragraphs and in the instruction notes for completion of the Claim Forms. Failure to provide the supporting evidence requested may result in the Scheme Creditor's Scheme Claim being valued at a lower amount by the Scheme Manager/Scheme Actuary, possibly at zero.

3.2 Additional Unpaid Claims and Outstanding Claims

Supporting documentation should be in the same or substantially the same form as is customary for the insured/reinsured to send to the broker or the Scheme Manager in the normal course of business and, where applicable, stating the Scheme Companies' policy references and percentage share of the relevant policy(ies). The scope of this Appendix does not extend to consideration of how Additional Unpaid Claims or Outstanding Claims are dealt with under the Scheme, except in cases where the Referred Claims includes such amounts, as mentioned in Section 2.1.

3.3 IBNR Claims

Supporting documentation should include details of the following:

- the policies in respect of which IBNR is being asserted;
- the amount of the IBNR claimed by policy;
- details of each individual loss, loss type and amount of claim(s) for each policy in respect of which IBNR Claims are being asserted; and
- details supporting the methodology, assumptions and calculations used to estimate the value of IBNR Claims.

Where the assumptions used are based, partly or wholly, on external data (i.e. not the Scheme Creditor's own data submitted as part of the Scheme process) t

Additional Guidance for IBNR Claims is given in Section 3.4.

A detailed list of the supporting documentation required by claim type is given in Attachment G.

Where components of Outstanding Claims are materially uncertain, the requirements on supporting documentation above for IBNR Claims are equally applicable.

3.4 **Additional Guidance**

As a guide to the sort of information required by the Scheme Manager/Scheme Actuary to support an IBNR Claim it may be considered helpful to provide documentation consistent with the requirements of relevant actuarial standards. These include:

- Guidance Note GN12, issued by the Board for Actuarial Standards in the United Kingdom;
- Actuarial Standard of Practice No.9 adopted by the U.S. Actuarial Standards Board in the United States of America.

Copies of the latest versions of these guidance notes are available at http://www.frc.org.uk/bas/actuarial/ and http://actuarialstandardsboard.org respectively.

Although an actuarial report may not be necessary for all Scheme Creditors asserting IBNR Claims, Scheme Creditors claiming large IBNR amounts may consider that the provision of one would be helpful in supporting their claim to the Scheme Manager/Scheme Actuary.

Claims assessors' reports or lawyers' reports might also be helpful in supporting a Scheme Creditor's Scheme Claim. In addition, where relevant, it might also be appropriate to refer to other reports or analyses, relating, for example, to economic or demographic issues that are likely to affect future claim development.

Scheme Creditors shall give clear justification for the methodology used and the assumptions made, and provide relevant supporting information.

In considering the supporting evidence to be supplied, Scheme Creditors are advised to consider the description of the Estimation Guidelines in Section 4 and Attachments A to F, as this will help them understand the data and information that the Scheme Actuary will need in order to estimate/assess any referred component of the Scheme Creditor's Scheme Claim. As explained further in Section 4.2 below, in situations where the relevant data and information is not available to allow the Scheme Actuary to apply the Estimation Guidelines, then the Scheme Actuary will use his judgement to select an appropriate alternative methodology (which might be the methodology used by the Scheme Creditor, possibly with modification or alternative assumptions).

4. Estimation Guidelines

4.1 Introduction

This section provides a summary of the process that the Scheme Actuary will apply in order to derive an estimate of the Referred Claim. Further details by claim type are given in Attachments A to F.

As mentioned in Section 1.1 of this Appendix, the methodology outlined here and in the attachments can also be used as a guide to Scheme Creditors as to the types of methodologies that they might wish to use to estimate their IBNR Claims.

4.2 Summary of Estimation Guidelines

In general terms, the Scheme Actuary will take into account all the relevant information, as referred to in Section 2.2, and apply appropriate actuarial methods to each claim type. This will take into account updated data supplied by the individual Scheme Creditor, as well as wider relevant information gathered from other Scheme Creditors as part of the Scheme process, plus relevant wider industry knowledge. A brief summary of the Estimation Guidelines that will be used by the Scheme Actuary, by claim type, is given in the table below.

When we refer to the Scheme Creditor's Policies below, this means the policies or contracts that the Scheme Creditor has with the Scheme Company, equivalent to the defined term, "Insurance Contract", in the Scheme (excluding the element of that contract which comprises broker's commission or brokerage).

Claim type	**Summary of Estimation Guidelines**
U.S. and Non U.S. Asbestos, Environmental Pollution and Health Hazard ("**APH**") – Direct and Facultative reinsurance ("**Direct**")	Ground-up exposure analysis, allowing for estimation of total claim amounts, allocated across years of coverage and to the Scheme Creditor's Policies. See Attachments A (U.S. Asbestos Direct), C (U.S. Pollution Direct) a (Health Hazards and other Toxic Torts) for further details. The methodology for Non-U.S. Asbestos and Pollution Direct will be very similar to the descriptions in Attachments A and C respectively, modified to reflect the specific circumstances of the relevant territory. In particular, for United Kingdom Asbestos exposures, the methodology and assumptions will take into account the findings of the paper entitled "UK Asbestos – The Definitive Guide", presented to the 2004 GIRO convention and "UK Asbestos Working Party Update 2008" presented to the 2008 GIRO convention, available at www.actuaries.org.uk.
U.S. and Non-U.S. APH - Excess of Loss and Proportional Reinsurance and	Exposure-based projection of individual underlying direct loss estimates (as they affect the underlying direct or reinsurance policies written by the Scheme Creditor) aggregated appropriately and then applied to relevant Scheme Creditor's Policies.

Claim type	Summary of Estimation Guidelines
Retrocession ("Reinsurance")	Or, if suitable data are not available (e.g due to the remoteness of the Scheme Creditor's Policies from the original assureds, as is sometimes the case with reinsurance/retrocession business), then application of appropriate benchmark Burn Factors, Paid Survival Ratios and/or IBNR-to-outstanding claims ratios and/or Ultimate to Paid or Incurred claim ratios. See Attachments B (U.S. Asbestos Reinsurance), D (U.S. Pollution Reinsurance) and E (Health Hazards and other Toxic Torts) for further details. The methodology for Non- U.S. Asbestos and Pollution Reinsurance will be very similar to the descriptions in Attachments B and D respectively, modified to reflect the specific circumstances of the relevant territory.
Direct and Reinsurance Non-APH classes of business	Appropriate development factors (a) will be derived by application of standard actuarial techniques, such as the Link Ratio (or Chain Ladder) method to claims development triangles. These factors will either be derived from relevant data supplied by the Scheme Creditor, or from other appropriate data for the relevant classes of business. In the event that the historical integrity of the development factors has been materially affected by means of settlements, commutations or other similar events, the default approach will be adjusted to using benchmark factors as described in (c) below. For individual loss events (e.g. individual catastrophes) t (a) Projection to ultimate of the Scheme Creditor's underlying gross loss development for each event, the results of which are then applied to the relevant Scheme Creditor's Policies; or (b) Projection to ultimate of the loss development for each event as it affects the relevant Scheme Creditor's Policies (i.e. projection of the paid and/or incurred claims for each event that are recoverable under the Scheme Creditor's Policies); Or, if suitable data is not available, then: (c) Application of benchmark factors for each event to the Scheme Creditor's data for that event (e.g. benchmark ultimate to paid/incurred claims ratio and/or IBNR-to-

Claim type	Summary of Estimation Guidelines
	outstanding claims ratios for that event multiplied by the paid/incurred and/or outstanding claims for that event under the relevant Scheme Creditor's Policies). In some cases, the above approach may be modified, to consider: (a) Details of known individual claims, including consideration of associated loss adjuster or attorney reports; (e) Loss emergence patterns (e.g. number and amount of claims that have emerged in the past for the relevant or lower layer policies).

The principal source of data and information that the Scheme Actuary will use in order to apply the above Estimation Guidelines will be the information supplied by the Scheme Creditor as part of their submission under the Scheme, supplemented by information supplied by the Scheme Manager. The Scheme Actuary will have the discretion to use his wider market knowledge and information where he deems it appropriate to use such information, but will not be under any obligation to use such wider knowledge and information when applying the Estimation Guidelines for a particular Scheme Creditor's Referred Claim.

For all claim types, the Estimation Guidelines described in this Appendix may need to be adapted by the Scheme Actuary, depending on the data and information provided to the Scheme Actuary by the Scheme Manager and/or Scheme Creditor. In particular, if the Scheme Manager and/or Scheme Creditor has applied a different methodology to that outlined in the relevant part of this Estimation Guidelines, then the Scheme Actuary will consider whether he can also adopt a similar or the same methodology, with perhaps differing assumptions to those used by the Scheme Manager and/or Scheme Creditor. Further details are given in Section 4.3.

In situations where there is uncertainty surrounding one or more of the assumptions to be used by the Scheme Actuary to estimate a Scheme Creditor's Referred Claim, then an approach that involves the use of probabilities, assigned to different assumptions, may be utilised. In such cases, the Scheme Actuary may seek appropriate expert (e.g. legal) opinion, if he considers this necessary. In addition, the Scheme Creditor will have the opportunity to provide input to these probabilities, if they wish, and on any other aspects of the uncertainty surrounding their claims affecting Scheme Policies. This will ensure that their views on uncertainty and on the likelihood of potential outcomes are taken into account in deriving an estimate of their Referred Claim.

It is recognised that, if a Scheme Creditor is using this Appendix as a guide to the methodology that they use to estimate their Scheme Claim, then it may be necessary to adapt that methodology to suit the particular circumstances surrounding the Scheme Creditor's Scheme Claim and/or due to the information available to the Scheme Creditor.

For all claim types, where required data is not available, the Scheme Actuary will use his judgement in deciding on an appropriate Estimation Guidelines to apply in order to derive an estimate of the Referred Claim, which in some cases may be zero if the available supporting data is limited. In all cases, the Scheme Actuary will document his rationale for selection of a particular methodology and set of assumptions.

Further details of the Estimation Guidelines for each claim type are given in Attachments A to F. Although Attachments A to D inclusive relate to U.S. exposures to Asbestos and Pollution, the methodology that will be used for non-U.S. exposures is likely to be very similar to the descriptions in these Attachments, modified to reflect the specific circumstances of the relevant territory.

Where Scheme Creditors submit claims of different types (e.g. Direct and Reinsurance) then the relevant methodology described in this Appendix for each claim type will be applied separately by claim type.

The above table, and Attachments A to F, describe the methodology to be used to derive the undiscounted Referred Claim. This amount will be discounted using the factors derived, as described in Section 5.

4.3 **Use of Scheme Creditors' methodology**

In situations where the Scheme Creditor has applied their own methodology, the Scheme Actuary will use his judgement to assess the reasonableness of the methodology employed by the Scheme Creditor, as compared to the methodology for the relevant claim type(s) as set out in Section 4.2 of this Appendix.

If the Scheme Actuary deems that a Scheme Creditor's methodology is more appropriate than the corresponding methodology in Section 4, then the Scheme Actuary will proceed to review the detailed application of the Scheme Creditor's methodology, including the reasonableness of the assumptions.

In some cases, the Scheme Actuary may select results based on a combination of results produced by the application of the Scheme Creditor's methodology, and those produced by application of the relevant methodology in Section 4.

In reviewing a Scheme Creditor's methodology and assumptions in relation to the Referred Claim, the Scheme Actuary's judgement of their reasonableness will include consideration of whether they comply with the following principles:

- The methodology should normally be a recognised approach used by actuaries and other reserving practitioners to estimate general insurance claims liabilities. Such methods include loss development factor methods (e.g. using past claims development data) and exposure-based methods. Uses of other, less recognised approaches should be justified by the Scheme Creditor in their supporting information.

- Selected assumptions should be based on a rational and unbiased analysis (of the Scheme Creditor's own, and where appropriate relevant wider market, information), and not simply set at the extremes of possible ranges for those assumptions.

- The estimates produced by application of the methodology should be on a Best Estimate basis. This is defined in Section 1.2.

- Where estimates are based on selected proportions of the relevant insurance cover (e.g. 50 per cent of limits) then these proportions should be supported by analysis to justify the selected values. For example, the proportions could be based upon projections of reported losses, using specific information relating to those individual losses.

- In situations where there is uncertainty surrounding the assumptions used within a Scheme Creditor's own methodology, then an approach that involves the use of probabilities, assigned to different assumptions, may be utilised. In such cases, the selected probabilities should be justified, and, wherever possible, be backed up with expert (e.g. legal) opinion.

In all cases, the information supporting the application of a Scheme Creditor's own methodology and assumptions, including the calculations, should be as comprehensive as possible, to allow the Scheme Actuary to verify the validity of the assumptions and understand the rationale for the implied results.

It should be noted that specific principles apply to the situation where there is limited or no claims history associated with one or more claim types under the Scheme Creditor's Policies, but where the Scheme Creditor has submitted a claim for IBNR. These are covered in Section 4.4.

4.4 **Policies with claim types having limited or no claims history**

This Section relates to policies with claim types that have limited or no claims history at the date of submission of claims under the Scheme, but where Scheme Creditors wish to assert an IBNR claim.

If the Scheme Actuary is required to review a Scheme Claim of this type, then he will first consider into which of the following two categories the claim falls:

- Direct or Reinsurance policies where there are one or more known underlying losses, which when projected to their estimated ultimate level can be shown to affect the relevant policies. An example might be higher-layer direct or reinsurance policies, where the claims are estimated to increase such that they will affect these layers.

- All other Direct or Reinsurance policies, where there are no specific known underlying losses that can be projected. An example might be Direct policies where there are no quantified reported losses in any year.

For the first category, the approach outlined in Section 4.2 and in the appropriate Attachment for the relevant claim type(s) will be used by the Scheme Actuary to estimate the relevant losses to the policies.

For the second category, the approaches outlined in this Appendix may need some modification to reflect the specific circumstances of the submitted claim. However, as for other policies and claim types, Scheme Creditors may submit their own methodology for

estimating their claim. In considering the suitability of such methodology, and hence the amount of IBNR claimed, the Scheme Actuary will apply the following principles to test for reasonableness:

- For direct insurance exposures (as opposed to reinsurance), there should be a demonstrable link between the claim type(s) being claimed and the business activities of the Scheme Creditor. Scheme Creditors should supply details linking their business activities with the claim type(s) being claimed (e.g. details of products manufactured by Scheme Creditors, and the types of claim that may be associated with these products). For reinsurance exposures, there should similarly be a link between the business activities of the entity(ies) insured by the Scheme Creditor and the claim type(s) being claimed.

- The selected assumptions should be based on a rational and unbiased analysis (of the Scheme Creditor's own, and where appropriate relevant wider market information), and not simply set at the extremes of possible ranges for those assumptions.

- Where an exposure-based approach has been used, then, in the case of personal-injury based direct claims, it should begin with reasonable assumptions regarding the population of exposed persons, the proportion that will ultimately claim and the likely size of these claims.

- Exposure to selected claim types or sources of claim should be based on recognised sources.

- When the results are "grossed-up" to be at an industry or country-wide level, they should be plausible, based on current known information. In other words, if we take the estimates for the Scheme Creditor's Policies and divide them by an appropriate market share percentage, then the resulting industry or country-wide figure should be plausible.

As an example, in the early years after asbestos was identified as affecting certain defendants, but where there was limited or no claims history, it was possible to review the exposed population (e.g. based on the number employed by a defendant, or otherwise affected by their activities, over a specified period) and estimate the ultimate number of asbestos-related claims that might arise in future from each defendant. Costs of individual claims could similarly be estimated using costs associated with claims arising from other similar product or premises-related sources.

The comment made at the start of this Appendix regarding Scheme Creditors contacting the Scheme Manager to discuss their proposed methodology is particularly relevant for this type of claim. Any Scheme Creditor in doubt as to whether their proposed methodology will be acceptable is encouraged to contact the Scheme Manager as soon as possible before the Bar Date.

5. Discounting for Future Investment Income

5.1 Discounting

Once the inwards Outstanding Claims and IBNR Claims have been ascertained, they will be discounted to take account of the time value of money.

5.2 **Items to be discounted**

Both Outstanding Claims and IBNR Claims will be discounted to the Ascertainment Date.

The discount factors to be applied depend on:

- assumed rates of interest over time, and
- claims development (i.e. payment) patterns.

Adjustments to these factors will be made by the Scheme Manager to allow for the period between the Ascertainment Date and the last business day of the month before the date of the Valuation Statement for each Scheme Creditor. The overall effect of these adjustments will be to discount the reserve (i.e. Outstanding Claims plus IBNR Claims) as at the last business day of the month before the Valuation Statement date. In effect, only payments projected to be made after this date will be subject to discount for future investment income.

5.3 **Claims Development (i.e. payment) Patterns**

The Scheme Actuary will use claims development (i.e. payment) patterns for each of the main claim types and the claim amounts will be discounted assuming an average time to settlement of each such claim type. The Scheme Actuary will take into account specific information supplied by the Scheme Creditor and/or Scheme Manager relating to payment patterns that he considers relevant to their Scheme Claim and which would have a material impact on the discount factors to be used. For example, in some cases it might be appropriate to allow for pre-agreed instalment dates as part of a settlement agreement.

5.4 **Discount Factors**

Attachment H shows the discount factors to be used for the Scheme. These factors are derived by considering the expected payment profile implied by the claims development patterns for a particular type of claim, and discounting this profile by reference to the rate given by the yield curve for "AA" rated U.S. corporate bonds which is sourced from Bloomberg. The selection of "AA" rated bonds is designed to represent a realistic reflection of the average rates achievable on an "investment grade" bond portfolio, and to take account of the cost to a Creditor or a Scheme Company of servicing their own debt. These factors will be used (prior to the adjustments to the Valuation Statement date, as referred to in Section 5.2), unless the Scheme Actuary deems it appropriate to adjust the claims development patterns in accordance with Sections 5.3 above.

Attachment A U.S. Asbestos Direct

1. Introduction

Ultimate Claims for this category will be derived by allocating an estimated ultimate ground-up asbestos indemnity and expense amount to the Scheme Creditor's Policies using a "ground-up" exposure-based methodology. This amount will be determined from the Scheme Creditor's paid asbestos claims to date plus an estimate of future claims associated with pending and unasserted asbestos claims.

The methodology described here will be modified if alternative, more accurate data and information is supplied by the Scheme Creditor as part of their claim submission under the Scheme (e.g. for estimating ultimate ground-up indemnity and/or expense, the Scheme Creditor may have access to additional specific information that will allow a more accurate ultimate to be estimated).

2. A Scheme Creditor's ground-up Indemnity and Expense

A frequency/severity approach will be used to estimate the future claims associated with pending and unasserted asbestos claimants. Specifically, an average indemnity cost per claim (possibly split by disease-type, if suitable data is available) is multiplied by a projected number of settled claims to estimate the future amount of indemnity claims. An expense-to-indemnity ratio is then applied to the future indemnity claims to include a provision for expenses. A separate estimate is calculated for each future annual period. The average severity for each future year is trended to include a provision for expected future claims and expense inflation/deflation.

The analysis considers products and non-products (i.e. premises and operations) claims separately. Generally, it will be assumed that for products claims, available insurance coverage will be eroded vertically, due to the presence of products aggregate limits. For non-products claims, appropriate assumptions will be made regarding the definition of an "occurrence" based on the particular situation of each Scheme Creditor. The various definitions of "occurrence" employed will lead to different allocation strategies for non-products claims.

The following describes the parameters incorporated in the frequency/severity approach. The parameters will be selected based on available information supplied by the Scheme Creditor and/or on other information that might be available to the Scheme Manager/Scheme Actuary, such as attorney reports.

The process is similar for both pending claims and unasserted claims, with the exception that the number of claims filed is known for those pending.

Number of Claims Filed – The number of future claims filed is estimated separately for each future calendar year by selecting the number of claims filed in the current year and using a projection model to calculate the number of claims filed in subsequent years. The number of claims filed in the current year is selected judgmentally based on the historical number of claim filings against the Scheme Creditor in recent years (allowing for the possible distorting effect of claim file surges in historical data and specific factors affecting the Scheme Creditor,

such as the impact of being a recently targeted defendant). The projection method relies on asbestos claim emergence patterns derived from generally accepted epidemiological studies of the exposed working population. An appropriate emergence pattern (or "curve") will be selected for each relevant Scheme Creditor (e.g. one of the "Stallard" curves based on Manville data). Based on the number of claims projected by the selected curve, a decay rate will be derived. In other words, the shape of the selected curve will be applied to the selected current year filings to derive a filing rate for each future year.

Dismissal Rate – The dismissal rate represents the percentage of claims filed that are expected to close without payment. The complement of the dismissal rate is applied to the number of claims filed to determine the number of claims filed that will settle with payment. The selected dismissal rate is based on the Scheme Creditor's historical number of claims closed without payment divided by the total number of claims closed. Appropriate allowance will be made for anomalies in this historical dismissal rate, for example caused by large bulk dismissals, or a less aggressive dismissal philosophy. Any relevant reforms in State level legislation that might affect future dismissal rates compared to historical rates will also be taken into account. Relevant information supplied by the Scheme Creditor and/or Attorney reports that might be available to the Scheme Manager/Scheme Actuary will be used to assess whether any such anomalies might exist.

Settlement Distribution – The settlement distribution reflects the number of years between the filing date and the settlement date of a claim. The number of claims settled in a given year is determined by applying the settlement distribution to the number of claims filed not dismissed in the current and prior years. Unless there is evidence (e.g. as might be supplied by the Scheme Creditor) that an alternative should be used, the settlement distribution will be assumed to be uniformly spread over the four years following the filing date.

Indemnity Severity – The indemnity severity represents the average indemnity costs expected for each claim settled at cost and is selected based on the Scheme Creditor's historical average indemnity cost per settled claim. Consideration will be given to the historical average indemnity severity for all settled claims and those settled in more recent years.

Severity Trend – The severity trend represents an expected annual increase in indemnity and expenses associated with settled claims in future years. The severity trend will be impacted by a number of effects. Firstly, average claim sizes will increase over time due to general cost inflation. This trend may be affected by the changing mix of claim-types over time. Further, the average age of claimants will become higher, potentially reducing the part of the claim related to future earnings and/or costs of care. The Scheme Actuary will select an appropriate severity trend for a particular Scheme Creditor's Scheme Claim, taking into account relevant factors at the time of the analysis, including any allowance for changes in legislation that may affect the severity trend.

Expense-to-Indemnity Ratio – The expense-to-indemnity ratio is applied to the projected indemnity costs for each future year to determine a provision for expenses. The expense-to-indemnity ratio is selected based on the Scheme Creditor's historical ratios of expenses to indemnity payments. Consideration will be given to the historical ratios for settled claims in

appropriate groups of past years. Additional consideration is given to changes in defence strategy and the maturity of the Scheme Creditor as an asbestos defendant.

3. **Coverage**

Information will be gathered from the Scheme Manager and/or Scheme Creditor to ascertain each Scheme Creditor's insurance coverage block. Where this information is not available, the Scheme Actuary will consider whether appropriate assumptions can be made, possibly based on the experience of other similar assureds (that may not necessarily be Scheme Creditors). In some cases, the absence of coverage information might lead to a simpler approach necessarily being adopted, which may result in a lower overall value being assessed for the Referred Claim than if such coverage information were available.

4. **Exposure of the Scheme Creditor's Policies**

Having consulted with the Scheme Creditor, where required, the Scheme Manager will advise the Scheme Actuary of the relevant Scheme Creditor's Policies with potential exposure to asbestos-related claims.

5. **Allocation of Scheme Creditor's ground-up claims to the Scheme Creditor's Policies**

The allocation used will conform to the applicable governing law, and may also take into account information provided by the Scheme Creditor. In situations where there is no known choice of law, or where it is in dispute or cannot otherwise be determined, the Scheme Actuary will use a "fallback" process outlined below. In applying the fallback process, the Scheme Actuary will modify its application if the policy language and/or coverage defences justify doing so.

Where it is deemed appropriate to allocate claims based on actual exposure across the relevant years (e.g. a "bell-curve" type approach) but where Scheme Creditor-specific historical data is not available to derive the allocation, then consideration will be given to using an exposure profile for similar assureds (that may not necessarily be Scheme Creditors).

It should be noted that, regardless of what allocation is deemed appropriate, under no circumstances will any policy be able to respond to claims beyond that of its individually stated limits as per the policy wording (e.g products-related claims will only be capable of possible recovery under the products section of the relevant policy and non-products claims under the relevant non-products section of the policy).

Where the prevailing law is "All-Sums", then the Scheme Actuary will apply an "All-Sums Net of Contribution Rights" approach, given that contribution rights will be exercised. This approach is described in Section C.2 – Pollution Direct. Where there are a range of possible allocation methods, the Scheme Actuary will select appropriate probability weightings between the possible methods.

The fallback allocation process will be as follows:

- Develop the ground-up ("**GU**") asbestos ultimate indemnity and expense estimate for the Scheme Creditor, as described above.

- If the total GU estimate is less than the sum of the available primary layer coverage over all years, Approach 1 (described below) is adopted, otherwise Approach 2 is adopted. The GU estimate here will either include or exclude expenses, depending on whether expenses are included within the primary limits or in addition.

Approach 1:

- Divide the GU estimate by the number of years in the coverage block, to derive an amount per year, taking into account the relevant facts relating to the Scheme Creditor (e.g. when the product or agent causing the exposure was produced).

Apply the yearly amount to the insurance programme, using the following steps:

- If the primary layer is not exhausted for any one year, then the process is complete.
- If the primary layer is exhausted for one or more years, then sum the additional amounts for these years and allocate these amounts to the primary layers which still have unexhausted limits. This additional amount is allocated equally between the years with spare capacity.
- If at this second iteration, the additional allocation causes some of these primary layers to be exhausted, then further iterations of the previous step are carried out until all the GU estimate is allocated within the primary layers.

Approach 2:

- First, the primary layers across all relevant years are all fully exhausted.
- The sum of the primary layer recoveries is deducted from the GU estimate to derive an amount that needs to be allocated through the excess layers. Expenses are either included or excluded at this stage, according to the policy wording.
- Divide the total excess layer amount by the number of years in the coverage block, to derive an amount per year.
- For each year, compare the allocated amount per year with the amount of available excess layer cover in that year and allow recovery up to a maximum of the available excess layer cover.

Consideration will also be given to the treatment of expenses for each layer in the Scheme Creditor's coverage block. Information will be obtained regarding the expense treatment by layer from the coverage and other information provided by the Scheme Creditor and/or Scheme Manager.

Without specific information to the contrary, the Scheme Actuary will assume that for primary layers, expenses are in addition to limits and for excess layers expenses are included within limits.

After the allocation of the indemnity and expenses (either via the governing law basis or the fallback basis outlined above) to each coverage year is complete, the share of the estimated

ultimate indemnity and expense (excluding solicitor costs and attorney fees paid directly by the Scheme Companies) covered by the Scheme Creditor's Policies will be calculated as the summation of the ultimate signed line under the Scheme Creditor's Policies (on each layer on which the Scheme Companies participated) multiplied by the allocated claims to that layer.

6. **Asbestos values in respect of the Scheme Creditor's Policies**

If the sum of the ultimate asbestos indemnity and expense amounts (where they are included within limits) a -asbestos-products claims is higher than the limit on the Scheme Creditor's policy, then the ultimate asbestos amount will be reduced such that the total asbestos ultimate plus the incurred non-asbestos products claims is no higher than the limit on the Scheme Creditor's policy.

If information is not available on the nature of any non-asbestos claims, then it will be assumed that all non-asbestos claims covered by Scheme Creditor's policies that are associated with the Scheme Creditor are products-related, except for pollution claims.

The asbestos indemnity and expense amounts representing Paid Claims under the Scheme Creditor's policies, excluding solicitor and attorney fees paid directly by the Scheme Companies, are subtracted from the ultimate indemnity and expense estimate under Scheme Creditor's policies to determine the asbestos reserves for each Scheme policy.

Similarly, the asbestos IBNR reserves for each Scheme Creditor's policy are determined by subtracting the known Outstanding Claims as at the Ascertainment Date from the asbestos reserves for that Scheme Creditor's policy.

Attachment B U.S. Asbestos Reinsurance

1. Introduction

For each Scheme Creditor where Asbestos Reinsurance claims are referred to the Scheme Actuary, one of two alternative approaches will be used:

(1) A detailed ground-up exposure approach.

(2) A simpler, benchmark-based approach.

The approach used by the Scheme Actuary is likely to vary depending on the availability of data, the type of business written by the Scheme Creditor and the information supplied by the Scheme Creditor under the Scheme.

For facultative reinsurance, a ground-up exposure-based approach (as for Asbestos Direct) will be used where suitable data and information is available. The description of the relevant Estimation Guidelines can be found in Attachment A, modified to reflect the application of the relevant facultative reinsurance contracts.

For first tier (i.e. reinsurance of direct business) excess of loss reinsurance and proportional reinsurance, a form of Reinsurance exposure approach (described below) will be used, again where suitable data and information is available. For all other reinsurance types (e.g. London Market cedants or retrocession-type business), it is highly likely that it will be necessary to use a simpler benchmark-based approach (described below), because the data and information needed to apply a more detailed ground-up exposure-based approach is unlikely to be available.

The approach to be used is very dependent on the data and information supplied by the Scheme Creditor, since, for example, it will be very difficult for the Scheme Actuary to apply a detailed exposure-based method without details of underlying direct exposures, which he would not otherwise have access to from wider sources. It will be in every relevant Scheme Creditor's interest to provide as much detailed information as possible to enable the Scheme Actuary to apply the detailed exposure-based approach where appropriate. In the absence of such information, the Scheme Actuary will need to use the simpler benchmark approach which may result in a different amount being derived by the Scheme Actuary, compared to that derived from application of the detailed exposure-based approach.

2. First-tier reinsurance exposure-based approach

For Scheme Creditors who themselves wrote direct insurance of asbestos defendants (first-tier reinsurers), a form of exposure-based approach will be used where suitable data and information is available. The required data and information is described in the relevant section of Attachment G.

The overall approach will be as follows:

(a) Identify all relevant underlying direct assureds, and the coverage written by the Scheme Creditor for each of those assureds.

(b) Estimate ultimate losses to the Scheme Creditor arising from each of those assureds.

(c) Apply the relevant Scheme policy terms to the ultimate loss to estimate the losses from each assured to the Scheme Creditor's Policies.

These steps are described in more detail below.

(a) Identify underlying direct assureds

These assureds will be those that have either already impacted upon policies under which the Scheme Creditor is claiming, or those which the Scheme Creditor is able to show are likely to impact such policies in future. Assuming that the Scheme Creditor has conducted their own underlying direct exposure-analysis, then it will be necessary to determine which of the totality of assureds are likely to expose the Scheme Creditor's policies, based, for example, on exposed years and likely size of direct loss to the Scheme Creditor.

(d) Estimate ultimate claims to the Scheme Creditor from each assured

The appropriate methodology to use here will be similar to that outlined in Attachment A for Asbestos Direct. It will result in estimated ultimate claims to each year from each assured.

If part of the Scheme Creditor's Scheme Claim to the Scheme policies relates to one or more settlements between the Scheme Creditor and their underlying assureds, then it will be necessary for the Scheme Creditor to show that these settlements are validly collectable from the Scheme policies.

(e) Estimate claims to Scheme Creditor's Policies

This will involve applying the estimated loss from each assured for each year, to the terms (i.e. layers, shares etc.) of the Scheme Creditor's policies in each year. Appropriate allowance will need to be made for expenses that may be in addition to the layer limits. In areas of doubt, expenses will be assumed to be included within the policy limits.

The number of reinstatements will be determined from the Scheme Manager's and/or Scheme Creditor's data. Where there is no data on reinstatements, and there is no evidence to the contrary, then the Scheme Actuary will select the number of reinstatements, based on what he considers to be the market practice for the relevant policies.

Scheme Creditors will need to provide reasonable evidence that there is known or potential exposure arising under relevant policies to specific underlying assureds.

The result of the above analysis will be an ultimate loss selection for each underlying defendant for each relevant policy for the Scheme Creditor under review by the Scheme Actuary. Depending on the information available, the Scheme Actuary will consider whether it is appropriate to add any additional loadings to allow for:

- Non-products claims
- Unreported defendants.

Non-products

If Scheme Creditors can clearly demonstrate exposure to Non-products losses on their Reinsurance policies, including how, and under which contract clauses, claims aggregate to expose the Reinsurance policies, then the Scheme Actuary will take this into account in forming his estimates. Without evidence to the contrary from the Scheme Creditor, the Scheme Actuary will assume no exposure to Non-products claims.

Unreported Defendants

If the Scheme Actuary believes that the above analysis requires an additional loading for unreported asbestos defendants, then he will add such a loading. If, for example, there is evidence of exposure to other specific defendants, or there is an observed emergence of new defendants, then such a loading might be appropriate. However, this loading will be zero unless the Scheme Creditor has supplied information to demonstrate that the above analysis does not adequately capture the Unreported Defendants that the policies are likely to be exposed to in the future.

3. **Benchmark Approach**

In circumstances where the ground-up exposure based approach cannot be applied (e.g. due to data constraints) in whole or part, or where, in the opinion of the Scheme Actuary, the size of the Referred Claim does not justify such a detailed approach, then a simpler approach will be used. This will involve one or more of the following:

- Gathering information on the nature of the inwards business written by the Scheme Creditor, and on the Scheme Creditor's underlying inwards asbestos paid, incurred and IBNR Claims.
- Gathering information on the current and prior historical development of asbestos paid and incurred claims to each policy under review for the particular Scheme Creditor.
- Selection of appropriate benchmark IBNR-to-Outstanding Claims ratios, Ultimate to Paid or Incurred claims and/or Paid Survival Ratios or Burn Factors.
- Application of those benchmark factors to the Scheme Creditor's data to derive alternative estimates for the Referred Claim.
- Selection of final Referred Claim estimate.

Attachment C U.S. Pollution Direct

1. Introduction

Referred Claims for this category will be determined by allocating an estimated ultimate pollution indemnity and expense amount by site to the Scheme Creditor's Policies using a "ground-up" exposure-based methodology. This amount will be calculated from the Scheme Creditor's paid pollution claims to date plus an estimate of future pollution claims associated with relevant sites to which the Scheme Creditor can demonstrate they have exposure.

The methodology described here will be modified if alternative, more accurate data and information is supplied by the Scheme Creditor as part of their claim submission under the Scheme (e.g. for estimating ultimate clean-up costs for particular sites, the Scheme Creditor may have access to additional specific information that will allow a more accurate ultimate to be estimated).

2. Summary of approach

The environmental pollution exposure analysis takes into account the following items:

- information on Potentially Responsible Parties ("**PRPs**") by site;
- win factors, which allow for the probability that the Scheme Creditor will win in litigation against the Scheme Company;
- global estimates on clean-up costs and PRP expenses for National Priority List ("**NPL**") sites;
- alternative event triggers dependent on the site and State. Where an "All-Sums" basis is appropriate, the Scheme Actuary will use the "All-Sums Net of Contribution Rights" approach (described below).

The actuarial exposure-based model used by the Scheme Actuary will consider all NPL sites and significant non-NPL sites to which, based on current information, each relevant Scheme Creditor can demonstrate they are exposed. Each site will be treated as a separate occurrence. The outline steps involved in estimating an individual Scheme Creditor's liability are as follows:

- the period(s) over which the Scheme Creditor was involved at each site is identified;
- the costs over the period for each site are allocated to each PRP in accordance with its appropriate share (as set out in the Record of Decision, as provided by the relevant court in the U.S., for that site) or an estimate of the appropriate share based on knowledge of the time for which a PRP participated in a site, or usage that it made of that site, compared to the time or usage related to other PRPs at that site;
- the Scheme Creditor's ultimate cost for each site is allocated across years using the appropriate methodology;

- the policy profile is applied to each Scheme Creditor's estimated claims on a year-by-year basis;
- legal coverage issues involved in determining the validity of the claim are taken into account when determining final estimates of liability; and
- a cost per policy is developed after taking account of any further aspects of liability (e.g. PRP expenses).

Additional details on the following key components of this approach are given in the remaining sections of this Attachment, covering the following items:

(i) Costs and expenses

(ii) PRP shares

(iii) Types of site

(iv) Choice of Law

(v) Trigger

(vi) Allocation

(vii) All-Sums allocation

(viii) Win factors

(ix) Prior settlement agreements

(x) Missing information

(a) **Costs and expenses associated with each pollution site**

There are several different types of costs associated with a particular site, for which PRPs might seek recovery from their insurer. The main categories of cost are discussed below. Where possible, the ratio of historical paid costs (excluding and including expenses) to future costs will be used to assess the reasonableness of future cost estimates (made by the Scheme Creditor, Scheme Manager and/or Scheme Actuary).

Clean-up/r -damage non-products related costs associated with cleaning up or remediating hazardous waste sites. There are a number of sub-categories of such costs, including emergency response, remedial investigation/feasibility, selection and design of remediation option and the actual remediation costs. The Scheme Actuary will take into account all relevant categories of costs, where sufficient evidence is available to justify their inclusion. In submitting data to the Scheme Actuary, Scheme Creditors should use undiscounted estimates of clean-up costs. However, in some cases, if an Attorney report has been used as the source for clean-up costs, then if these are already discounted for the time value of money, the Scheme Actuary will consider whether the implied discounting factor is appropriate for the purpose of determining the Referred Claim value under the Scheme policies. Where it is appropriate to make projections of future clean-up

costs, then the Scheme Actuary will assume, without firm evidence to the contrary, that any impact of inflation is offset by improvements in clean-up technology that will help reduce clean-up costs.

Natural Resource Damages ("NRD"): These relate to costs associated with compensating public authorities for natural resources (e.g. plants and animals) that were either lost at a particular site or that need to be replaced as a result of the remediation process. NRD costs will be assumed to be zero, without firm evidence to the contrary.

Bodily injury costs: These relate to, for example, bodily injury caused to persons living near to polluted sites.

Products-related costs: These relate, for example, to third-party liability costs associated with damage to crops caused by certain agricultural products.

Resource Conservation and Recovery Act ("RCRA"): The Scheme Actuary will assume that liability for RCRA sites will be zero, without firm evidence to the contrary.

Scheme Creditor Defence costs: These are costs incurred by the Scheme Creditor in defending claims against them for pollution-related indemnity amounts. The relevant policy wording will be used to determine whether these costs are covered and within limits or in addition to policy limits (with the default being within limits, where there is no firm evidence to the contrary). Where there is limited information on the size of these costs, the Scheme Actuary will select an appropriate proportion of indemnity amounts.

(b) **PRP shares at each site**

Shares of PRPs at particular sites is a particularly difficult area, where such proportions have not already been determined. In the absence of firm information regarding a particular Scheme Creditor's share at a particular site, the Scheme Actuary will assume an even share of the costs amongst the known PRPs at a particular site, with an adjustment where it is believed (e.g. due to identified uncertainty around the specific and/or number of PRPs that are involved at a particular site) that further PRPs will be identified in future.

(c) **Types of site**

Only sites where the Scheme Creditor has a known involvement will be included as part of the Scheme Actuary's calculation of the Referred Claim value. Such sites can either be on the National Priority List (NPL) or not. Speculative inclusion of further sites where the Scheme Creditor might have an involvement either currently or in the future will not be included as part of the calculation. Scheme Creditors are therefore advised to supply as full information as possible to document their known exposure at relevant sites (e.g. engineers' reports).

(d) **Choice of Law**

The assumptions used for trigger, allocation and for the strength of the various win factors will depend on which State's law is to be used for each site. In the absence of any evidence or factors to the contrary, the Scheme Actuary will assume that the location of each site will determine the jurisdiction, unless the Scheme Creditor can justify an alternative.

(e) **Trigger**

The appropriate trigger will be determined by the Choice of Law. The most common trigger is the continuous trigger, whereby all policies are triggered from the start of the Scheme Creditor's involvement at the site to the date when the damage is discovered or upon receipt of formal notification of liability by means of a PRP letter from the relevant State or federal agency. However, other triggers, such as manifestation, exposure and injury-in-fact are valid alternatives. Where there is uncertainty within a State, a probability weighted average of different triggers may be adopted.

(f) **Allocation**

The appropriate allocation methodology will be determined by the Choice of Law. In States where this issue is uncertain, a probability weighted average will be adopted. The weights will be derived from estimated probabilities that can be applied to each possible methodology, perhaps based on expert (e.g. legal) opinion, if the Scheme Actuary considers this necessary. The two most common allocation methodologies are Pro-Rata and All-Sums. The Pro-Rata allocation methodology will spread each site's cost evenly across the triggered years from the ground up. Under an All-Sums allocation, the All-Sums Net of Contribution Rights approach will be used, as described below.

(g) **All-Sums allocation**

In some cases, a Scheme Creditor may make a claim using an "All-Sums" basis in a State where the Choice of Law implies that this basis is appropriate. In such situations, in the interests of achieving an early settlement with the Scheme Company, the Scheme Actuary will modify the amount claimed using a form of proxy for this basis. We refer to this proxy as "All-Sums Net of Contribution Rights" or "ASCOR".

With an "All Sums" approach, the insured selects the year in which all of its loss is to be initially allocated and the claim is then initially paid by the insurer(s) on that year alone. Most jurisdictions have recognised the fact that in order to ensure a fair allocation of the liability between the insurers, further allocation of the costs between insurers is appropriate following initial payment by the all sums year insurers to the insured. The insurers therefore generally have the right to pursue the insurers of the other triggered years within the overall coverage block for their share of the loss. This process allocates part of the loss originally allocated to the initial year to some of the other coverage years (including possibly to Scheme Creditor's policies other than those policies on which the loss has been allocated initially and/or other insurers).

The application of ASCOR will, where known, take into account relevant issues relating to non-recoverability of certain coverage (intentional or insolvent).

For Scheme crystallisation, the ASCOR approach is necessary to ensure fairness across different creditor groups within the Scheme as well as between the Scheme Company and the All-Sums Scheme Creditors. As the scheme settlements are in advance of any market or court approved settlement, the Scheme Company does not have the ability to recover the

contributions which will ultimately be due and are relevant to the fair allocation of assets to the liabilities of the Scheme Creditors at the time of the crystallisation.

The ASCOR allocation gives figures equivalent to the end result of the All- Sums approach, with each insurer paying its share of the final allocation, assuming the claim has been paid on an All-Sums basis by the relevant insurer(s) and then recovered from the insurer(s) on the other coverage years.

Where necessary, the Scheme Manager can assign those recovery or "contribution" rights over to the Scheme Creditor so that the Scheme Creditor is able to recover the relevant amounts from the other insurers when the claim is subsequently agreed across the market or in the courts to be collectable from the selected All-Sums coverage year.

(h) **Win-factors**

The Scheme Actuary will take into account the specific circumstances of each claim for each relevant site when determining whether, and by how much, the IBNR amount should include an adjustment for a win-factor. Factors such as policy wordings and the history of relevant legal decisions in particular States will be taken into account and where necessary, the Scheme Actuary will take appropriate legal advice.

(i) **Prior settlement agreements**

In some cases, PRPs may have settled with other insurers, either on an individual site or group of known-sites basis ("known sites release"), or across all known and potential sites where the PRP has an involvement ("full pollution release"). Where these agreements affect Scheme policies, and have not already been processed as Paid Claims by the Scheme Company, then the Scheme Actuary will consider whether it is appropriate to follow these agreements when estimating the Referred Claim for each relevant Scheme policy. In deciding whether these agreements should be followed, the Scheme Actuary will review the underlying assumptions behind the settlement for reasonableness and consistency with other similar Scheme Claims.

(j) **Missing information**

For most sites, we would expect to source information from reports and information supplied by the Scheme Creditor. In addition, for some sites, the Scheme Actuary may be able to make use of publicly available information available, for example, on estimated clean-up costs (e.g. for NPL sites, the Record of Decision available from the Environmental Protection Agency gives some information on estimates of clean-up costs for certain sites).

However, for large numbers of pollution sites, particularly non-NPL sites, it is likely that there will be limited publicly available information relating to items such as costs, years of operation, PRP shares etc., that the Scheme Actuary can use to estimate the associated amount applicable to each Scheme policy. In such cases, the Scheme Actuary will use his judgement to select appropriate assumptions based on other sites where such information is known. In general terms, non-NPL sites will be assumed to have lower associated costs than NPL sites.

Scheme Creditors are strongly advised to supply detailed information (e.g. engineers' reports) for each relevant site, to avoid the need for the Scheme Actuary to use publicly available data and information.

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Attachment D U.S. Pollution Reinsurance

1. Introduction

For each Scheme Creditor where U.S. Pollution Reinsurance claims are referred to the Scheme Actuary, one of two alternative approaches will be used:

(1) A detailed ground-up exposure approach.

(2) A simpler, benchmark-based approach.

It should be noted that in all cases, it will be necessary for the Scheme Creditor to have already shown (prior to the submission to the Scheme Actuary for the claim to be reviewed) t 's policies. In addition, if part of the Scheme Creditor's Scheme Claim to the Scheme policies relate to one or more settlements between the Scheme Creditor and their underlying assureds, then it will be necessary for the Scheme Creditor to show that these settlements are validly collectable from the Scheme policies (as certain types of pollution settlements may not be covered by the wording of the Scheme policies).

The approach used by the Scheme Actuary is likely to vary depending on the data available, the type of business written by the Scheme Creditor and the information supplied by the Scheme Creditor under the Scheme.

For facultative reinsurance, a ground-up exposure-based approach (as for Pollution Direct) will be used where suitable data and information is available. The description of the relevant Estimation Guidelines can be found in Attachment C, modified to reflect the application of the relevant facultative reinsurance contracts.

For first tier (i.e. reinsurance of direct business) excess of loss reinsurance and proportional reinsurance, a form of Reinsurance exposure approach (described below) will be used, again where suitable data and information is available. For all other reinsurance types (e.g. London Market cedants or retrocession- type business), it is highly likely that it will be necessary to use a simpler benchmark-based approach (described below), because the data and information needed to apply a more detailed ground-up exposure-based approach is unlikely to be available.

The approach to be used is very dependent on the data and information supplied by the Scheme Creditor, since, for example, it will be very difficult for the Scheme Actuary to apply a detailed exposure-based method without details of underlying direct exposures, which he would not otherwise have access to from wider sources. It will be in every relevant Scheme Creditor's interest to provide as much detailed information as possible to enable the Scheme Actuary to apply the detailed exposure-based approach where appropriate. In the absence of such information, the Scheme Actuary will need to use the simpler benchmark approach which may result in a different amount being derived by the Scheme Actuary, compared to that derived from application of the more detailed exposure-based approach.

2. First-tier reinsurance exposure-based approach

For Scheme Creditors who themselves wrote direct insurance of pollution assureds (first-tier reinsurers), a form of exposure-based approach will be used where suitable data and information is available. The required data and information is described in the relevant section of Attachment G.

The overall approach will be as follows:

(i) Identify all relevant underlying direct assureds (a), and the coverage written by the Scheme Creditor for each of those assureds.

(ii) Estimate ultimate losses to the Scheme Creditor arising from each of those assured/sites.

(iii) Apply the relevant Scheme Policy terms to the ultimate loss to estimate the losses from each assured/site to the Scheme Creditor's policies.

Without evidence to the contrary, the method of aggregation to policies will be per-site/per-assured/per-year.

These steps are described in more detail below.

(a) **Identify underlying direct assureds and pollution sites**

These assureds/sites will be those that have either already impacted Scheme Creditor's policies under which the Scheme Creditor is claiming, or those which the Scheme Creditor is able to show are likely to impact such policies in future. Assuming that the Scheme Creditor has conducted their own underlying direct exposure-analysis, then it will be necessary to determine which of the totality of assureds/site combinations are likely to expose the Scheme Creditor's policies, based, for example, on exposed years and likely size of the direct loss to the Scheme Creditor.

(b) **Estimate ultimate claims to the Scheme Creditor from each assured/site**

The appropriate methodology to use here will be similar to that outlined in Attachment C for Pollution Direct. It will result in estimated ultimate claims to each year from each assured/site combination.

If part of the Scheme Creditor's Scheme Claim relates to one or more settlements between the Scheme Creditor and their underlying assureds, then it will be necessary for the Scheme Creditor to show that these settlements are validly collectable from the Scheme Company.

(c) **Estimate claims to Scheme Creditor's Policies**

This will involve applying the estimated loss from each site/assured for each year, to the terms (i.e. layers, shares etc.) of the Scheme Creditor's policies in each year. Appropriate allowance will need to be made for expenses that may be in addition to the layer limits. In areas of doubt, expenses will be assumed to be included within the policy limits.

The number of reinstatements will be determined from the Scheme Manager's and/or Scheme Creditor's data. Where there is no data on reinstatements, and there is no evidence to the

contrary, then the Scheme Actuary will select the number of reinstatements, based on what he considers to be the market practice for the relevant policies.

Where there is any doubt about potential exposure of certain policies to certain underlying assureds/sites, and without evidence to the contrary, it will be assumed that such policies will not be exposed to claims from those assureds/sites.

3. **Benchmark Approach**

In circumstances where the ground-up exposure based approach cannot be applied (e.g. due to data constraints) in whole or part, or where, in the opinion of the Scheme Actuary, the size of the Referred Claim does not justify such a detailed approach, then a simpler approach will be used. This will involve one or more of the following:

- Gathering information on the nature of the inwards business written by the Scheme Creditor, and on the Scheme Creditor's underlying inwards pollution paid, incurred and IBNR Claims.
- Ga
- Selection of appropriate benchmark IBNR-to-Outstanding Claims ratios, Ultimate to Paid or Incurred claims ratios and/or Paid Survival Ratios or Burn Factors.
- Application of those benchmark factors to the Scheme Creditor's data to derive alternative estimates of Referred Claim.
- Selection of final Referred Claims estimate.

Attachment E Health Hazards and Other Toxic Torts: Direct and Reinsurance

1. **Direct Policies**

For direct claims, an exposure-based approach will be used. Given the range of possible claim categories here, we cannot describe in any detail the approach to be adopted. However, the general characteristics of the approach are similar to those outlined in Attachment A for U.S. Asbestos.

Without evidence to the contrary, claims arising from Health Hazards and Other Toxic Torts ("**HHOTT**") will be treated as products claims.

2. **All other policies**

For these policies, the Scheme Actuary will use a benchmark-style approach involving the following steps (for each separate category of HHOTT, if possible).

- Receiving information on the nature of the inwards business written by the Scheme Creditor, and on the Scheme Creditor's underlying inwards HHOTT paid, incurred and IBNR Claims (for each separate category of HHOTT if possible).
- Receiving information on the current and prior historical development of HHOTT paid and incurred claims to each policy under review for the particular Scheme Creditor.
- Receiving information on the current non-HHOTT products-related Paid, Incurred and Ultimate claims to each Scheme Creditor's Policy under review for the particular Scheme Creditor.
- Selection of appropriate benchmark IBNR-to-Outstanding Claims ratios, Ultimate to Paid or Incurred claims ratios and /or Paid Survival Ratios or Burn Factors.
- Application of those benchmark factors to the Scheme Creditor's data to derive alternative estimates of the Referred Claim.
- Selection of final Referred Claim estimate.

(or Chain Ladder) method to claims development triangles. These factors will either be derived from relevant data supplied by the Scheme Creditor, or from other appropriate data for the relevant classes of business.

The Link Ratio method is based on deriving trends in the progression of cumulative paid claims and cumulative incurred claims from the past data and projecting this pattern into the future. This process implicitly assumes that the development pattern is stable through time. The overall approach is to examine the experience pattern for all origin periods together so as to obtain a broad measure of consistency. Any individual origin periods which show unusual departures from this pattern are then examined in more detail.

In some cases, the above approach may need modifying, to consider:

(1) Details of known individual claims, including consideration of associated loss adjuster or attorney reports.

(2) Loss emergence patterns (i.e. number and amount of claims that have emerged in the past for the relevant policies).

2. **Individual events**

For large individual events (e.g. Piper Alpha arising under an Excess of Loss reinsurance) , the Scheme Actuary will proceed as follows:

(a) Where the Scheme Creditor's underlying gross loss development is available for each event, project that development to ultimate using paid and/or incurred Link Ratio/curve-fitting methods, and then apply that gross loss estimate to the relevant Scheme Creditor's Policies.

(b) Alternatively, if loss development data for the relevant Scheme Creditor's policies themselves for that event are available, then these will be projected to ultimate in a similar way to the Gross claims in a) above.

(c) If development data is not available, then appropriate benchmark factors for each of the relevant events will be applied to the Scheme Creditor's data for that event. For example, an appropriate benchmark IBNR-to-Outstanding Claims ratio, or Ultimate to Paid/Incurred claims ratio for the event might be multiplied by the Outstanding Claims or Paid/Incurred Claims respectively, for that event under the relevant Scheme Creditor's Policies.

(d) Policy limits will need to be considered in the above approach, taking into account erosion from all claim types.

For certain events where a particular approach has been adopted by the Scheme Manager for valuing such claims due to special circumstances relating to the event (e.g. those where there are specific issues surrounding the original market loss), the Scheme Actuary will consider whether it is appropriate to take this approach into account when applying the above approach. Without evidence to the contrary, it is likely that the Scheme Actuary will follow the Scheme Manager's approach for such claims.

Attachment G Suggested Supporting Information

1. Introduction

This Attachment sets out the information that Scheme Creditors should submit to support the type of claim that may be referred to the Scheme Actuary. This will allow the Scheme Actuary to apply the Estimation Guidelines. This information may also be suitable for any Scheme Claim that contains an element of Outstanding Claims or IBNR, but which may not be referred to the Scheme Actuary.

In some cases, provision of certain parts of this information may require confidentiality / hold-harmless documents to be signed by the Scheme Actuary. Subject to agreement of terms, this will be acceptable, prior to release of the relevant information to the Scheme Actuary.

Claim Type	Summary of examples of supporting information
1. U.S. Asbestos Direct	1.1 A list showing: • all relevant policy, claim and attorney references/ID's and policy type (e.g. primary/excess/umbrella); • inception and expiry dates of cover; • policy excess (i.e. attachment point) a (including details of aggregate and/or per-occurrence combined single limits and if, relevant, details of separate bodily injury and property damage single limits); • full coverage chart; • Scheme Company's share of each policy; • details of whether expenses are in addition or included in policy limits; • information on underlying primary layers and self-insured retentions; • paid and incurred claims as at the Ascertainment Date for each policy, split into asbestos-related, other products-related and non-products related; and • other relevant policy information, such as details of exclusions.
	1.2 Underlying data and details of method and calculation of ultimate claims used by the Scheme Creditor to estimate IBNR Claims, across all relevant years and policies, split into products and non-products claims. Justification of all

Claim Type	Summary of examples of supporting information
	assumptions used should also be supplied. 1.3 Choice of law that is relevant to the claims being made, including justification for that choice, together with the Scheme Creditor's interpretation of how it applies to their submitted claim. 1.4 Trigger and allocation bases used, including rationale for their use. 1.5 Historical asbestos claim numbers and amount information, and a description of the methodology used for estimating future/projected numbers and amounts (split by indemnity and expense). This information should include the number of newly reported claims, settled claims and dismissed claims and their associated payments by month (or failing that, by quarter), for at least the last 24 months (where available). A breakdown by disease type and jurisdiction should be given. In particular, where relevant, a separate breakdown of claims filed in Mississippi and Texas should be included, so that appropriate consideration can be given to any possible surge in certain years for these States. 1.6 Details of treatment of all specific issues affecting estimation of future claims (e.g. treatment of non-products exposures). 1.7 Copies of relevant internal and /or external actuarial or other reports. 1.8 Copies of any relevant Attorney reports prepared for the Scheme Creditor, and an explanation as to how these reconcile by policy to any IBNR amounts submitted by the Scheme Creditor and the basis for any differences in approach adopted by the Scheme Creditor compared to the Attorney report(s). 1.9 A summary of the corporate history of the Scheme Creditor, the products manufactured and the years of production.
2. U.S. Pollution Direct	2.1 A list showing: • all relevant policy, claim and attorney references/ID's and policy type (e.g. primary/excess/umbrella);

Claim Type	Summary of examples of supporting information
	• inception and expiry dates of cover; • policy excess (i.e. attachment point) a (including details of aggregate and/or per-occurrence combined single limits and if, relevant, details of separate bodily injury and property damage single limits); • full coverage chart; • Scheme Company's share of each policy; • details of whether expenses are in addition or included in policy limits; • information on underlying primary layers and self-insured retentions; • paid and incurred claims as at the Ascertainment date for each relevant policy; and • other relevant policy information, such as details of exclusions. 2.2 Details of each site where a claim is being made, showing: • site reference codes; • site names and locations (city, State); • full details of each site, including number of years that the site was active, number of other Potentially Responsible Parties at the site and their time using/usage of that site;

Claim Type	Summary of examples of supporting information
	• basis for each assured's (i.e. Potentially Responsible Parties) share at each site and estimated non-products property damage clean-up costs, bodily injury costs, Natural Resource Damages ("**NRD**"), agricultural or other products costs and defence costs by site (including detailed description of the approach to estimating these costs by type of cost). This should include details of any assumed inflation assumptions and whether clean-up costs are present-value or not, and whether or not they include ongoing monitoring or feasibility study costs, and if so, the basis for estimation of such cost; • Source information on costs estimates, including copies of Records of Decisions ("**RODs**") and engineering reports (the latter being particularly relevant for non-NPL sites) splitting costs between the past and the future; • full details of any relevant coverage-in-place agreements (showing whether the agreement represents a full pollution release or a known sites release). 2.3 Underlying data and details of method and calculation of ultimate losses used by the Scheme Creditor across all relevant years (by site, if exposed to more than one site) and policies. Justification of all assumptions used should also be supplied. 2.4 Choice of law that is relevant to the claims being made, including justification for that choice, together with the Scheme Creditor's interpretation of how it applies to their submitted claim. 2.5 Trigger and allocation bases used, including rationale for their use. 2.6 Details of treatment of all specific issues affecting estimation of claims, including win factors. 2.7 Relevant internal and/or external actuarial or other reports.
	2.8 Relevant internal or external engineering or other expert's reports relating to specific pollution sites.

Claim Type	Summary of examples of supporting information
	2.9 Copies of any relevant attorney reports prepared for the Scheme Creditor, and an explanation as to how these reconcile by policy to any IBNR amounts submitted by the Scheme Creditor and the basis for any differences in approach adopted by the Scheme Creditor compared to the attorney report (e.g regarding adjustments made by the attorneys for win factors). 2.10 A brief summary of the corporate history of the Scheme Creditor and the details of their association with the relevant Sites.
3. U.S. Asbestos Reinsurance	3.1 Where a full exposure method has been used, the supporting information should consist of: • List of all known underlying assureds, including details of method and rationale for selection of estimated gross ultimates to the Scheme Creditor (plus the same information for those assureds, as for Asbestos Direct); • Details of the calculation of the recoveries of gross losses for each known assured to each of the Scheme Creditor's Policies, allowing for the Scheme Company's share; and • In the case of "pure IBNR" if an element of the claim relates to new assureds, then evidence of continued emergence of newly reported assureds should be provided to justify the pure IBNR claimed. 3.2 Or, if other, simpler methods have been used, then: • Basis/rationale for selection of factors (e.g. IBNR to Outstanding Claims ratios or Paid Survival Ratios or Ultimate to Paid/Incurred claims ratios or Burn Factors). • Underlying data on gross losses (paid, incurred, IBNR Claims, etc by year group)
	3.3 In either case, relevant internal and/or external actuarial reports and Attorney reports should also be supplied.
4. Pollution Reinsurance	4.1 As U.S. Asbestos Reinsurance (modified, so that direct

Claim Type	Summary of examples of supporting information	
		information relates to that listed under Pollution Direct).
5. U.S. Health Hazard and Non-U.S. Asbestos, Pollution or Health Hazard claims	5.1	As per U.S. Asbestos or Pollution Direct and/or Reinsurance, as appropriate, modified to reflect the particular details of the claim.
	5.2	For non-U.S. Asbestos or Pollution or Health Hazard claims, details of the territories of the underlying exposure.
6. Aviation, Liability/Casualty, Medical Malpractice, Marine, Property and Other	6.1	Quarterly or annual historical paid and incurred claims development by year for each class of business - Gross to the Scheme Creditor and to each of the Scheme Creditor's Policies on which IBNR is being claimed. Large claims should be shown separately.
	6.2	Full details of method and calculations used to derive IBNR claims to each policy, including choice of development factors, curve fitting, recoveries from layers etc.
	6.3	If the claim relates to a specific underlying cause/event/incident, then full details of that should be supplied, including any associated loss adjuster and or attorney reports/opinions.
	6.4	Relevant internal and/or external actuarial reports.
	6.5	For some direct policies, it is accepted that the only relevant information might be individual loss adjuster/Attorney reports for reported claims and/or claim emergence trends.
7. Marine and Non Marine LMX	7.1	Quarterly or annual historical paid and incurred claims development for each event - Gross to the Scheme Creditor and to each of the Scheme Creditor's Policies on which IBNR is being claimed.
	7.2	Full details of method and calculations used to derive IBNR for each policy and event, including choice of development factors, curve fitting, recoveries from layers etc.
	7.3	Relevant internal and/or external actuarial reports.
	7.4	For LMX general – i.e. not event specific, as per Aviation, Liability/Casualty etc. above.

Attachment H Discount Factors

1. **Introduction**

This Attachment summarises the discount factors by claim type, as referred to in Section 5. The "Discount Factor" shown in the final column of this table represents the percentage reduction that will be applied to the undiscounted Reserve (that is Outstanding Claims and IBNR), except where it is amended in accordance with Section 5 (in which case a different factor may be used).

Claim Type	Claim Type Category	Mean Term Selected	Discount Factor
ASD	Asbestos Direct	8.00	32.5%
ASR	Asbestos Reinsurance	10.00	40.6%
POD	Pollution - Direct	7.10	29.5%
POR	Pollution - Reinsurance	9.00	34.1%
HHD	Health Hazard	6.90	28.8%
OTH	Other	3.70	15.6%
UNS	Unspecified	8.00	32.5%

SAMPLE

APPENDIX C
Specimen Claim Form

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

CLAIM FORM

EAUA POOLS SCHEME COMPANIES:

ENGLISH & AMERICAN INSURANCE COMPANY LIMITED
THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED
THE BALOISE INSURANCE COMPANY LIMITED
CITY INTERNATIONAL INSURANCE COMPANY LIMITED
DOWA INSURANCE COMPANY (EUROPE) LIMITED
EAST WEST INSURANCE COMPANY LIMITED
FUJI INTERNATIONAL INSURANCE COMPANY LIMITED
HISCOX INSURANCE COMPANY LIMITED
THE HOME INSURANCE COMPANY (IN LIQUIDATION)
KX REINSURANCE COMPANY LIMITED
METROPOLITAN REINSURANCE COMPANY (U.K.) LIMITED
MOORGATE INSURANCE COMPANY LIMITED
NIPPON INSURANCE COMPANY OF EUROPE LIMITED
POLYGON INSURANCE COMPANY LIMITED
SWISS RE INTERNATIONAL SE, UK BRANCH
TOWER INSURANCE LIMITED

The EAUA Pool Companies each underwrote insurance and reinsurance business in pooling arrangements through one or more of the following pools: English & American Underwriting Agency Limited Pools ("EAUA Pools"), the Transglobe Aviation Underwriting Syndicate Limited Pool ("TAUS Pool"), the Transglobe Re Pool and the E&A Re Pool (together referred to as the "EAUA Pools"). English & American Insurance Company Limited and City International Insurance Company Limited also underwrote business for their own accounts which is included in the Scheme. All such business is fully described in Appendix A of the Scheme Document.

This form is to be used by Scheme Creditors (as that term is defined in the Scheme Document) in order to submit a claim in the English and American Pools Scheme.

SAMPLE

FORM A: SIGNING FORM

(1) Scheme Creditor Name:

……

Scheme Creditor Address:

……

……

.....

Contact Name:

……

E-mail address:

……

EAUA Reg Ref: ……..

To be signed by a duly authorised individual on behalf of the Scheme Creditor. If you are the duly authorised representative, agent or attorney of the Scheme Creditor or a number of Scheme Creditors, enter the capacity in which you have signed the form (for example director, partner or agent and/or attorney) below.

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:	**(2)** Authorised Employee / Agent / Attorney / Other (please specify)

Currency of Settlement.

If you wish the total on your Valuation Statement to be converted to a single Scheme Currency, please tick the appropriate box below.

CAD	GBP	USD

If you would like the total to be in any other currency please indicate this preference in the box marked 'Other'.

Other: (please specify)

If you do not indicate a settlement currency the Valuation Statement will be prepared by the Scheme Manager on the basis that balances arising in a Scheme Currency will be shown in that currency.

Any amounts not in a Scheme Currency will be converted at the Scheme Rate and shown in GBP, CAD or USD.

SAMPLE

FORM B: **CLAIM FORM VALUES**

SCHEME CREDITOR: _____	SCHEME COMPANY REG REF: _____	CURRENCY CODE: _____

Please complete this form based on the position as at the most accessible data point according to your records (please state date __/__/____). Please complete a separate form for each currency.

Please complete this form by adding the value of the Additional Unpaid Claims, Outstanding Claims, IBNR Claims and discounts for all EAUA Pools Companies combined.

(3) PART 1: ALL EAUA POOL COMPANIES (i.e. including ACE European Group Limited and Swiss Re Europe S.A., UK Branch, which are Non Scheme Companies)

	(4) Unpaid Agreed Claims per Scheme Manager's records	(5) Additional Unpaid Claims	(6) Outstanding Claims* (Undiscounted)	(7) Value of Discount for Outstanding Claims*	(8) IBNR Claims* (Undiscounted)	(9) Value of Discount for IBNR Claims*	(10) Less sums available to be set-off
ALL EAUA POOL COMPANIES							

Note: The Scheme Manager may hold data relating to business where the EAUA Pool Companies are reinsured by you. This means that the amounts shown above may not be the settlement amount but could be subject to set-off, for example of reinsurance balances.

If you wish to enter values at EAUA Pool level only, you are authorising the Scheme Manager to allocate the values to the individual EAUA Pool Companies according to the Scheme Managers records. Please tick the box below if you wish to proceed on this basis.

(11) ☐ I authorise the Scheme Manager to allocate the above values to the EAUA Pool Companies according to the Scheme Manager's records.

If you wish to allocate the values per individual EAUA Pool Company please complete 'Part 2' overleaf. Please note if allocating at individual EAUA Pool Company level the overall total must equal the value entered in 'Part 1' above.

Values entered for 'Non Scheme Companies' are not binding on either those companies or the Creditor but may be utilised to offer commutation.

FORM B: **CLAIM FORM VALUES (Continued)**

SCHEME CREDITOR: _____	SCHEME COMPANY REG REF: _____	CURRENCY CODE: _____

(12) PART 2: INDIVIDUAL EAUA POOL COMPANY (Completion Optional)

Please complete this form by adding the value of the Additional Unpaid Claims, Outstanding Claims, IBNR Claims and discounts split across the relevant EAUA Pools Companies. Please complete a separate form for each currency.

	EAUA Pools Companies	(4) Unpaid Agreed Claims per Scheme Manager's records	(5) Additional Unpaid Claims	(6) Outstanding Claims* (Undiscounted)	(7) Value of Discount for Outstanding Claims*	(8) IBNR Claims* (Undiscounted)	(9) Value of Discount for IBNR Claims*	(10) Less sums available to be set-off
SCHEME COMPANIES								
ENGLISH & AMERICAN INSURANCE COMPANY LIMITED								
THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED								
THE HOME INSURANCE COMPANY IN LIQUIDATION								
HISCOX INSURANCE COMPANY LIMITED								
THE BALOISE INSURANCE COMPANY LIMITED								
CITY INTERNATIONAL INSURANCE COMPANY LIMITED								
DOWA INSURANCE COMPANY (EUROPE) LIMITED								
EAST WEST INSURANCE COMPANY LIMITED								
FUJI INTERNATIONAL INSURANCE COMPANY LIMITED								
KX REINSURANCE COMPANY LIMITED								

SAMPLE

FORM B: **CLAIM FORM VALUES (Continued)**

SCHEME CREDITOR: _____	SCHEME COMPANY REG REF: _____	CURRENCY CODE: _____

PART 2: INDIVIDUAL EAUA POOL COMPANY (Continued)

	EAUA Pools Scheme Companies	(4) Unpaid Agreed Claims per Scheme Manager's records	(5) Additional Unpaid Claims	(6) Outstanding Claims* (Undiscounted)	(7) Value of Discount for Outstanding Claims*	(8) IBNR Claims* (Undiscounted)	(9) Value of Discount for IBNR Claims*	(10) Less sums available to be set-off
METROPOLITAN REINSURANCE COMPANY (U.K.) LIMITED								
MOORGATE INSURANCE COMPANY LIMITED								
NIPPON INSURANCE COMPANY OF EUROPE LIMITED								
POLYGON INSURANCE COMPANY LIMITED								
SWISS RE INTERNATIONAL SE, UK BRANCH								
TOWER INSURANCE LIMITED								
(13) Sub Total Scheme Companies								
NON SCHEME COMPANIES								
ACE EUROPEAN GROUP LIMITED								
SWISS RE EUROPE S.A., UK BRANCH								
(14) Sub Total Non Scheme Companies								
(15) Overall Total								

*** Such term is as defined in the Estimation Guidelines**

SAMPLE

FORM C: DETAILED CLAIM FORM

SCHEME CREDITOR: _____	SCHEME COMPANY REG REF: _____	CURRENCY CODE: _____

Please complete this form by adding the relevant details for each item that makes up the overall total on the Claim Form Values Form (Form B) for the appropriate currency.

(16) Ref.	(17) Your Insurance Contract reference number	(18) EAUA Pools Insurance Contract reference number	(19) Claim Type	(20) Policy Type	(21) Policy Period	(22) Ultimate Signed Line	(23) Date of Loss	(24) Additional Unpaid Claims	(25) Outstanding Claims* (Undiscounted)	(26) Value of Discount for Outstanding Claims*	(27) IBNR Claims* (Undiscounted)	(28) Value of Discount for IBNR Claims*	(29) Less sums available to be set-off
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20													

*** Such term is as defined in the Estimation Guidelines**

SAMPLE

FORM C: **DETAILED CLAIM FORM (Continued)**

SCHEME CREDITOR: _____	SCHEME COMPANY REG REF: _____	CURRENCY CODE: _____

Please complete this form by adding the relevant details for each item that makes up the overall total on the Claim Form Values Form (Form B) for the appropriate currency.

(16) Ref.	(17) Your Insurance Contract reference number	(18) EAUA Pools Insurance Contract reference number	(19) Claim Type	(20) Policy Type	(21) Policy Period	(22) Ultimate Signed Line	(23) Date of Loss	(24) Additional Unpaid Claims	(25) Outstanding Claims* (Undiscounted)	(26) Value of Discount for Outstanding Claims*	(27) IBNR Claims* (Undiscounted)	(28) Value of Discount for IBNR Claims*	(29) Less sums available to be set-off

*** Such term is as defined in the Estimation Guidelines**

If utilising the Continuation Sheet please insert sequential numbers in the Ref. field (16)

GENERAL INSTRUCTIONS FOR THE COMPLETION OF CLAIM FORMS

Please note that capitalised words or phrases not defined in this form have the same meanings as their definitions in the Scheme Document. Unless otherwise stated, references to Appendices are to those at the end of this Claim Form.

Please note: we believe it will generally be easier to complete the claim form on the Website (www.englishandamericanpools.com). Calculations of time value discount and allocations of claims across Scheme Companies will be done automatically where the necessary level of information is available. This manual form should only be used if you do not have access to or do not wish to use the Website. If you wish to use the Website and do not already have your Website Password and user name please contact the EAUA Pools Scheme helpline details shown below.

Values

Values need to be entered for all EAUA Pool Companies (i.e. including ACE European Group Limited and Swiss Re Europe S.A., UK Branch, which are Non Scheme Companies) and not just the Scheme Companies. You then have the option of allocating this value by individual EAUA Pool Company or authorising the Scheme Manager to allocate the values to the individual EAUA Pool Companies according to the Scheme Manager's records.

All values must be entered to the nearest whole number – no decimal places are required.

Where a value is due to you, this should be entered as a positive figure; any values due to the EAUA Pool Companies should be entered as a negative figure.

Return of Claim Forms

The Claim Forms must be signed and returned to the Scheme Manager (PRO) on or before the Bar Date (17:00 hours (UK Time) on the day falling 180 days after the Effective Date or, if that is not a Business Day, then the next Business Day following).

You may post, e-mail or fax your form to PRO Insurance Solutions Limited ('PRO'), utilising the below details.

- Post: EAUA Pools
  PRO Insurance Solutions Limited
  Bruton Court
  Bruton Way
  Gloucester GL1 1DA
  United Kingdom
- E-mail: pro_eauapools@pro-ltd.co.uk
- Fax: +44 (0)1452 523 437

Where you have faxed or e-mailed your Claim Form, please also post the original to the Scheme Manager within 7 days of submission.

Forms returned by facsimile transmission / e-mail will only be accepted if they are legible.

If a Scheme Creditor does not submit its Claim Form via the Website or return a manual Claim Form, together with appropriate supporting documentation in accordance with the instructions accompanying the Claim Form, by 17:00 pm on the Bar Date, the information on the Website at that point in time

concerning its claim values shall be deemed to have been submitted immediately before the Bar Date. In such circumstances the Scheme Creditor will lose its entitlement to assert any Scheme Claims additional to those present on the Website.

Currency

Please enter your claims in the appropriate original currency. Please indicate on the forms the relevant currency code as listed in Appendix D1. Please ensure separate forms are used for each different currency.

Presented and Additional Data

The Claim Form provided by the Scheme Manager will be based on the information in the Scheme Manager's systems and will contain to the extent of such information:

- details of Unpaid Agreed Claims or other unpaid agreed balances arising under such Insurance Contracts as they are recorded on the Scheme Manager's accounting records at the Effective Date as being due for payment by or to the Scheme Company;
- notification of the Effective Date and the Bar Date; and
- any details of claims or Insurance Contracts entered by the Scheme Creditor onto the Website for voting purposes where the Scheme Creditor had requested (by ticking the appropriate box in its Voting Form) t

(U.K.) Limited must be entered in full without allowance for any payments made under their original Schemes ('Scheme Payment'). Any adjustments made to your Scheme Claim in respect of payments made by English & American Insurance Company Limited and The Insurance Corporation of Singapore (U.K.) Limited under the original Scheme for English & American Insurance Company Limited and for The Insurance Corporation of Singapore (U.K.) Limited or subsequently will be reflected on the Valuation Statement that will be sent to you as part of the Scheme process.

Claim Forms

There are three forms:

• Form A: Signing Form	Complete only one form for your claim.
• Form B: Claim Form Values	Please complete Part 1 'All EAUA Pool Companies' and then complete Part 2 'Individual EAUA Pool Company' if you wish. Please complete one form per currency.
• Form C: Detailed Claim Form	Each claim must be supported by a breakdown at policy and Claim Type level. This Schedule must be completed in order for the Scheme Claim to be agreed. Please complete one form per currency.

Supporting Documentation

Where additional policies and values have been added to the Claim Forms then these additions must be substantiated by appropriate supporting documentation. This documentation should accompany the Claim Forms when sent to the Scheme Manager and should be received within 7 days of the Bar Date.

Failure to provide appropriate supporting documentation could result in your claim being rejected or valued at a lower amount. Any supporting evidence provided by a Scheme Creditor not received by the Scheme Manager within 7 days after the Bar Date will be disregarded.

Examples of appropriate documentation are as follows:

- **Additional Unpaid Claims and Outstanding Claims**

  Supporting documentation should be in the same or substantially the same form as is customary for the insured/reinsured to send to the broker or the Scheme Manager in the normal course of business and, where applicable, stating the Scheme Companies' policy references and percentage share of the relevant policy(ies).

- **IBNR Claims**

  Supporting documentation should include details of the following:

  - the policies in respect of which IBNR is being asserted;
  - the amount of the IBNR claimed by policy;
  - details of each individual loss, loss type and amount of claim(s) for each policy in respect of which IBNR Claims are being asserted; and
  - details supporting the methodology, assumptions and calculations used to estimate the value of IBNR Claims.

Where the assumptions used are based, partly or wholly, on external data (i.e. not the Scheme Creditor's own data submitted as part of the Scheme process) t

(or other relevant laws) and may be discoverable by a third party with a claim against the Scheme Creditor in any action or proceeding to which the Scheme Creditor may be a party. You should consult your legal adviser as to the consequences for you of providing such particulars in relation to any litigation in which you are or may become involved.

Additional Notes

(A) For any one policy, claims relating to the same Claim Type may be added together and shown as one data row on the Detailed Claim Form (Form C). If a claim value is composed of more than one Claim Type then each Claim Type must be shown separately on this form.

(B) Any alteration to the data entered by you on the form must be initialled by the person who signed it.

(C) The Claim Forms display a number within each field which is supported by explanatory text within the Notes sections.

(D) For English & American Insurance Company Limited and City International Insurance Company Limited, the Scheme Claim amount also includes 'Other Liabilities'. These are all Liabilities of EAIC and City International Insurance Company Limited which are neither Pool Liabilities nor Liabilities excluded in paragraph 4 of Appendix A of Part II of the Scheme Document. Full details of the business covered by the Scheme can be found in Schedule 1 of Part I and Appendix A of Part II of the Scheme Document.

NOTES FOR COMPLETION OF CLAIM FORMS

FORM A: SIGNING FORM

(1) Enter the Name and Address of the Scheme Creditor and provide details of a Contact Name and E-mail address in block capitals.

(2) Please sign and date the form when you have completed the Claim Forms. This should be signed by an appropriately authorised person from within your organisation.

Please confirm your exact capacity by deleting the descriptions which do not apply (Authorised Employee / Agent / Attorney / Other (please specify)).

A signature on the 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.

FORM B: CLAIM FORM VALUES

This section is split into two parts, please complete 'Part 1' then if you wish to allocate the values per individual EAUA Pool Company also complete 'Part 2'. Please enter the total values for all EAUA Pool Companies and not just for the Scheme Companies.

The Scheme Manager will allow claims to be presented on the basis of the most accessible data point as per your records; please advise the date of the presented data to the Scheme Manager.

You will need to complete a separate form for each currency in which you are making a claim.

The form(s) will include pre-populated data based on the Scheme Manager's records, being any Unpaid Agreed Claims on the relevant currency form and any details of claims or Insurance Contracts entered by you onto the Website for voting purposes where you requested that this be carried forward onto your claim form

(3) PART 1: ALL EAUA POOL COMPANIES

Enter your total claim values for all EAUA Pool Companies (i.e. including for ACE European Group Limited and Swiss Re Europe S.A., UK Branch, which are Non Scheme Companies). For English and American Insurance Company Limited and City International Insurance Company Limited you should also include claim values in respect of 'Other Liabilities'. Full details of the business covered by the Scheme is explained in Schedule 1 of Part I and Appendix A of Part II of the Scheme Document.

(4) **Unpaid Agreed Claims per Scheme Manager's records:** The value of a Scheme Claim which according to the Scheme Manager's records has been agreed as due to the relevant Scheme Creditor, but not paid or discharged by the operation of set-off or otherwise, and in the case of English & American Insurance Company Limited and/or The Insurance Corporation of Singapore (U.K.) Limited before taking account of any Scheme Payments.

This field will already be populated. If you consider the value shown does not reflect your records, please refer to field (5).

(5) **Additional Unpaid Claims:** If field (4) does not reflect your records, enter the value, as per your records, of Claims that you assert are due for payment to you by the EAUA Pool Companies which are not included in the Unpaid Agreed Claims field. The value you enter must represent the difference between your records and that presented in field (4).

(6) **Outstanding Claims (Undiscounted):** Enter the estimated total value, as per your records, of Claims in respect of losses notified to you for which you assert that an amount will become due for payment to you by the EAUA Pool Companies, excluding any amounts already included in (4) a (5) a

(6). Please refer to Appendix D2 for the 'Claim Type' and the associated discount percentage and apply the relevant discount percentage to each Claim Type making up the overall undiscounted value. Alternatively you may apply your own discount percentage (in which case you are requested to provide documentation supporting your discount percentage). If no discount percentage is entered, discount percentages will be applied by the Scheme Manager based upon Appendix D2 of the Scheme Document.

(continued)

FORM B: CLAIM FORM VALUES (Continued)

(8) **IBNR Claims (Undiscounted):** Enter the estimated total value, as per your records, of Claims in respect of losses which have been incurred by you but not notified to you, for which you assert that an amount will become due for payment to you by the EAUA Pool Companies, excluding any amounts already included in (4) a /or (5) and/or (6) a

(8).

Please refer to Appendix D2 for the discount percentage for each Claim Type and apply the relevant discount percentage to each Claim Type making up the overall undiscounted value. Alternatively you may apply your own discount percentage (in which case you are requested to provide documentation supporting your discount percentage). If no discount percentage is entered, discount percentages will be applied by PRO based upon Appendix D2 of the Scheme Document

(10) **Less sums available to be set-off:** This refers to amounts in respect of reinsurance due from Creditors as well as any other amounts due from Creditors in respect of EAUA Pool business. This should include Scheme Debts, Security and other adjustments.

(11) **Authorising the Scheme Manager to allocate the values to the EAUA Pool Companies:** Place a tick within this box if you wish to enter the values at EAUA Pool level only and are authorising the Scheme Manager to allocate the values to the EAUA Pool Companies according to their records. If you do not place a tick in the box you must also complete Part 2.

SHOULD YOU WISH TO ALLOCATE THE VALUES PER INDIVIDUAL EAUA POOL COMPANY PLEASE COMPLETE PART 2.

(12) **PART 2: INDIVIDUAL EAUA POOL COMPANY**

Only enter a value against a Scheme or Non Scheme Company where you are an overall creditor of that Company (i.e. where the value is due to you). Leave all other Scheme or Non Scheme Companies fields blank.

Please note the overall total entered in 'Part 2' must equal the total entered in 'Part 1' above.

Values entered for Non Scheme Companies are not binding on either the companies concerned or the Creditor but may be utilised to offer commutation

(13) **Sub Total Scheme Companies:** The sum of the total for the Scheme Companies.

(14) **Sub Total Non Scheme Companies:** The sum of the total for the Non Scheme Companies.

(15) **Overall Total:** The sum of the sub totals for the Scheme and Non Scheme Companies

For the avoidance of doubt all agreed values relating to business ceded by the Scheme Companies to you will be valued and included on the Valuation Statement.

FORM C: DETAILED CLAIM FORM

You will need to complete one Detailed Claim Form for each currency in which you are making a claim. You have been provided with up to three forms populated with Unpaid Agreed Claims – one for each of the three Scheme Currencies – w

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known.

(19) **Claim Type:** Please refer to Appendix D2 for a list of Claim Types. The breakdown of Claims by Claim Type will determine the calculation of any discount.

(20) **Policy Type:** Please refer to Appendix D3 for a list of 'Business Types'.

(21) **Policy Period:** Specify the inception and expiry date (dd/mm/yy - dd/mm/y

/ event expressed as "dd/mm/y '.

(24) **Additional Unpaid Claims:** Enter the value, as per your records, of Claims that you assert are due for payment to you by the EAUA Pool Companies. Specify the amount for each claim or, where there is more than one claim, the aggregate amount of any claims you have, at individual Claim Type level arising under each Insurance Contract.

(continued)

FORM C: DETAILED CLAIM FORM (Continued)

(25) **Outstanding Claims (Undiscounted):** Enter the estimated total value, as per your records, of Claims in respect of losses notified to you for which you assert that an amount will become due for payment to you by the EAUA Pool Companies, excluding any amounts already included in (24) above. Specify the estimated amount of each outstanding claim or, where there is more than one claim, the aggregate estimated amount of any such outstanding claims, at an individual Claim Type level arising under each Insurance Contract. These values must be before discounting.

(26) **Value of Discount for Outstanding Claims:** Enter the discount amount to reflect the time value of money to be applied to the Outstanding Claims, all of which are shown undiscounted in field (25). Please refer to Appendix D2 for the Claim Type and the associated discount percentage and apply the relevant discount percentage to each Claim Type making up the overall undiscounted value. Alternatively you may apply your own discount percentage (in which case you are requested to provide documentation supporting your discount percentage). If no discount percentage is entered, discount percentages will be applied by PRO based upon Appendix D2 of the Scheme Document.

(27) **IBNR Claims (Undiscounted):** Enter the estimated total value, as per your records, of Claims in respect of losses which have been incurred by you but not notified to you, for which you assert that an amount will become due for payment to you by the EAUA Pool Companies, excluding any amounts already included in (24) a /or (25) above. Specify the estimated amount of each IBNR Claim or, where there is more than one claim the aggregate estimated amount of any such IBNR Claims, at an individual Claim Type level arising under each Insurance Contract. These values must be before discounting.

(28) **Value of Discount for IBNR Claims:** Enter the discount amount to reflect the time value of money to be applied to the IBNR Claims, all of which are shown undiscounted in field (27). Please refer to Appendix D2 for the discount percentage for each Claim Type and apply the relevant discount percentage to each Claim Type making up the overall undiscounted value. Alternatively you may apply your own discount percentage (in which case you are requested to provide documentation supporting your discount percentage). If no discount percentage is entered, discount percentages will be applied by PRO based upon Appendix D2 of the Scheme Document.

(29) **Less sums available to be set-off:** This refers to amounts in respect of reinsurance due from Creditors as well as any other amounts due from Creditors in respect of EAUA Pool business. This should include Scheme Debts, Security and other adjustments.

APPENDICES

Appendix C1: Currency codes

CURRENCY CODE	CURRENCY DESCRIPTION
AED	UAE DIRHAM
AFA	AFGHANI
ALL	ALBANIAN LEK
A	
AOK	ANGOLAN KWANZA
ARP	ARGENTINE PESO
AUD	AUS DOLLAR
BBD	BARBADOS DOLLAR
BDT	BANGLADESH TAKA
BGL	BULGARIA
BIF	BURUNDI FRANC
BMD	BERMUDAN DOLLAR
BND	BRUNEI DOLLAR
BOP	BOLIVIA
BRC	BRAZIL CRUZEIRO
BSD	BAHAMAN DOLLAR
BTN	NGULTRUM
BUK	BURMESE KYAT
BWP	BOTSWANA PULA
BZD	BELIZE DOLLAR
CAD	CANADIAN DOLLAR
CHF	SWISS FRANC
CLP	CHILEAN PESO
CNY	CHINA RENM YUAN
CRC	COSTA RIC COLON
CSD	SERBIAN DINAR
CSK	CZECH KORUNA
CUP	CUBAN PESO
CVE	CAP VER ESCUDO
CYP	CYPRUS POUND
DJF	DJIBOUTI FRANC
DKK	DANISH KRONE
DOP	DOMINICAN PESO

CURRENCY CODE	CURRENCY DESCRIPTION
DZD	ALGERIAN DINAR
ECS	ECUADOR SUCRE
EGP	EGYPTIAN POUND
ETB	ETHIOPIAN BIRR
EUR	EURO CCY UNIT
FJD	FIJI DOLLAR
FKP	FALKLAND POUND
GBP	UK POUND STERLING
GHC	GHANAIA
GIP	GIBRALTAR POUND
GMD	GAMBIAN DALASI
GNS	GUINEA SYLI
GQE	EQ GUIN EKWELE
GTQ	GUAT QUETZAL
GWP	GUIN-BISS PESO
GYD	GUYANA DOLLAR
HKD	HK DOLLAR
H	
HRD	CROATIAN DINAR
HTG	HAITI GOURDE
HUF	HUNGARY FORINT
IDR	INDON RUPIAH
ILS	ISRAEL SHEKEL
INR	INDIAN RUPEE
IQD	IRAQI DINAR
IRR	IRANIAN RIAL
ISK	ICELAND KRONA
JMD	JAMAICAN DOLLAR
JOD	JORDANIAN DINAR
JPY	JAPANESE YEN
KES	KENYA SHILLING
KHR	KAMPUCHEA RIEL
KMF	COMOROS FRANC
KPW	NTH KOREAN WON
KRW	S KOREAN WON

CURRENCY CODE	CURRENCY DESCRIPTION
KWD	KUWAITI DINAR
KYD	CAYMAN DOLLAR
LAK	LAOS KIP
LBP	LEBANESE POUND
LKR	SRI LANKA RUPEE
LRD	LIBERIAN DOLLAR
LSM	LESOTHO MALOTI
LYD	LIBYAN DINAR
MAD	MOROCCAN DIRHAM
MGA	MALAGASY ARIARY
MLF	MALI FRANC
M	
MOP	MACAU PATACA
MRO	MAURIT OUGUIYA
MTP	MALTA POUND
MUR	MAURITIUS RUPEE
MVR	MALDIVE RUPEE
MWK	MALAWI KWACHA
MXP	MEXICAN PESO
MYR	MALAY RINGGIT
MZM	MOZAMB METICAL
MZN	NEW MOZAMBIQUE METICAL
NAD	NAMIBIAN DOLLAR
NGN	NIGERIAN NAIRA
NIC	NICARAG CORDOBA
NOK	NORWEGIAN KRONE
NPR	NEPALESE RUPEE
NZD	NZ DOLLAR
OMR	OMANI RIAL
PAB	PANAMA BALBOA
PES	PERUVIAN SOL
PGK	PAPUA NG KINA
PHP	PHILIPPINE PESO
PKR	PAKISTAN RUPEE
PLZ	POLISH ZLOTY

CURRENCY CODE	CURRENCY DESCRIPTION
PYG	PARAG GUARANI
QAR	QATAR RIAL
ROL	ROMANIAN LEU
RON	NEW ROMANIAN LEU 1/7/05
R	
SAR	SAUDI RIYAL
SBD	SOLOMON DOLLAR
SCR	SEYCHELLE RUPEE
SDP	SUDANESE POUND
SEK	SWEDISH KRONA
SGD	SING DOLLAR
SHP	ST HELENA POUND
SLL	SIERRA L LEONE
SOS	SOMALI SHILLING
SRD	SURINAM DOLLAR
STD	SAO TOME DOBRA
SUR	C.I.S. ROUBLE
SVC	EL SALV COLON
SYP	SYRIAN POUND
SZL	SWAZI LILANGENI
THB	THAI BAHT
TND	TUNISIAN DINAR
TOP	TONGAN PA'ANGA
TPE	E TIMOR ESCUDO
TRY	NEW TURKISH LIRA
TTD	TRINIDAD DOLLAR
TWD	TAIWAN DOLLAR
TZS	TANZ SHILLING
UGS	UGANDA SHILLING
USD	US DOLLAR
UYP	URUGUAYAN PESO
VEB	VENEZ BOLIVAR
VEF	VENEZUELA BOLIVAR FUERTE
VND	S VIETNAM DONG
VUV	VANUATU VATU

CURRENCY CODE	CURRENCY DESCRIPTION
WST	W SAMOA TALA
XAF	CFA FRANC
XCD	E CARIB DOLLAR
XPF	CFP FRANC
YER	YEMENI RIYAL
ZAR	S AFRICA RAND
ZMK	ZAMBIAN KWACHA
ZRZ	ZAIR IRE/CONGO FRANC
ZWD	ZIMBABWE DOLLAR
ZWL	ZIMBABWE DOLLAR FEB 2009

Appendix C2: Claim Type codes and discount percentages

Claim Type	Claim Type Category	Mean Term Selected	Discount Factor
ASD	Asbestos Direct	8.00	32.5%
ASR	Asbestos Reinsurance	10.00	40.6%
POD	Pollution - Direct	7.10	29.5%
POR	Pollution - Reinsurance	9.00	34.1%
HHD	Health Hazard	6.90	28.8%
OTH	Other	3.70	15.6%
UNS	Unspecified	8.00	32.5%

Appendix C3: Policy Type codes

BUSINESS_TYPE_CODE	BUSINESS_TYPE_DESC
AVC	Direct/Fac Aviation Hull/Liabilities (Combined)
AVH	Direct/Fac Aviation Hull
AVL	Direct/Fac Aviation Liabilities
AVR	Direct/Fac Aviation All Risks
AVX	Aviation Excess of Loss
AVP	Aviation Quota Share/Surplus treaties
MAC	Direct/Fac Marine Cargo / Cargo Liabilities
MAH	Direct/Fac Marine Hull / Hull Liability
MAW	Direct/Fac Marine War
MAE	Direct/Fac Marine Energy & Energy Liability
MAX	Marine Excess of Loss
MAP	Marine Quota Share/Surplus treaties
NMC	Direct/Fac Non Marine Casualty/Liability/Long Tail
NMP	Direct/Fac Non Marine Property
NMA	Direct/Fac Non Marine Personal Accident
NMF	Direct/Fac Non Marine Pecuniary
NMM	Direct/Fac Non Marine Motor
NMX	Non Marine Excess of Loss
NMP	Non Marine Quota Share/Surplus treaties

APPENDIX D
Specimen Valuation Statements

EAUA POOLS VALUATION STATEMENTS

Notes for the Valuation Statements in relation to the EAUA Pools Scheme of Arrangement (the "Scheme")

CREDITOR SCHEME: ***pre populated name***

EAUA REG REF: ***pre populated***

Date Issued: ***dd/mmm/yyyy***

Capitalised terms not defined in this letter have the meaning defined in the Scheme.

Please find enclosed the Valuation Statements and accompanying guidance notes prepared in respect of your Scheme Claims pursuant to Clause 2.7.1 of the Scheme. There is a separate Valuation Statement per Scheme Currency (or other currency agreed with you) for each Scheme Company.

If the Scheme Manager does not receive notice from you disputing a Valuation Statement within 42 days of the date shown on it, data on it will, so far as the law permits, become final and binding on you and the relevant Scheme Company.

If you sign this Valuation Statement where indicated, confirming your irrevocable agreement to it, and return it to the Scheme Manager earlier than the 42 days referred to above, you may receive payment, from the Scheme Companies other than EAIC, ICS or Home, in respect of it earlier than would otherwise be the case.

Other than for EAIC, ICS or Home, payments will be made within 42 days of a duly signed Combined Valuation Statement or individual Valuation Statement being received by the Scheme Manager, or an individual Valuation Statement becoming final and binding in accordance with the Scheme, as applicable.

Payments will be made separately by EAIC and/or ICS (if an ICS Payment Percentage has not been set) within 90 days of the Valuation Statement becoming final and binding in accordance with the terms of the Scheme. These payments will be at the prevailing Payment Percentage of the Net Ascertained Claim in the case of EAIC and payment in full in the case of ICS.

If an ICS Payment Percentage has been set, payment will be made as soon as reasonably practicable thereafter, or after a Valuation Statement has become final and binding.

A Scheme Creditor's Net Ascertained Claim for Home shall be eligible to be admitted to proof in the New Hampshire Liquidation following the Valuation Statement becoming final and binding in accordance with the terms of the Scheme.

You may elect to receive a single payment (in each applicable currency) in respect of the Valuation Statements issued on behalf of all Scheme Companies other than EAIC, ICS or Home. A statement aggregating your Valuation Statements issued in respect of the Scheme Companies other than EAIC, ICS or Home ("a Combined Valuation Statement") in each

applicable currency is enclosed. Please note that the aggregation of amounts in respect of different Scheme Companies on a Combined Valuation Statement may result in the setting off of amounts owing from you to Scheme Companies against amounts owing to you by other Scheme Companies.

If you wish to receive a single payment as described above, please sign the attached Combined Valuation Statement where indicated and return to the Scheme Manager. In relation to all Scheme Companies other than EAIC, ICS or Home, signature of the Combined Valuation Statement will constitute your irrevocable agreement to:

- the Combined Valuation Statement and the contents of each of the Valuation Statements to which it relates being final and binding;
- the application of Clause 2.8.1(d) of the Scheme to any net amount shown as due to you on the Combined Valuation Statement; and
- all Scheme Claims being deemed to have been fully and finally discharged, if there is a sum shown in favour of the Scheme Companies on the Combined Valuation Statement.

If you dispute an individual Valuation Statement on grounds of Manifest Error or otherwise as permitted by the Scheme (see Clauses 2.7.4 and 2.7.5 of the Scheme) please return the form indicating the areas of dispute and provide any available evidence and/or explanation of the dispute to the Scheme Manager. If you would like to adopt a Combined Valuation Statement, but believe that the one enclosed is incorrect, please notify the Scheme Manager.

Please note that if the Scheme Manager does not receive legible notice of a dispute within 42 days of the date of a Valuation Statement, that Valuation Statement will become final and binding.

Please send any signed individual Valuation Statement, Combined Valuation Statements or any notice disputing a Valuation Statement to the Scheme Manager via post / fax / e mail:

- Post: EAUA Pools c/o PRO Insurance Solutions Limited
  Bruton Court
  Bruton Way
  Gloucester GL1 1DA
  United Kingdom

  Fax: +44 (0)1452 523 437
  E mail: pro_eauapools@pro ltd.co.uk

If you require assistance please refer to the accompanying notes, including the notes to the Valuation Statements at the back of this document, or telephone the EAUA Pools helpline: +44 (0)1452 330 514.

Where the form has been sent by fax or e mail, please ensure that an appropriate signature has been scanned on to the form. Forms returned by fax or e mail will not be acted upon unless legible. Please also post the original form within 7 days of sending such fax or e mail copy to the Scheme Manager at the above address.

Valuation Statement in relation to the EAUA Pools Scheme of Arrangement

EAUA Pools:	**ENGLISH & AMERICAN INSURANCE COMPANY LIMITED**
SCHEME CREDITOR:	***pre populated name***
EAUA REG REF:	***pre populated***
Date Issued:	***dd/mmm/yyyy***
Currency:	***pre populated***

Note: positive values are in your favour; negative values (in brackets) are in favour of the Scheme Company. Please refer to enclosed Valuation Statement guidance notes.

Calculation of Net Ascertained Claim or Net Debt

1) Total undiscounted Agreed Claims

2) Total Agreed Claims present value discount

3) Total Agreed Claims (1+2)

4) Total undiscounted Scheme Debts

5) Total Scheme Debts present value discount

6) Total Scheme Debts (4+5)

7) Security

8) Set-off / Advance payments

9) Interest – N/A

10) Adjudicator's fees and costs

11) Tax adjustments

12) Other adjustments

13) Sub total of 7+8+9+10+11+12

14) Scheme Creditor's Net Ascertained Claim or Net Debt (3+6+13)

15) Dividend already paid

16) Balance

Signed by the Scheme Manager: Date:

PRO Insurance Solutions Limited

Signed by the Scheme Creditor*: Date:

* This should be signed by an appropriately authorised person from within your organisation. In doing so you warrant that you have the appropriate authority and are signifying your irrevocable agreement to the contents.

The net payment due to Scheme Creditors of EAIC will be calculated by applying the prevailing Payment Percentage to their Net Ascertained Claims (if any) shown in the Valuation Statement.

The Payment Percentage is set by the EAIC Scheme Administrators in accordance with Clause 12.2. The Payment Percentage prevailing at the date of this valuation statement is 35 per cent. This will be reviewed when substantially all Scheme Claims become final and binding in accordance with the terms of the Scheme. In consultation with the EAIC Creditors' Committee, the EAIC Scheme Administrators have the power to increase or reduce the Payment Percentage under the terms of the Scheme. Top up payments will be made to all eligible Scheme Creditors of EAIC within 90 days of a decision being taken to increase the Payment Percentage.

Payment of the net payment shown as due in the Payment Percentage Summary will be made within 90 days of the Valuation Statement becoming final and binding.

If no notice disputing the Valuation Statement is received by the Scheme Manager within 42 days of the date of the Valuation Statement, it will be deemed to be accepted by you and will become final and binding on both you and the Scheme Company in accordance with the Scheme. Notice of dispute may only be raised on grounds of Manifest Error or otherwise as permitted by the Scheme (see Clauses 2.7.4 and 2.7.5 of the Scheme).

The payment percentage may be increased in the future. In that event you will be sent a statement setting out any further amount(s) payable to you.

Valuation Statement in relation to the EAUA Pools Scheme of Arrangement - *to be used if ICS Payment Percentage is in place*

EAUA Pools:	**THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED**
SCHEME CREDITOR:	***pre populated name***
EAUA REG REF:	***pre populated***
Date Issued:	***dd/mmm/yyyy***
Currency:	***pre populated***

Note: positive values are in your favour; negative values (in brackets) are in favour of the Scheme Company. Please refer to enclosed Valuation Statement guidance notes.

Calculation of Net Ascertained Claim or Net Debt

1) Total undiscounted Agreed Claims

2) Total Agreed Claims present value discount

3) Total Agreed Claims (1+2)

4) Total undiscounted Scheme Debts

5) Total Scheme Debts present value discount

6) Total Scheme debts (4+5)

7) Security

8) Set-off / Advance payments

9) Interest – N/A

10) Adjudicator's fees and costs

11) Tax adjustments

12) Other adjustments

13) Sub total of 7+8+9+10+11+12

14) Scheme Creditor's Net Ascertained Claim or Net Debt (3+6+13)

Signed by the Scheme Manager: Date:

PRO Insurance Solutions Limited

Signed by the Scheme Creditor*: Date:

* This should be signed by an appropriately authorised person from within your organisation. In doing so you warrant that you have the appropriate authority and are signifying your irrevocable agreement to the contents.

The net payment due to Scheme Creditors of ICS will be calculated by applying the prevailing ICS Payment Percentage to their Net Ascertained Claim (if any) shown in the Valuation Statement.

The ICS Payment Percentage is set by the ICS Scheme Administrators in accordance with Clause 19.3.3. If an ICS Payment Percentage has been set, the ICS Scheme Administrators will notify the Scheme Creditors as to the prevaling ICS Payment Percentage at the date of this valuation statement. This will be reviewed on receipt of further reports provided pursuant to Clause 19.2.1 as to the maximum possible value of Admitted Claims from the Scheme Manager. In consultation with the ICS Creditors' Committee, the ICS Scheme Administrators have the power to increase or reduce the ICS Payment Percentage under the terms of the Scheme. If the ICS Payment Percentage is increased, top up payments will be made to all eligible Scheme Creditors of ICS in accordance with Clause 19.4.2.

If an ICS Payment Percentage has been set, payment of the net payment shown as due in the ICS Payment Percentage Summary will be made as soon as reasonably practicable after the Valuation Statement has become final and binding.

If no notice disputing the Valuation Statement is received by the Scheme Manager within 42 days of the date of the Valuation Statement, it will be deemed to be accepted by you and will become final and binding on both you and the Scheme Company in accordance with the Scheme. Notice of dispute may only be raised on grounds of Manifest Error or otherwise as permitted by the Scheme (see Clauses 2.7.4 and 2.7.5 of the Scheme).

The ICS Payment Percentage may be increased in the future. In that event you will be sent a statement setting out any further amount (or amounts) payable to you.

Valuation Statement in relation to the EAUA Pools Scheme of Arrangement - *to be used if ICS Payment Percentage is not in place*

EAUA Pools:	**THE INSURANCE CORPORATION OF SINGAPORE (U.K.) LIMITED**
SCHEME CREDITOR:	***pre populated name***
EAUA REG REF:	***pre populated***
Date Issued:	***dd/mmm/yyyy***
Currency:	***pre populated***

Note: positive values are in your favour; negative values (in brackets) are in favour of the Scheme Company. Please refer to enclosed Valuation Statement guidance notes.

Calculation of Net Ascertained Claim or Net Debt

1) Total undiscounted Agreed Claims

2) Total Agreed Claims present value discount

3) Total Agreed Claims (1+2)

4) Total undiscounted Scheme Debts

5) Total Scheme Debts present value discount

6) Total Scheme Debts (4+5)

7) Security

8) Set-off / Advance payments

9) Interest – N/A

10) Adjudicator's fees and costs

11) Tax adjustments

12) Other adjustments

13) Sub total of 7+8+9+10+11+12

14) Scheme Creditor's Net Ascertained Claim or Net Debt (3+6+13)

Signed by the Scheme Manager: Date:

PRO Insurance Solutions Limited

Signed by the Scheme Creditor*: Date:

* This should be signed by an appropriately authorised person from within your organisation. In doing so you warrant that you have the appropriate authority and are signifying your irrevocable agreement to the contents.

Payment of the Net Ascertained Claim (if any) shown on this Valuation Statement will be made within 90 days of the Valuation Statement becoming final and binding.

If no notice disputing the Valuation Statement is received by the Scheme Manager within 42 days of the date of the Valuation Statement, it will be deemed to be accepted by you and will become final and binding on both you and the Scheme Company in accordance with the Scheme. Notice of dispute may only be raised on grounds of Manifest Error or otherwise as permitted by the Scheme (see Clauses 2.7.4 and 2.7.5 of the Scheme).

Valuation Statement in relation to the EAUA Pools Scheme of Arrangement

EAUA Pools: ***THE HOME INSURANCE COMPANY (IN LIQUIDATION)***

SCHEME CREDITOR: ***pre populated name***

EAUA REG REF: ***pre populated***

Date Issued: ***dd/mmm/yyyy***

Currency: ***pre populated***

Note: positive values are in your favour; negative values (in brackets) are in favour of the Scheme Company. Please refer to enclosed Valuation Statement guidance notes.

Individual Valuation Statement

1) Total undiscounted Agreed Claims

2) Total Agreed Claims present value discount

3) Total Agreed Claims (1+2)

4) Total undiscounted Scheme Debts

5) Total Scheme Debts present value discount

6) Total Scheme Debts (4+5)

7) Security

8) Set-off / Advance payments

9) Interest – N/A

10) Adjudicator's fees and costs

11) Tax adjustments

12) Other adjustments

13) Sub total of 7+8+9+10+11+12

14) Scheme Creditor's Net Ascertained Claim or Net Debt (3+6+13)

Signed by the Scheme Manager: Date:

PRO Insurance Solutions Limited

Signed by the Scheme Creditor*: Date:

* This should be signed by an appropriately authorised person from within your organisation. In doing so you warrant that you have the appropriate authority and are signifying your irrevocable agreement to the contents.

Payment of the Net Ascertained Claim (if any) shown on this Valuation Statement will be eligible to be admitted to proof in the New Hampshire Liquidation on the date which this Valuation Statement becomes final and binding.

If no notice disputing the Valuation Statement is received by the Scheme Manager within 42 days of the date of the Valuation Statement, it will be deemed to be accepted by you and will become final and binding on both you and the Scheme Company in accordance with the Scheme. Notice of dispute may only be raised on grounds of Manifest Error or otherwise as permitted by the Scheme (see Clauses 2.7.4 and 2.7.5 of the Scheme).

Combined Valuation Statement in relation to the EAUA Pools Scheme of Arrangement

EAUA Pools: **SOLVENT SCHEME COMPANIES COMBINED**

SCHEME CREDITOR: ***pre populated name***

EAUA REG REF: ***pre populated***

Date Issued: ***dd/mmm/yyyy***

Currency: ***pre populated***

Note: positive values are in your favour; negative values (in brackets) are in favour of the Scheme Company. Please refer to enclosed Valuation Statement guidance notes.

Aggregation of Net Ascertained Claims and Net Debts

1) Total undiscounted Agreed Claims

2) Total Agreed Claims present value discount

3) Total Agreed Claims (1+2)

4) Total undiscounted Scheme Debts

5) Total Scheme Debts present value discount

6) Total Scheme Debts (4+5)

7) Security

8) Set-off / Advance payments

9) Interest

10) Adjudicator's fees and costs

11) Tax adjustments

12) Other adjustments

13) Sub total of 7+8+9+10+11+12

14) Scheme Creditor's Net Ascertained Claim or Net Debt (3+6+13)

Signed by the Scheme Manager: Date:

PRO Insurance Solutions Limited

Signed by the Scheme Creditor*: Date:

* This should be signed by an appropriately authorised person from within your organisation. In doing so you warrant that you have the appropriate authority and are signifying your irrevocable agreement to the contents.

You should sign this form and return it to the Scheme Manager only if you agree to a single payment being made to you for all of the Scheme Companies except EAIC, ICS or Home, in the amount of the aggregate Net Ascertained Claim (if any) shown above in full and final settlement of the amounts payable pursuant to the Scheme in respect of the Valuation Statements aggregated on this Combined Valuation Statement, other than in relation to EAIC, ICS or Home. Please note that the aggregation of amounts in respect of different Scheme Companies on a Combined Valuation Statement may result in the setting off of amounts owing from you to Scheme Companies against amounts owing to you by other Scheme Companies. EAIC's Valuation Statement, ICS's Valuation Statement and Home's Valuation Statement are not included in the Combined Valuation Statement. Any payment by EAIC, ICS or Home will be made separately as detailed in the covering notes to this document. If you would prefer to receive payment from each solvent Scheme Company individually, do not sign this form below.

Payment of the aggregate Net Ascertained Claim (if any) shown on this Valuation Statement will be made within 42 days of receipt by the Scheme Manager of this duly signed Combined Valuation Statement.

If no notice disputing the Valuation Statement is received by the Scheme Manager within 42 days of the date of the Valuation Statement, it will be deemed to be accepted by you and will become final and binding on both you and the Scheme Company in accordance with the Scheme. Notice of dispute may only be raised on grounds of Manifest Error or otherwise as permitted by the Scheme (see Clauses 2.7.4 and 2.7.5 of the Scheme).

SAMPLE

Valuation Statement in relation to the EAUA Pools Scheme of Arrangement

EAUA Pools: ***INDIVIDUAL SOLVENT SCHEME COMPANY pre populated***

SCHEME CREDITOR: ***pre populated name***

EAUA REG REF: ***pre populated***

Date Issued: ***dd/mmm/yyyy***

Currency: ***pre populated***

Note: positive values are in your favour; negative values (in brackets) are in favour of the Scheme Company. Please refer to enclosed Valuation Statement guidance notes.

Individual Valuation Statement

1) Total undiscounted Agreed Claims

2) Total Agreed Claims present value discount

3) Total Agreed Claims (1+2)

4) Total undiscounted Scheme Debts

5) Total Scheme Debts present value discount

6) Total Scheme Debts (4+5)

7) Security

8) Set-off / Advance payments

9) Interest

10) Adjudicator's fees and costs

11) Tax adjustments

12) Other adjustments

13) Sub total of 7+8+9+10+11+12

14) Scheme Creditor's Det Ascertained Claim or Net Debt (3+6+13)

Signed by the Scheme Manager: Date:

PRO Insurance Solutions Limited

Signed by the Scheme Creditor*: Date:

* This should be signed by an appropriately authorised person from within your organisation. In doing so you warrant that you have the appropriate authority and are signifying your irrevocable agreement to the contents.

Please do not sign and return this Valuation Statement if you would prefer to receive a single payment from the Scheme Companies combined (other than EAIC, ICS or Home), in which case, please sign the Combined Valuation Statement. Please note that amounts due from EAIC, ICS or Home (if any) will not be paid as part of any payment under a Combined Valuation Statement.

Payment of the Net Ascertained Claim (if any) shown on this Valuation Statement will be made within the earlier of: (1) 42 days of the receipt by the Scheme Manager of this Valuation Statement, duly signed by the Scheme Creditor to signify his agreement to its contents, and (2) the date on which this Valuation Statement becomes final and binding.

If no notice disputing the Valuation Statement is received by the Scheme Manager within 42 days of the date of the Valuation Statement, it will be deemed to be accepted by you and will become final and binding on both you and the Scheme Company in accordance with the Scheme. Notice of dispute may only be raised on grounds of Manifest Error or otherwise as permitted by the Scheme (see Clauses 2.7.4 and 2.7.5 of the Scheme).

Valuation Statement Guidance Notes

Note no	Comment
(1)	**Total undiscounted Agreed Claims** The Agreed Claims before the application of the present value discount.
(2)	**Total Agreed Claims Present Value Discount** The discount value applied to the Oustanding Claims and IBNR claims (as described in the Estimation Guidelines) as determined in accordance with the Scheme.
(3)	**Total Agreed Claims** The total of the Scheme Creditor's Agreed Claims (Clause 2.7.1(i) of the Scheme) after application of discount in accordance with the Estimation Guidelines, subject in the case of ICS only, to Clause 20.5.3.
(4)	**Total Undiscounted Scheme Debts** The value of the Scheme Creditor's Scheme Debts (if any) before the application of the present value discount.
(5)	**Total Scheme Debts Present Value Discount** The discount value applied to the Scheme Creditor's Scheme Debts (if any) in accordance with the Estimation Guidelines.
(6)	**Total Scheme Debts** The value of the Scheme Creditor's Scheme Debts (if any) (Clause 2.7.1(ii) of the Scheme) after application of discount, subject in the case of EAIC only, to Clause 11.2, or, in the case of ICS only, Clause 18.1.
(7)	**Security** The amount of any Scheme Claims which have already been satisfied by the application of Security, ICS Security or EAIC Security as well as the value of any remaining Security, ICS Security or EAIC Security (Clause 2.7.1(iv) of the Scheme).
(8)	**Set off / Advance Payments** The amount of adjustments reflecting payments by or to the Scheme Company or transactions effecting netting off or set off in respect of a Scheme Creditor's Agreed Claims and/or Scheme Debts prior to the date of the Valuation Statement, and in the case of ICS only, having regard to Clause 18.1 (Clause 2.7.1(iii) of the Scheme). The amount of any advance payment treated as having been received by the Scheme Creditor for the purposes of Clause 4.1.4 which is to be deducted from the total of such Scheme Creditor's Agreed Claims, except in the case of EAIC, where Clause 12.3 shall apply, and the case of ICS where Clause 19.2.2(ii) or Clause 19.4.1 shall

	apply (Clause 2.7.1(vi) of the Scheme).
(9)	**Interest** Except in the case of EAIC, ICS or Home the amount of interest (if any) to be paid to the Scheme Creditor in respect of non payment of the Net Ascertained Claim against the Scheme Company within 12 calendar months from the Bar Date (Clause 4.2.1 of the Scheme).
(10)	**Adjudicator's fees and costs** Except in the case of EAIC, where Clause 12.3 shall apply, and the case of ICS where Clause 19.2.2(ii) or Clause 19.4.1 shall apply, the amount of any sums in respect of a Scheme Adjudicator's unpaid remuneration, costs and expenses pursuant to Clause 2.5.10 to be deducted from the total of such Scheme Creditor's Agreed Claims. (Clause 2.7.1(v) of the Scheme).
(11)	**Tax adjustments** Any amounts which are required to be deducted or withheld by the Scheme Company for or on account of Tax in respect of Admissible Interest. (Clause 2.7.1(vii) of the Scheme).
(12)	**Other adjustments** Any other amounts in relation to Scheme Claims or Scheme Debts not expressly referred to above which the Scheme Manager considers ought to be taken into account for the purpose of calculating the Scheme Creditor's Net Ascertained Claim or the Scheme Company's Net Debt, as the case may be. (Clause 2.7.1(viii) of the Scheme).
(13)	**Sub Total** The sum of 7 + 8 + 9 + 10 + 11 + 12 above.
(14)	**Scheme Creditor's Net Ascertained Claim or Net Debt** The final balance following aggregation of the amounts referred to above, which shall be your Net Ascertained Claim or Net Debt, as the case may be. (Clause 2.7.1(ix) of the Scheme).
(15)	**Dividend Already Paid** In the case of EAIC only the value of previously settled dividends paid to the Scheme Creditor as agreed by the EAIC Scheme Administrator.
(16)	Balance
	In the case of EAIC only, the Scheme Creditor's Net Ascertained Claim or Net Debt multiplied by the current dividend percentage less the dividend already paid.

APPENDIX E
Form of Deed of Release

[•]

and

THE SCHEME CREDITORS
(as defined herein)

and

[LETTER OF CREDIT PROVIDER]

DEED OF RELEASE

THIS DEED OF RELEASE is made the day of 2009

BETWEEN:

(1) **[•]** (the "**Company**");

(2) **EACH SCHEME CREDITOR** of the Company, acting by the Company acting as agent pursuant to the authority conferred upon it by the Scheme Creditors under Clause 4.4 of the Scheme; and

(3) [**LETTER OF CREDIT PROVIDER**] (the "**Released Party**")

WHEREAS

Pursuant to Clause 4.4 of the scheme of arrangement (the "**Scheme**") proposed in relation to the Company (as defined below) pursuant to Part 26 of the Companies Act 2006, which Scheme became effective on [*insert Effective Date of the Scheme*], each Scheme Creditor of the Company has authorised the Company to enter into and execute and deliver this Deed on its behalf.

The Released Party has agreed to enter into and execute and deliver this Deed on its own behalf.

NOW THIS DEED WITNESSES as follows:

1. **Definitions**

Unless otherwise stated, terms defined in the Scheme shall have the same meaning in this Deed.

2. **Conditions**

2.1 The representations, warranties and undertakings set out in Clause 4 of this Deed shall only become effective, and shall be conditional, upon:

2.1.1 the court order sanctioning the Scheme being delivered to the Registrar of Companies in England and Wales (the "Court Order"); and

2.1.2 (in the case of Clause 3.5 and (insofar as it relates to the granting of the Injunction therein referred to) Clause 3.6), permanent injunctive relief being granted under Chapter 15 or Section 304 of the United States Bankruptcy Code in respect of the Scheme (t).

2.2 The releases set out in Clause 4 shall only become effective, and shall be conditional, upon each Scheme Creditor's Net Ascertained Claims being paid in full (or otherwise deemed satisfied in full) under the Scheme.

3. **Representations, warranties and undertakings**

3.1 The Company represents and warrants that it has the right, power and authority and has taken all action necessary to execute, deliver and exercise its rights and perform its obligations under this Deed.

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3.2 The Company represents and warrants that, pursuant to Clause 4.4 of the Scheme, the Company has been authorised by its Scheme Creditors to execute this Deed.

3.3 The Company represents and warrants that all information contained in this Deed is accurate and complete.

3.4 The Company represents and warrants that the Scheme has become binding on the Scheme Creditors following the High Court of Justice, England, making the Court Order sanctioning the Scheme and the delivery of such Court Order to the Registrar of Companies.

3.5 The Company represents and warrants that it has obtained injunctive relief pursuant to the Injunction and that the Scheme is therefore enforceable in the United States of America.

3.6 The Company undertakes to provide the Released Party with copies of the Court Order and the Injunction.

3.7 The Company undertakes to notify the Released Party immediately that the condition set out in Clause 2.2 of this Deed has been satisfied.

4. **Releases**

Subject to the condition in Clause 2.2 above, in consideration for the payment of £1 in aggregate (receipt of which is hereby acknowledged) each Scheme Creditor, acting by the Company pursuant to Clause 4.4 of the Scheme, hereby releases the Released Party absolutely and unconditionally from any and all Liability that the Released Party may have to each Scheme Creditor under or in respect of, any Letter of Credit established by the Released Party on the instructions of the Company (or its fully authorised agent) in respect of any contract of insurance, reinsurance or retrocession giving rise to a Claim (t).

5. **Further Assurance**

The parties hereto agree that they will co-operate fully to do all such further acts and things and execute any further documents as may reasonably be necessary or desirable to give full effect to the arrangements contemplated by this Deed.

6. **Rights of third parties**

A person who is not a party to this Deed has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Deed but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

7. **Counterparts**

This Deed may be executed in any number of counterparts, each of which when executed and delivered is an original and all of which taken together constitute one and the same deed.

8. **Assignment**

This Deed shall not be assignable.

9. **Governing law**

This Deed shall be governed by and construed in accordance with the laws of England and Wales.

IN WITNESS WHEREOF this Deed has been executed by the parties hereto and it is intended to be and is hereby delivered on the date hereof.

Signed as a deed by

[•]

Acting by:

Director:

Director / Secretary:

Signed as a deed

For and on behalf of the SCHEME CREDITORS

By [•]

Acting by:

Director:

Director / Secretary:

Signed as a deed by

For and on behalf of [LETTER OF CREDIT PROVIDER]

Acting by:

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APPENDIX F
Deed Poll

BRIT INSURANCE LIMITED

AND

CITY INTERNATIONAL INSURANCE COMPANY LIMITED ("CITY") FORMERLY CITY INSURANCE COMPANY (UK) LIMITED

FUJI INTERNATIONAL INSURANCE COMPANY LIMITED ("FUJI") FORMERLY FUJI FIRE & MARINE INSURANCE COMPANY (UK) LIMITED

KX REINSURANCE COMPANY LIMITED ("KX RE") FORMERLY LOMBARD INSURANCE COMPANY (UK) LIMITED

METROPOLITAN REINSURANCE COMPANY (U.K.) LIMITED ("MET RE")

MOORGATE INSURANCE COMPANY LIMITED ("MOORGATE") FORMERLY POHJOLA INSURANCE COMPANY (UK) LIMITED

DEED POLL

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THIS DEED POLL is made on 2009

BY:

(A) **BRIT INSURANCE LIMITED**, a company incorporated in England and Wales (registered no. 02763688), whose registered office is at 55 Bishopsgate, London EC2N 3AS (t); and

(B) **CITY INTERNATIONAL INSURANCE COMPANY LIMITED ("CITY") FORMERLY CITY INSURANCE COMPANY (UK) LIMITED; FUJI INTERNATIONAL INSURANCE COMPANY LIMITED ("FUJI") FORMERLY FUJI FIRE & MARINE INSURANCE COMPANY (UK) LIMITED; KX REINSURANCE COMPANY LIMITED ("KX RE") FORMERLY LOMBARD INSURANCE COMPANY (UK) LIMITED; METROPOLITAN REINSURANCE COMPANY (U.K.) LIMITED ("MET RE"); MOORGATE INSURANCE COMPANY LIMITED ("MOORGATE") FORMERLY POHJOLA INSURANCE COMPANY (UK) LIMITED;** (collectively the "**Solvent Pool Members**" and each a "**Solvent Pool Member**").

WHEREAS:

(A) The Solvent Pool Members and the Insolvent Pool Members are insurers who wrote and signed lines in the Package Policies as members of the non-marine pool underwritten for by English and American Underwriting Agency Limited (the "**EAUA Non-Marine Pool**").

(B) The Solvent Pool Members and the Insolvent Pool Members each wish to implement a scheme of arrangement under section 895 of the Companies Act 2006 in order to clean cut, *inter alia*, all of their liabilities to the Policyholders under the Package Policies and to ensure that they are released from any obligation to indemnify the Policyholders, on substantially the terms set out in the draft document annexed hereto as Schedule 2 (the "**Scheme of Arrangement**").

(C) The Package Policies may contain incidental employers' liability cover, and there may also be Additional Covers. The Solvent Pool Members and the Insolvent Pool Members recognise that employers' liability insurance is compulsory under English law. Accordingly, contemporaneously with implementing the Scheme of Arrangement, the Solvent Pool Members (but not the Insolvent Pool Members, whose insureds are otherwise protected by their right to have recourse to the FSCS) wish to arrange for a replacement carrier to provide employers' liability insurance cover to the Beneficiaries upon materially the same terms as the EL Covers and any Additional Covers, as more fully particularised (but subject to the qualifications) below.

(D) Conditional upon the Scheme of Arrangement becoming effective in relation to the relevant Solvent Pool Member, the Replacement Carrier has agreed to provide the Replacement Insurance to the Beneficiaries as more fully particularised below. The Solvent Pool Members are, however, unaware of the location of the Beneficiaries. Accordingly, the Replacement Carrier has agreed to provide the Replacement Insurance to the Beneficiaries by way of deed poll.

(E) Pursuant to such agreement between the Replacement Carrier and the Solvent Pool Members and in accordance with the terms set out in this Deed, the Replacement Carrier wishes to provide to the Beneficiaries the Replacement Insurance.

THIS DEED WITNESSES as follows:

1. **INTERPRETATION**

1.1 In this Deed:

"**Additional Covers**" means any employers' liability cover (but excluding the EL Covers) contained in any policies written, *inter alios*, by the Solvent Pool Members (in their capacity as such) which are notified to, or otherwise come to the attention of, the relevant Solvent Pool Member prior to the Bar Date in accordance with the provisions of the Scheme of Arrangement.

"**Bar Date**" has the meaning given to it in the Scheme of Arrangement.

"**Beneficiaries**" means the employers insured under the EL Covers (and, where applicable, under any Additional Covers) and, to the extent that such employers are insolvent, their employees, *provided that* the latter satisfy the requirements of the Third Parties (Rights Against Insurers) Act 1930.

"**Compulsory Share**" means £2,000,000 multiplied by X / 100, where X equals the share (expressed as a percentage) of each applicable EL Cover (or Additional Cover) written by the relevant Solvent Pool Member, taking into account the lines written by all other insurers on the EL Cover (or Additional Cover) in question (whether or not those insurers wrote those lines as members of the EAUA Non-Marine Pool).

"**Dispute**" has the meaning given to it in Clause 6.2.

"**EAUA Non-Marine Pool**" has the meaning given to it in Paragraph (A) of the recitals to this Deed.

"**EL Covers**" means all employers' liability cover written, *inter alios*, by the Solvent Pool Members (in their capacity as such) contained in the Package Policies.

"**Excess Additional Covers**" has the meaning given to it in Clause 2.2.2.

"**FSCS**" means the financial services compensation scheme established under Part 15 of the Financial Services and Markets Act 2000.

"**Insolvent Pool Members**" means English and American Insurance Company Limited and The Insurance Corporation of Singapore (U.K.) Limited.

"**Lines**" means the lines written and signed in the Package Policies by those Solvent Pool Members in respect of whom the Scheme of Arrangement becomes effective, as per the percentages set out in Schedule 1 to this Deed.

"**Package Policies**" means the direct UK combined package policies written, *inter alios*, by the Solvent Pool Members (in their capacity as such) between 1979 and 1986, under or pursuant to those 19 instruments listed in Schedule 1 to this Deed.

"**Policyholders**" means the insureds under the Package Policies.

"**Policy Wording**" means the policy wording agreed between the Replacement Carrier and the Solvent Pool Members prior to the date of this Deed.

"**Replacement Insurance**" means the insurance written by the Replacement Carrier for the benefit of the Beneficiaries to replace the cover provided to them by each relevant Solvent Pool Member under the EL Covers in respect of the Lines only and under any Additional Covers, on the terms set out in this Deed.

"**Scheme of Arrangement**" has the meaning given to it in Paragraph (B) of the recitals to this Deed.

"**Scheme Manager**" has the meaning given to it in the Scheme of Arrangement.

1.2 In this Deed, a reference to:

1.2.1 any statutory provision or statute includes all modifications thereto and all re-enactments (with or without modification) thereof and all subordinate legislation made thereunder, in each case for the time being in force, except where the context requires or states otherwise;

1.2.2 a person includes a reference to that person's legal personal representatives and successors or to a body corporate, association or partnership; and

1.2.3 a Clause, Paragraph or Schedule is a reference to a clause or paragraph of, or a schedule to, this Deed.

1.3 The headings in this Deed do not affect its interpretation.

2. PAYMENT OF PREMIUM AND OTHER OBLIGATIONS BY THE SOLVENT POOL MEMBERS

2.1 By no later than five business days after the Scheme of Arrangement becomes effective in relation to the relevant Solvent Pool Member, that Solvent Pool Member will pay to the Replacement Carrier the premium for the Replacement Insurance, being the sum agreed between that Solvent Pool Member and the Relevant Carrier in the slip signed on or about the date of this Deed.

2.2 If any Additional Covers are notified to the Scheme Manager on behalf of a Solvent Pool Member prior to the Bar Date in accordance with the provisions of the Scheme of Arrangement, that Solvent Pool Member will procure that the Scheme Manager informs the Replacement Carrier thereof and:

2.2.1 to the extent that the number of such Additional Covers is fifteen (15) or less:

(a) if the Replacement Carrier determines, acting reasonably, that any such Additional Cover falls within the risk profile of the EL Covers, the Replacement Carrier agrees that it shall indemnify the Beneficiaries under such Additional Cover pursuant to the terms of this Deed and no additional premium shall be payable therefor; or

(b) if the Replacement Carrier determines, acting reasonably, that any such Additional Cover does not fall within the risk profile of the EL Covers, the Replacement Carrier shall be entitled (but not obliged) to agree to indemnify the Beneficiaries under such Additional Cover pursuant to the terms of this Deed, *provided that* if the Replacement Carrier stipulates that an additional premium must be paid by that Solvent Pool Member as a pre-condition to the Beneficiaries under such Additional Cover being entitled to the benefit of the Replacement Insurance pursuant to the terms of this Deed, such premium must first be paid to the Replacement Carrier before the Beneficiaries under such Additional Cover will be entitled to the benefit of the Replacement Insurance hereunder; and

2.2.2 to the extent that the number of such Additional Covers is sixteen (16) or more (the "**Excess Additional Covers**"), the Replacement Carrier shall be entitled (but not obliged) to agree to indemnify the Beneficiaries under such Excess Additional Covers pursuant to the terms of this Deed, but in any event *conditional upon* the payment of an additional premium to be agreed between that Solvent Pool Member and the Replacement Carrier,

it being understood that for the purposes of this Clause 2.2, the first fifteen (15) Additional Covers will be the first fifteen (15) Additional Covers notified to the Scheme Manager on behalf of the Solvent Pool Members in date order, regardless of the dates on which the Replacement Carrier is informed of such Additional Covers.

2.3 Where Clause 2.2 applies:

2.3.1 the Replacement Carrier shall promptly notify the Scheme Manager in respect of each of the Additional Covers notified to it as to whether or not: (i) it considers that such Additional Cover falls within Clause 2.2.1(a) above; or (ii) if it considers that it does not fall within Clause 2.2.1(a) above, it will agree (pursuant to its discretion under Clauses 2.2.1(b) or 2.2.2 above) to indemnify the Beneficiaries under such Additional Covers pursuant to the terms of this Deed and, if so, as to whether or not an additional premium is payable;

2.3.2 the Solvent Pool Members shall procure that the Scheme Manager shall inform the insureds under such Additional Covers as soon as reasonably practicable (and in any event by no later than 42 days after the Bar Date) as to whether or not the Replacement Carrier has committed to indemnify such insureds pursuant to the terms of this Deed; and

2.3.3 if and to the extent that the Scheme Manager: (i) notifies an insured under an Additional Cover that the Replacement Carrier has not committed to indemnify that insured under this Deed; or (ii) has not provided to any insured under an Additional Cover the confirmation required under Clause 2.3.2 above by the date falling 42 days after the Bar Date, then such Additional Covers shall be deemed excluded from the Scheme of Arrangement.

3. **TERMS OF THE REPLACEMENT INSURANCE**

3.1 The Replacement Carrier hereby undertakes to the Beneficiaries (a) that, conditional upon the Scheme of Arrangement becoming effective in relation to the relevant Solvent Pool Member as described herein, it will indemnify the Beneficiaries (a) in respect of employers' liability risks on materially the same terms as those upon which the Beneficiaries have hitherto been insured by that relevant Solvent Pool Member under the applicable EL Covers and Additional Covers but subject to the terms of Clauses 3.2 and 3.3 and subject further, in the case of the Beneficiaries under the Additional Covers, to the terms of Clause 2.2.

3.2 The Replacement Insurance comprises this Deed and (subject to the derogations in Clause 4 below) the Policy Wording. All provisions of the Policy Wording are hereby incorporated into this Deed. In the event of any inconsistency between the terms of this Deed and the Policy Wording, the terms of this Deed shall prevail.

3.3 The Replacement Carrier covenants that the Replacement Insurance:

3.3.1 has a limit of indemnity in respect of: (1) any one claim against the relevant Beneficiary or series of claims against the relevant Beneficiary; and (2) any one claim or series of claims made by the relevant Beneficiary under the Replacement Insurance, in both cases arising out of one cause, equivalent to each relevant Solvent Pool Member's Compulsory Share of claims under any one or more of the EL Covers (in respect of the Lines only) and (where applicable) under any Additional Covers, relating to any one or more of the Beneficiaries arising out of any one occurrence, in accordance with the Employers' Liability (Compulsory Insurance) Act 1969 and the Employers' Liability (Compulsory Insurance) General Regulations 1971 in force when the EL Covers and Additional Covers were written;

3.3.2 will not provide an indemnity to a Beneficiary in respect of any loss which forms the subject of the notification of an identified claim by that Beneficiary to the relevant Solvent Pool Member under the Scheme of Arrangement, if and to the extent that the Beneficiary receives a payment in respect of that loss from that relevant Solvent Pool Member under the Scheme of Arrangement; and

3.3.3 otherwise is subject to all other terms, conditions and exclusions as under the EL Covers and the Additional Covers, including, at minimum, an indemnity:

(a) against legal liability for damages and the claimant's costs and expenses in respect of injury sustained by that claimant and caused during the period of insurance in respect of the relevant EL Cover or Additional Cover, within the territorial limits and arising out of and in the course of the employment of that claimant's employee(s) or of that claimant (as applicable); and

(b) in respect of legal costs incurred with the written consent of the Replacement Carrier in connection with any event which is or may be the subject of an indemnity under Paragraph (a) above.

4. **DEROGATIONS FROM THE POLICY WORDING**

4.1 The Policy Wording is incorporated into this Deed, save that:

4.1.1 There shall be added at the end of condition 1 (*Observance of Terms and Right of Recovery*) the words "*, save that nothing in this condition shall prevent an Insured from recovering from the Underwriters where it has breached one or more provisions of this condition, where such breach was caused by, or occurred as a result of, the fact that the Insured was unaware of the provisions of this Certificate, including this condition*". The words "*The Insured shall repay to the Underwriters… such legislation*" shall be deleted.

4.1.2 There shall be added at the end of condition 2 (*Payment of Premium*) the words "*, save that premium shall not include any additional premium that may be payable under this Certificate*".

4.1.3 Condition 3 (*Excess*) shall not apply.

4.1.4 Condition 4 (*Reasonable Precautions*) shall not apply.

4.1.5 There shall be added at the end of condition 5 (*Claims Procedure and Control*) the words "*, save that nothing in this condition shall prevent an Insured from recovering from the Underwriters where it has breached one or more provisions of this condition, where such breach was caused by, or occurred as a result of, the fact that the Insured was unaware of the provisions of this Certificate, including this condition*".

4.1.6 In condition 7 (*Alteration of Risk*), all instances of the words "*the Insured*" and "*the Insureds*" shall be deleted and replaced by the words "*the Solvent Pool Members*".

4.1.7 In condition 9 (*Adjustment of Premium*), all instances of the words "*the Insured*" or "*The Insured*" shall be deleted and replaced by the words "*the Solvent Pool Members*" or "*The Solvent Pool Members*", as appropriate.

4.1.8 There shall be added at the end of condition 10 (*Other Insurances*) the words "*, except that this condition, and the indemnity afforded by this Certificate, shall not apply only by reason of the existence of the EL Covers*".

4.1.9 In condition 11 (*Law*), both instances of the words "*the United Kingdom*" shall be deleted and replaced by the word "*England*".

4.1.10 Condition 12 (*C) shall not apply.

4.1.11 Condition 13 (*Contracts Rights of Third Parties Act 1999*) shall not apply.

5. **OTHER OBLIGATIONS OF THE REPLACEMENT CARRIER**

5.1 The Replacement Carrier hereby undertakes to the Beneficiaries that:

5.1.1 it will comply with its obligations under this Deed; and

5.1.2 to the extent that, after the date of this Deed, it is able to locate the Policyholders (although it will be under no obligation to do so), it will issue insurance certificates to the Policyholders so located, evidencing the Replacement Insurance.

5.2 This Deed inures for the benefit of each Beneficiary and a Beneficiary may sue for the compliance by the Replacement Carrier with its obligations under this Deed in relation to each employers' liability policy held by the Beneficiary.

6. GOVERNING LAW AND JURISDICTION

6.1 This Deed and the Replacement Insurance are governed by, and shall be construed in accordance with, English law.

6.2 The courts of England shall have exclusive jurisdiction to settle any dispute arising from or in connection with this Deed and/or the Replacement Insurance, including a dispute regarding the existence, validity or termination of this Deed and/or the Replacement Insurance or the consequences of the nullity of this Deed and/or the Replacement Insurance (a "**Dispute**").

6.3 The Replacement Carrier and the Solvent Pool Members agree that the courts of England are the most appropriate and convenient forum to settle any Dispute and, accordingly, that they will not argue to the contrary.

7. THIRD PARTY RIGHTS

7.1 The Beneficiaries may enforce the terms of this Deed subject to and in accordance with this Clause 7 and the provisions of the Contracts (Rights of Third Parties) Act 1999.

7.2 The parties to this Deed do not require the consent of the Beneficiaries to rescind or vary this Deed at any time.

7.3 The Beneficiaries may not take proceedings to enforce a term of this Deed unless brought in accordance with Clause 6 of this Deed.

EXECUTED AS A DEED BY

Executed as a deed by **BRIT INSURANCE LIMITED**

_____ Signature of director

_____ Name of director

_____ Signature of director/secretary

_____ Name of director/secretary

Executed as a deed by **CITY INTERNATIONAL INSURANCE COMPANY LIMITED**

_____ Signature of director

_____ Name of director

_____ Signature of director/secretary

_____ Name of director/secretary

Executed as a deed by **FUJI INTERNATIONAL INSURANCE COMPANY LIMITED**

_____ Signature of director

_____ Name of director

_____ Signature of director/secretary

_____ Name of director/secretary

Executed as a deed by **KX REINSURANCE COMPANY LIMITED**

_____ Signature of director

_____ Name of director

_____ Signature of director/secretary

_____ Name of director/secretary

Executed as a deed by **METROPOLITAN REINSURANCE COMPANY (U.K.) LIMITED**

_____ Signature of director

_____ Name of director

_____ Signature of director/secretary

_____ Name of director/secretary

Executed as a deed by **MOORGATE INSURANCE COMPANY LIMITED**

_____ Signature of director

_____ Name of director

_____ Signature of director/secretary

_____ Name of director/secretary

SCHEDULE 1

THE PACKAGE POLICIES

Slip Ref	Policy Inception	Policy Expiry	Policy Type	Insured
U85D13339	01/08/1985	31/07/1986	School Comprehensive Insurance	School of Oriental & African studies
U85D15590	30/09/1985	29/09/1986	Office Renters Comprehensive	Herbert Smith & Company
U85D67340	28/03/1985	27/03/1986	Combined Traders Insurance	Opencircle Limited & Doubletown Limited
U85D19831	18/06/1985	17/06/1986	School Comprehensive Insurance	Pinewood School Limited
U85D19857	01/05/1985	30/04/1986	Office Tenants Comprehensive	Woodhouse Drake & Carey Limited
U85D66647	14/06/1985	13/06/1986	Farmers Combined	DAJ Dickson
U85D67835	23/09/1985	22/09/1986	Combined Traders Insurance	Astaville Limited t/a The Cabaret Club
U79C22920	28/02/1979	27/02/1980	Office Renters Comprehensive	Fourteen Old Bond Street Limited
U80F21046	20/06/1980	19/06/1981	Shopkeepers combined	Stardell Limited
U80F19831	18/06/1980	17/06/1981	School Comprehensive Insurance	Pinewood School Ltd
U80F21018	01/07/1980	31/12/1980	Combined Comprehensive Insurance	The Embassy of the Arab Republic of Egypt
U81F19151	10/06/1981	09/06/1982	Shopkeepers Combined	Jean Scenes Ltd t/a Crocodile & Cabbage
U86D72017	01/02/1986	31/12/1986	Jewellers Block	Eton Jewellery &/or Eton Gem Co. Ltd
U85D67598	29/09/1985	31/12/1986	Jewellers Block	Fieldwood Ltd
U85D67833	21/11/1985	20/01/1986	Combined Traders Insurance	R. S. Gill
U85D67771	30/09/1985	29/09/1986	Combined Traders	Davemount Reproductions

Slip Ref	Policy Inception	Policy Expiry	Policy Type	Insured
			Insurance	Limited
U86A70043	01/01/1986	31/03/1987	Caravan Cover	Various Assureds as declared.
U86A70042	01/01/1986	31/03/1987	Caravan Cover	Various Assureds as declared.
U80F21339	12/09/1980	12/09/1981	Office Renters Comprehensive	Various Assureds as declared.

SCHEDULE 2

THE SCHEME OF ARRANGEMENT