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At IAS Part 57 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, in the County, City and State of New York, on the 14th day of July, 2011.

PRESENT:

HON. Charles E. Rosen, J.S.C.

In the Matter of

the Conservation of the Assets in the State of New York of

PACIFIC & GENERAL INSURANCE COMPANY LIMITED.

Index No.: 41406/88

ORDER TO SHOW CAUSE

Upon the annexed verified petition (the "Petition") of Dennis J. Hayes, Special Deputy Superintendent and Agent of James J. Wrynn, Superintendent of Insurance of the State of New York (the "Superintendent") in his capacity as conservator (the "Conservator") of certain trust assets (the "Trust Assets") established by Pacific & General Insurance Company Limited ("P & G"), dated the 29th day of June, 2011, and the exhibits annexed thereto, and it appearing that the relief therein prayed for should be granted;

NOW, on motion of John Pearson Kelly, attorney for the Conservator, for an order:

(a) approving the conservation agreement dated January 13, 2011 (the "Conservation Agreement"), entered into between the Conservator and Ipe Jacob and Richard Graham White in their capacity as liquidators (the "Office Holders"); (b) authorizing the Conservator to distribute the Trust Assets to the Office Holders in accordance with the Conservation Agreement; and

if is directed that any interested parties shall appear @ IAS Part 57, Rm 25, @ 60 Centre St and show cause why an order should not be granted.

(c) upon distribution of the Trust Assets to the Office Holders, in accordance with the Conservation Agreement, and the filing of a final report, the Conservator, his predecessors and successors in office, agents, attorneys and employees shall be discharged and released from all further liability arising out of this conservation proceeding and that this conservation proceeding shall be terminated.

The Conservator also requests that this Court issue this Order to Show Cause approving: (1) a return date at least 45 days after the date of issuance of this Order to Show Cause for a hearing ("Hearing") to be held before this Court on the Petition; (2) the form of notice to be given to P & G's American Policyholders (as that term is defined in the Petition) ("Notice"); and (3) the method of service of Notice, i.e., by first class mail to P & G's American Policyholders, and to all other interested parties by publication in *Business Insurance* following the issuance of this Order to Show Cause and posting on the Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org>;

AND, sufficient cause having been alleged therefor and this Court having found the form and method of the Notice specified herein to be the best notice practicable, it is hereby

ORDERED, that:

1. All persons and entities interested in P & G's affairs and wishing to object to the relief requested in the Petition, show cause before this Court at 60 Centre Street, New York, New York, IAS Part 53, Courtroom 238, on the 5th day of October, 2011 at 11 a.m., or as soon thereafter as counsel can be heard, why an order granting the relief sought in the Petition should not be issued;

2. The Notice in the form annexed hereto be served: (a) by first class mail on P & G's American Policyholders; (b) to all other interested parties by publication in Business Insurance following the issuance of this Order to Show Cause; and (c) posting on the Internet web page maintained by the New York Liquidation Bureau at <http://www.nylb.org>;
3. The form and method of service of the Notice specified herein shall constitute due and sufficient notice of this Order to Show Cause, the Petition and the Hearing to all persons and entities entitled to receive such notice;
4. Any person or entity wishing to object to the relief requested in the Petition must serve a written statement setting forth the objections and all supporting documentation upon the Conservator and file same with the Clerk of the Court within 30 days of the Notice date. Service on the Conservator is to be made by first class mail to the following address:

The Superintendent of Insurance of the
State of New York as Conservator
of Pacific & General Insurance Company Limited
110 William Street
New York, New York 10038
Attention: John Pearson Kelly, Esq.

With a copy to:

Clifford Chance LLP
10 Upper Bank Street
London, E14 5JJ
Attention: David Steinberg, Esq

And another copy to

Clifford Chance LLP
31 West 52nd Street
New York, New York 10019-6131
Attention: Jennifer DeMarco, Esq.

5. Unless this Court otherwise directs, no person or entity will be entitled to object to the Petition or otherwise be heard, except by serving and filing a written objection as described above, and that any person who fails to so object shall be deemed to have waived any objections to the relief sought in the Petition, and shall be barred from raising objections to the Petition in this or any other proceeding.

ENTER



J. S. G.

**IN THE MATTER OF THE CONSERVATION OF
PACIFIC & GENERAL INSURANCE COMPANY LIMITED
Supreme Court County of New York
Index No.: 41406/88**

NOTICE

On September 27, 1988, Pacific & General Insurance Company Limited ("P & G") was placed into conservation (the "Conservation Proceeding") and the then-Superintendent of Insurance of the State of New York, James P. Corcoran (and his successors in office), was appointed conservator ("Conservator") of P & G ("Conservation Order"). Pursuant to the New York Insurance Law ("Insurance Law") and the Conservation Order, the Conservator was given the responsibility of, among other things, conserving trust assets provided in connection with P & G's authorization to write business in the United States ("Trust Assets") consistent with Article 74 of the Insurance Law. The Conservator has submitted to the Court supervising P & G's conservation proceeding (the "Conservation Court") a petition ("Petition") seeking an order: (a) approving a conservation agreement dated January 13, 2011 (the "Conservation Agreement"), entered into between the Conservator and Ipe Jacob and Richard Graham White ("Office Holders") as scheme administrators of P & G's scheme of arrangement (the "Scheme of Arrangement"); (b) authorizing the Conservator to distribute the Trust Assets to the Office Holders in accordance with the Conservation Agreement; (c) discharging and releasing the Conservator, his predecessors and successors in office, agents, attorneys and employees from all further liability arising out of this conservation proceeding upon distribution of the Trust Assets to the Office Holders, in accordance with the Conservation Agreement, and the filing of a final report; and (d) terminating this conservation proceeding.

A hearing is scheduled on the Petition on _____ 2011 at 9:30 a.m. before the Supreme Court of the State of New York, County of New York at the Courthouse, IAS Part _____, Room _____, 60 Centre Street, New York, New York ("Hearing"). If you wish to object to the Petition, you must serve a written statement setting forth your objections and all supporting documentation upon the Conservator, Clifford Chance LLP and Clerk of the Court, within 30 days of notice. Service on the Conservator and Clifford Chance shall be made by first class mail at the following addresses:

The Superintendent of Insurance of the
State of New York as Conservator
of Pacific & General Insurance Company Limited
110 William Street
New York, New York 10038
Attention: John Pearson Kelly, Esq.

With a copy to:

Clifford Chance LLP
10 Upper Bank Street
London, E14 5JJ
Attention: David Steinberg, Esq

And another copy to

Clifford Chance LLP
31 West 52nd Street
New York, New York 10019-6131
Attention: Jennifer DeMarco, Esq.

By filing the Petition, the Conservator is seeking permission from the Court to approve the Conservation Agreement. The Petition further provides that:

Pursuant to an order of the Conservation Court, the Conservator is conserving the Trust Assets pursuant to insurance regulations and law of the State of New York for the benefit of those persons protected by the Trust Assets ("American Policyholders").

Subject to the Conservation Court's approval, the Conservator and the Office Holders have, for the purpose of avoiding duplication of effort and expense, entered into the Conservation Agreement by which the Conservator will transfer the Trust Assets to the Office Holders for distribution to the American Policyholders in accordance with the terms of the Conservation Agreement and the Scheme of Arrangement.

The Conservation Agreement provides that the Office Holders will maintain the Trust Assets for distribution to American Policyholders through the Scheme of Arrangement so that they will receive a greater benefit than if distributed through a separate conservation proceeding.

The Conservation Agreement provides that the values of all American Policyholders' claims will be determined in accordance with the Scheme of Arrangement and such determinations will be binding on the Conservator.

The Conservation Proceeding will be terminated pursuant to the Conservator's application to the Conservation Court following the distribution of the Trust Assets to the Office Holders and the filing of a final report.

For this reason, all policyholders, creditors, claimants and other interested parties in respect of P & G are advised to review all available information and to protect their rights accordingly.

The Petition is available for inspection at the above stated addresses. In the event of any discrepancy between this notice and the documents submitted to Conservation Court, the documents control.

Requests for further information should be directed to the New York Liquidation Bureau, Creditor Claims Department at (212) 341-6814.

James J. Wrynn
Superintendent of Insurance
of the State of New York as Conservator
of Pacific & General Insurance
Company Limited

SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

-----X
In the Matter of the

Index No.: 41406/88

the Conservation of the Assets in
the State of New York of

PETITION

PACIFIC & GENERAL INSURANCE
COMPANY LIMITED.
-----X

James J. Wrynn, Superintendent of Insurance of the State of New York (the "Superintendent") in his capacity as conservator (the "Conservator") of certain trust assets (the "Trust Assets") established by Pacific & General Insurance Company Limited ("P & G"), by Dennis J. Hayes, Special Deputy Superintendent and Agent of the Conservator, hereby petitions this Court, pursuant to New York Insurance Law (the "Insurance Law") Article 74, for an order: (a) approving the conservation agreement dated January 13, 2011 (the "Conservation Agreement"), a copy is attached as Exhibit A, entered into between the Conservator and Ipe Jacob and Richard Graham White in their capacity as liquidators (the "Office Holders"); (b) authorizing the Conservator to distribute the Trust Assets to the Office Holders in accordance with the Conservation Agreement; and (c) upon distribution of the Trust Assets to the Office Holders, in accordance with the Conservation Agreement, and the filing of a final report, the Conservator, his predecessors and successors in office, agents, attorneys and employees shall be discharged and released from all further liability arising out of this conservation proceeding and that this conservation proceeding shall be terminated.

The Office Holders are in possession of P & G's records and, pursuant to an Order dated May 26, 2006 by a court of competent jurisdiction in England sanctioned a scheme of arrangement pursuant to Section 425 of the Corporate Act 1985 of Great Britain ("Scheme of Arrangement"). A scheme of arrangement is a binding set of rules that governs the winding-up

of an insurance company's business. The Office Holders, as scheme administrators have the fiduciary obligation to fix and determine all claims against P & G, including claims by American Policyholders.

Once this Court approves the Conservation Agreement, the Conservator transfers the Trust Assets to the Office Holders who then distribute said assets as prescribed by the Conservation Agreement and the Scheme of Arrangement.

Background

1. P & G, an insurer that was organized under the laws of England, sought to write excess and surplus line insurance policies in the United States. As a condition of doing business in the United States, 11 N.Y.C.R.R. §§27.13 and 27.14 ("Regulation 41") required that P & G establish a trust fund for the protection and benefit of the United States excess line policyholders (i.e., American Policyholders).

2. Pursuant to a trust agreement dated November 22, 1978 ("Trust Agreement"), P & G established a trust fund ("Trust Fund") with Bankers Trust Company. The Trust Agreement, pursuant to Regulation 41 and Insurance Law Article 74, is subject to the jurisdiction of the New York court supervising the conservation of P & G.

3. Pursuant to the Trust Agreement, P & G placed \$1,500,000 in trust at Bankers Trust Company for the benefit of American Policyholders. American Policyholders possessing valid claims for losses or return of unearned premiums with respect to P & G policies are entitled to payment pursuant to the Scheme of Arrangement. American Policyholders are also entitled to payment out of the Trust Assets pursuant to the Trust Agreement. As of May 31, 2011, the Trust assets were valued in the amount of \$2,494,056.

4. Pursuant to Regulation 41, the Trust Agreement provides that the Trust Assets will be transferred to the Superintendent at the direction of a court of competent jurisdiction in the event that P & G becomes insolvent.

5. On October 14, 1984, P & G was placed into provisional liquidation in England. At that time, the English High Court of Justice (the "English Court") appointed the then-Office Holders provisional liquidators and directed them to take possession of P & G's books, records, property and assets, and carry on P & G's business. On November 15, 1985, an order for the winding-up of the Company was made, the Official Receiver continuing as Provisional Liquidator until January 29, 1986 when Maurice Withall (then a partner at Grant Thornton UK LLP ("Grant Thornton")) was appointed liquidator of the Company. Following Maurice Withall's retirement from practice, Michael Jervis, also then of Grant Thornton, was appointed liquidator on February 5, 1999. Beth Rees then of Grant Thornton was appointed as joint liquidator on July 27, 2001 and she was subsequently replaced by Ipe Jacob on July 8, 2003. On July 31, 2003, Richard Graham White of Grant Thornton was appointed as joint liquidator in place of Michael Jervis.

6. By order entered September 27, 1988 (the "Conservation Order"), a copy of which is attached hereto as Exhibit B, the Supreme Court of the State of New York, County of New York (the "Conservation Court"), appointed the Superintendent Conservator and directed him to take possession of and conserve the Trust Assets.

7. Pursuant to the Conservation Order, the Conservator took possession of the Trust Assets and considered how to best identify, adjudicate and pay claims. For the reasons set forth below, the Conservator has concluded that it is in the best interests of American Policyholders for the Office Holders to administer the adjudication and payment of claims payable out of the

Trust Assets in accordance with the Scheme of Arrangement, which is described in paragraph 9 below.

8. The Conservator entered into the Conservation Agreement, subject to Court approval, with the Office Holders to avoid duplication of effort, minimize administrative costs and maximize payments to American Policyholders with valid claims. Pursuant to the Conservation Agreement, the Conservator will turn over the Trust Assets to the Office Holders for distribution in accordance with the terms of the Conservation Agreement and the Scheme of Arrangement. The Conservation Agreement further provides that the final adjudication of American Policyholders' claims by the Office Holders, will be binding upon creditors with respect to the Trust Assets.

The Scheme of Arrangement

9. The Office Holders have decided to seek to implement the Scheme of Arrangement between P & G and its creditors under section 425 of the Companies Act 1985. English law provides the court appointed liquidators with the power to seek the implementation of such schemes pursuant to their fiduciary duties as liquidators. On or about March 25, 2008, the Office Holders served P & G's creditors, including American Policyholders, with the Scheme of Arrangement in its proposed form, the related explanatory statement and voting forms (the "Proposed Scheme of Arrangement").

10. The Proposed Scheme of Arrangement provided creditors with information regarding the: (a) procedures for adjudication and payment of claims; (b) resolution of disputed claims; (c) current financial status of P & G; and (d) notice of the creditors' meetings scheduled in accordance with Corporations Act 1985 Section 425 for the purpose of voting to adopt the Prepared Scheme of Arrangement.

11. On June 9, 2008 P & G's creditors adopted the Proposed Scheme of Arrangement. By order dated June 26, 2008 ("Scheme of Arrangement Order"), a copy of which is attached hereto as Exhibit C, the English Court sanctioned the Scheme of Arrangement.

Distribution to American Policyholders

12. The Trust Agreement provides, in pertinent part, that the Trust Assets shall be used for the payment of American Policyholders claims in the event of P & G's insolvency.

13. Pursuant to the Scheme of Arrangement, claimants with claims against an insolvent insurer that are payable out of more than one receivership proceeding may receive payment out of the insolvent insurer's general assets if the payment percentage payable out of the general assets exceeds the payment percentage in the other receivership proceedings. The Scheme of Arrangement attempts to assure equity for creditors who receive payment from funds that have been set aside for their protection. The Trust Fund presently held by the Conservator for the benefit of American Policyholders is such a fund. Upon approval of the Conservation Agreement, the Office Holders will undertake to adjudicate the outstanding American Policyholder claims against P & G in order to determine the total amount due to the American Policyholders.

14. If the Conservation Agreement is not approved, the Conservator would not only be required to adjudicate the outstanding American Policyholders claims but, payment of the American Policyholders claims would be limited to the Trust Assets alone without access to P & G's general assets.

15. Moreover, the Conservator will incur duplicative claim adjudication costs and other administrative costs that will erode a significant portion of the Trust Assets, which could otherwise be used to pay claims and greatly reduce any distribution to the American Policyholders.

Purpose and Effect of Conservation Agreement

16. Although unlikely, the American Policyholders could receive payment at a similar percentage rate as all other P & G creditors even if the Conservator adjudicates and pays claims out of the Trust Assets separate and apart from the Scheme of Arrangement. However, the Conservator's adjudication and payment of claims would be very costly, deplete the Trust Assets and decrease the assets available to all P & G creditors, including American Policyholders. This cost is unnecessary because it would simply duplicate the Office Holders' expense for the adjudication and payment of the same claims. The elimination of the Conservator's added expense for adjudication of outstanding claims will enable the Office Holders to apply a greater amount of the Trust Assets to the payment of claims. Therefore, American Policyholders will receive a greater benefit from the Trust Assets if the Office Holders maintain the Trust Assets, adjudicate claims and manage distributions to American Policyholders.

17. The Conservator has reviewed P & G's financial statements and a current listing of American Policyholders claims and concurs that the final distribution payable under the Scheme of Arrangement will undoubtedly be higher than could be received out of the Trust Assets alone. The Office Holders have provided the Conservator with an affidavit dated October 6, 2010, a copy of which is attached to the Conservation Agreement as Exhibit B, which states that it is reasonable to expect that American Policyholders will ultimately receive a greater pro rata distribution from the Trust Assets as a result of its distribution through the Scheme of Arrangement than they would receive if the Trust Assets was distributed otherwise.

18. Furthermore, the Office Holders administration of American Policyholders claims in accordance with the Scheme of Arrangement does not prejudice American Policyholders.

19. The Conservation Agreement, by eliminating duplication of effort and expense, ensures that American Policyholders will receive the full benefit of the Trust Assets. In fact, the Office Holders guarantee that American Policyholders will, in the aggregate, receive the present value of the Trust Assets through distributions made in accordance with the Scheme of Arrangement. See Exhibit A, Clause K.

Notice

20. The Notice to be provided to American Policyholders is described in the Conservation Agreement. Section 6 of the Conservation Agreement describes Conservation Court approval of the Conservation Agreement and notice to the American Policyholders as follows:

- 6.1 This [Conservation] Agreement shall not be effective until the Agreement is approved by the Conservation Court.
- 6.2 The Conservator shall petition the Conservation Court for an order approving the [Conservation] Agreement and terminating the Conservation Proceeding in accordance with its terms. The petition shall request that the Conservation Court schedule a hearing on his petition for approval of the [Conservation] Agreement.
- 6.3 For the purposes of the abovementioned petition, the Conservator shall notify the American Policyholders that he proposes to petition the Conservation Court for an order, *inter alia*, approving the [Conservation] Agreement. Such notice shall be in a form deemed appropriate by the Conservator and approved by the Conservation Court. For the purposes of delivering such notice to the American Policyholders, the Office Holders shall provide the Conservator with the name and address for service of each known American Policyholder as held in the Office Holders' records at the date such information is provided.

21. The Conservation Agreement is in the best interest of the American Policyholders and should be approved. The Conservation Agreement will maximize the payments to be made

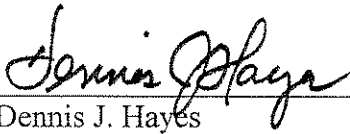
to the American Policyholders by eliminating unnecessary duplication of effort and administrative expense.

22. There has been no previous application for the relief requested herein.

WHEREFORE, the Conservator respectfully requests that this Court issue an order providing that:

- A. The Conservation Agreement is approved and confirmed;
- B. The Conservator is hereby authorized to distribute the Trust Assets to the Office Holders in accordance with the Conservation Agreement;
- C. Upon distribution of the Trust Assets to the Office Holders, in accordance with the Conservation Agreement, and the filing of a final report, the Conservator, his predecessors and successors in office, agents, attorneys and employees shall be discharged and released from all further liability arising out of this conservation proceeding and that this conservation proceeding shall be terminated; and
- D. For such other relief as is just.

Dated: New York, New York
June 29, 2011

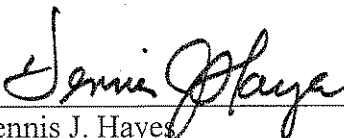

Dennis J. Hayes
Special Deputy Superintendent
and Agent of James J. Wynn,
Superintendent of Insurance of
the State of New York as
Conservator of Pacific & General
Insurance Limited

STATE OF NEW YORK)
) ss.:
COUNTY OF NEW YORK)

Dennis J. Hayes, being duly sworn, deposes and says:

That he has read the foregoing Verified Petition, and that the same is true to his knowledge except as to the matters therein stated to be alleged on information and belief and as to those matters he believes it to be true; that the reason this petition is verified by this deponent rather than by the Superintendent of Insurance is that deponent is the duly appointed Special Deputy Superintendent in Charge and Agent of the Superintendent of Insurance as Conservator of Pacific & General Insurance Company Limited and as such is acquainted with the facts alleged therein.

Deponent further says that the sources of his information and the grounds of his belief as to the matters to be alleged on information and belief are from or were derived from the records, books and papers of said Pacific & General Insurance Company Limited in the possession of the Conservator and communications made to deponent by employees of the Conservator.


Dennis J. Hayes
Special Deputy Superintendent
and Agent of James J. Wynn,
Superintendent of Insurance of
the State of New York as
Conservator of Pacific &
General Insurance Limited

Sworn to before me this
29th day of June, 2011


Notary Public

IRINA GASTON
Commissioner of Deeds
City of New York No. 2-12204
Certificate Filed in Richmond County
Commission Expires June 1, 2012

EXHIBIT “A”

PACIFIC & GENERAL INSURANCE COMPANY LIMITED

Ipe Jacob and Richard Graham White
as Liquidators of Pacific & General Insurance Company Limited

James J. Wrynn
Superintendent of Insurance of the State of New York
as Conservator of Pacific & General Insurance Company Limited

CONSERVATION AGREEMENT

CONSERVATION AGREEMENT

Dated _____, 2010

BETWEEN:

PACIFIC & GENERAL INSURANCE COMPANY LIMITED (the "Company"),
acting by

- (1) IPE JACOB and RICHARD GRAHAM WHITE, Liquidators of Pacific & General Insurance Company Limited (the "Office Holders"); and
- (2) JAMES J. WRYNN, Superintendent of Insurance of the State of New York as conservator of the Trust Fund deposited in New York by the Company (the "Conservator").

WHEREAS:

- (A) It is intended that the Office Holders and the Conservator shall coordinate the distribution of the Trust Fund (as hereinafter defined) deposited in New York which is being conserved by the Conservator;
- (B) On October 14, 1984, upon petition of the English Secretary of State for Trade and Industry to the English High Court of Justice, the Company was placed in provisional liquidation, the Official Receiver being appointed as provisional liquidator ("Provisional Liquidator"). On November 15, 1985, an order for the winding-up of the Company was made, the Official Receiver continuing as Provisional Liquidator until January 29, 1986 when Maurice Withall (then a partner at Grant Thornton UK LLP ("Grant Thornton")) was appointed liquidator of the Company. Following Maurice Withall's retirement from practice, Michael Jervis, also then of Grant Thornton, was appointed liquidator on February 5, 1999. Beth Rees then of Grant Thornton was appointed as joint liquidator on July 27, 2001 and she was subsequently replaced by Ipe Jacob on July 8, 2003. On July 31, 2003, Richard Graham White of Grant Thornton was appointed as joint liquidator in place of Michael Jervis.
- (C) By order of the Supreme Court of the State of New York entered on September 27, 1988 ("the Conservation Order") a copy of which is annexed hereto as Exhibit A, the Superintendent of Insurance of the State of New York was appointed Conservator was appointed and directed to conserve funds in a trust established by the Company and

Bankers Trust Company ("the Trustee") in accordance with a Trust Agreement dated November 22, 1978 between the Company and the Trustee (the "Trust Agreement");

- (D) On March 25, 2008, the Company proposed a Scheme of Arrangement ("the Scheme of Arrangement") to its Scheme Creditors (as defined in the Scheme of Arrangement) pursuant to Section 425 of the Companies Act 1985 of Great Britain. The Scheme of Arrangement was approved by the Scheme Creditors at a meeting June 9, 2008 and by virtue of an order of the English High Court of Justice dated June 26, 2008, an office copy of which was delivered for registration to the Registrar of Companies on July 7, 2008, the Scheme of Arrangement became effective on July 7, 2008;
- (E) The Company, pursuant to 11 NYCRR Sec. 27.5 (now 11 NYCRR Sections 27.13 and 27.14), deposited the Trust Fund, which is made up of a letter of credit in the amount of US\$1,500,000 for the benefit of policyholders of American policies ("American Policies"), as defined in the Trust Agreement ("American Policyholders"), in order to sell surplus and excess lines insurance in New York and other states as an unauthorized insurer;
- (F) The Trust Agreement provides, in part, that the Trust Fund shall be used for the payment of claims for losses under American Policies;
- (G) Pursuant to the Conservation Order, the Trustee delivered the Trust Fund to the Conservator;
- (H) The Conservator has a fiduciary obligation to distribute the Trust Fund to American Policyholders in accordance with Article 74 of the New York Insurance Law;
- (I) The Office Holders are in possession of the Company's records, and, as Scheme Administrator under the Scheme of Arrangement, is required to fix and determine all claims against the Company, including claims by American Policyholders;
- (J) It is in the best interests of American Policyholders for the Conservator and Office Holders to coordinate distribution of the Trust Fund and avoid duplication of effort and expense;

- (K) Mr. Jacob, one of the Office Holders, has, on his behalf and on behalf of the other Office Holder, provided the Conservator with an affidavit that sets forth his determination that it is reasonable to expect that American Policyholders will ultimately receive a greater pro rata distribution out of the Trust Fund as a result of its distribution through the Scheme than they would receive if the Trust Fund was distributed otherwise. A copy of the affidavit is annexed hereto as Exhibit B.

NOW, THEREFORE, the parties hereto agree as follows:

1. DEFINITIONS

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

- 1.1 "Agreement" shall mean Conservation Agreement in its present form subject to any modification, term or condition which the Conservation Court may think fit or impose in accordance with Article 6.
- 1.2 "American Policyholders" shall mean policyholders, as defined in the Trust Agreement, of policies written by the Company which are covered by the definition of "American Policy" in the Trust Agreements.
- 1.3 "Company" shall mean Pacific & General Insurance Company Limited (incorporated in England under the Companies Act 1948 of Great Britain with registered number 00843018).
- 1.4 "Conservation Court" shall mean the Supreme Court of the State of New York, County of New York, supervising the Conservation of the Trust Fund.
- 1.5 "Conservation Order" shall mean the order of the Conservation Court made on September 27, 1988 pursuant to which the Conservator was appointed and directed to conserve funds in the Trust Fund.
- 1.6 "Conservation Proceeding" shall mean the proceeding pending in the Conservation Court in respect of the Company under Index Number 41406/88.

- 1.7 "Conservator" shall mean James J. Wrynn, Superintendent of Insurance of the State of New York and his successors in office as Conservator of the Trust Fund.
- 1.8 "the Office Holders" shall mean Ipe Jacob and Richard Graham White both of Grant Thornton, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP, England (or such other person who may be appointed as Liquidator in accordance with English law), as Liquidators of the Company.
- 1.9 "Trust" shall mean the Trust created pursuant to the Trust Agreement.
- 1.10 "Trust Agreement" shall mean the Trust Agreement between the Company and the Trustee dated November 22, 1978 together with any amendments thereto.
- 1.11 "Trust Fund" shall mean the funds and any proceeds thereof deposited by the Company with the Trustee pursuant to the Trust Agreement which are now subject to the Conservation Order.
- 1.12 "Trustee" shall mean Bankers Trust Company (n/k/a Deutsche Bank NA), a banking corporation organized and existing under the laws of New York, and having its principal offices at New York, New York.
- 1.13 Article and Section headings are inserted for convenience only and shall be ignored in the interpretation of the Agreement.
- 1.14 In the Agreement, unless the context otherwise requires or otherwise expressly provides, references to Articles and Sections shall be construed as references to the Articles and Sections respectively of the Agreement.

2. CONSERVATION OF THE TRUST FUND

- 2.1 The Conservator shall maintain the Trust Fund in any manner permitted by New York Insurance Law until he distributes the Trust Fund to the Office Holders in accordance with Article 3.

3. DISTRIBUTION OF THE TRUST FUND

3.1 The Conservator shall distribute the Trust Fund to the Office Holders upon either:

3.1.1 the Office Holders' submission to the Conservator of an affidavit, supported by financial documentation as described in Section 5.1, that establishes that it is reasonable to expect that all creditors, including American Policyholders, will ultimately receive a greater pro rata distribution out of the general assets of the Company, which for the purpose of establishing the proper ratio shall be deemed to include the Trust Fund, than American Policyholders would receive solely out of the Trust Fund with respect to claims for losses; or

3.1.2 the Office Holders' submission to the Conservator of an affidavit in which Mr. Jacob deposes to the fact that one or more distributions to creditors of the Company under the Scheme have been made out of the general assets of the Company and that the sums so distributed to American Policyholders will equal or exceed the value of the Trust Fund.

3.2 In the event that the Office Holders determine that American Policyholders will receive a greater pro rata distribution solely out of the Trust Fund for their claims for losses than all creditors of their class would receive out of the general assets of the Company, which, for the purpose of establishing the proper ratio, shall be deemed to include the Trust Fund, the Conservator shall, subject to Section 3.1.2, distribute the Trust Fund to the Office Holders, as the Conservator's agent, for distribution of the Trust Fund to the American Policyholders, upon Mr. Jacob's submission to the Conservator of an affidavit, supported by financial documentation as described in Section 5.1, which sets out the final amount determined by the Office Holders to be due for each claim for losses made by American Policyholders.

3.3 3.3.1 If the Conservator distributes the Trust Fund to the Office Holders pursuant to Section 3.1, the Office Holders shall treat the Trust Fund as general assets of the Company.

3.3.2 If the Conservator distributes the Trust Fund to the Office Holders pursuant to Section 3.2, the Office Holders shall, subject to Section 4.6, use the Trust Fund solely for the payment of claims of American Policyholders (in accordance with the final determination of claims submitted to the Conservator) and the Trust Fund shall not be treated as general assets of the Company and shall not be used for any purpose other than as set forth herein.

4 DETERMINATION AND ADJUDICATION OF CLAIMS PAYABLE OUT OF THE TRUST FUND

- 4.1 In the event that the Office Holders are unable to provide the Conservator with evidence which satisfies the requirements of Section 3.1, the Office Holders shall determine, in accordance with the definition of American Policy in the Trust Agreement, whether creditors' claims presented under the Scheme are payable out of the Trust Fund.
- 4.2 The Office Holders shall, in accordance with the laws of their jurisdiction and the terms of the Scheme, examine and fix all claims by American Policyholders which are payable out of the Trust Fund.
- 4.3 Subject to Articles 3 and 5, the final determination, pursuant to the Scheme, by the Office Holders regarding claims payable out of the Trust Fund shall be binding on the Conservator, regardless of whether the Trust Fund is distributed pursuant to Section 3.1 or 3.2. Until the Office Holders submits to the Conservator evidence which satisfies the requirements of Section 3.1 or Section 3.2, the Conservator shall refer to the Office Holders all claims by American Policyholders and shall not make any distributions to American Policyholders from the Trust Fund until the Trust Fund is distributed pursuant to Section 3.1 or Section 3.2.
- 4.4 In the event that the Trust Fund is distributed pursuant to Section 3.1, American Policyholders shall share in the distribution of assets by the Office Holders in the same manner and to the same extent as all other creditors.

- 4.5 In the event that the Office Holders declare a dividend prior to the distribution of the Trust Fund, American Policyholders shall receive dividend payments out of the general assets from the Office Holders in the same manner and to the same extent as all other ordinary or scheme creditors.
- 4.6 In the event that the Trust Fund is distributed pursuant to Section 3.2 following the declaration of a dividend to the Company's creditors under the Scheme, the Office Holders shall reimburse to the general assets out of the Trust Fund the total amount of the dividend paid to the American Policyholders out of the general assets and any future dividend declared will also be distributed to the American Policyholders.

5. FINANCIAL DOCUMENTATION

- 5.1 The Office Holders shall support the affidavit to be submitted pursuant to Sections 3.1 or 3.2 with such financial documentation as will enable the Conservator to verify the Office Holders' conclusion. The following items are examples of the types of documentation that will satisfy this requirement:
- 5.1.1 Any documents and information filed with the English High Court;
 - 5.1.2 Current financial statements;
 - 5.1.3 Auditor's reports;
 - 5.1.4 Actuarial reports and projections;
 - 5.1.5 Policy runs which would list the name and address of the policyholder, policy number, and the effective and cancellation date;
 - 5.1.6 Loss runs for all creditors;
 - 5.1.7 Loss runs which break down claims by American Policyholders;
 - 5.1.8 List of claims allowed for payment;

5.1.9 List of disallowed claims;

5.1.10 Claims files; and

5.1.11 Policy underwriting files.

5.2 The Conservator may, in connection with Mr. Jacob's affidavit in support of his request for distribution of the Trust Fund, require that the Office Holders provide some or all of the documentation set forth in Section 5.1, or any other available information, in connection with Mr. Jacob's affidavit in support of his request for distribution of the Trust Fund if and insofar as it is reasonably necessary to do so, taking into account the nature and extent of the Office Holders' obligations hereunder.

6. NOTICE AND PETITION FOR COURT APPROVAL

6.1 This Agreement shall not be effective until the Agreement is approved by the Conservation Court.

6.2 The Conservator shall petition the Conservation Court for an order approving the Agreement and terminating the Conservation Proceeding in accordance with its terms. The petition shall request that the Conservation Court schedule a hearing on his petition for approval of the Agreement.

6.3 For the purposes of the abovementioned petition, the Conservator shall notify the American Policyholders that he proposes to petition the Conservation Court for an order, *inter alia*, approving the Agreement. Such notice shall be in a form deemed appropriate by the Conservator and approved by the Conservation Court. For the purposes of delivering such notice to the American Policyholders, the Office Holders shall provide the Conservator with the name and address for service of each known American Policyholder as held in the Office Holders' records at the date such information is provided.

7. GENERAL PROVISIONS

7.1 This Agreement shall be interpreted under and governed by the laws of the

State of New York.

- 7.2 Disputes arising out of the Agreement shall be resolved in the Conservation Proceeding or, subsequent to termination of the Conservation Proceeding, in the Supreme Court of the State of New York, County of New York. The parties hereto consent to the jurisdiction of the Supreme Court of the State of New York for the limited purposes of implementing, enforcing, and resolving disputes arising out of the Agreement, and for no other purpose. The Conservator shall not assert that the Office Holders, or any of them, or their counsel, have waived any immunity afforded to the Office Holders by Title 11, Section 305 of the United States Bankruptcy Code (*11 U.S.C.A. § 305*) in negotiating or executing the Agreement, in taking any action thereunder, or in consenting or submitting to the jurisdiction of the Conservation Court or making any appearance in that court for the limited purposes set forth herein.
- 7.3 In the event that the Agreement is not approved by the Conservation Court, the parties hereto shall be restored to the *status quo ante* except that the Conservator shall not be liable for any expenses incurred by the Company or the Office Holders, and the Company nor the Office Holders shall be liable for any expenses incurred by the Conservator in connection with the Agreement.
- 7.4 Subject to Section 7.5, the Company, by the Office Holders, warrants that it will defend, indemnify and hold harmless the Conservator, his past, present and future employees, agents, successors and assigns from and against any and all claims, counterclaims, demands, causes of action, judgments, liens, debts, liabilities, costs, fees, disbursements, attorney fees (whether incurred under salary, retainer or otherwise), expenses, damages, losses and injuries of any kind, nature or description, known or unknown, suspected or unsuspected, fixed or contingent, (save where arising out of fraud or dishonesty of the Conservator or of any one or more of the other persons expressed to be protected by the Company's warranty herein contained) (the "Liability"); provided, however, (i) that this Section applies only to acts or omissions causing Liability that occur after the Conservator distributes the Trust Fund to the Office Holders pursuant to Section 3.1 or 3.2, and (ii) that the total amount of indemnification granted under this Section is the lesser of (a) \$1,500,000 or (b) the amount of the Trust Fund held by the Office Holders at the time the notice described in Section 7.5.1 is given to the Office Holders.

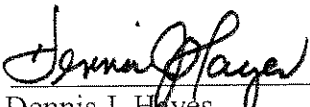
- 7.5 7.5.1 If the Conservator becomes aware of any claim, threatened claim or liability in relation to which the Conservator or any other of the beneficiaries of this warranty may seek to enforce the warranty, the Conservator shall, as soon as reasonably practicable, give notice to the Company by the Office Holders, with such details as are available to him of the claim, threatened claim or liability (as the case may be) and pass any additional information concerning the same to the Office Holders as and when it is received. The Conservator shall, at the request of the Office Holders, promptly provide the Office Holders with copies of all relevant documentation and correspondence concerning any such claim, threatened claim or liability (as the case may be) which are in the Conservator's possession or control and which the Conservator is entitled to provide to the Office Holders and the Company shall, subject to its cooperation with any other indemnifier of whom it is put on notice, be entitled to assume full control of the matter, including the right to instruct attorneys and to conduct any ensuing litigation in the name of the relevant beneficiary of this warranty and on the beneficiary's behalf.
- 7.5.2 If the Company should exercise its right conferred by this Section to assume control of any claim, threatened claim or liability (as the case may be), the Conservator shall not (and shall procure that the relevant beneficiary shall not) take any step in relation to the conduct of the same claim, threatened claim or liability (as the case may be) which is materially inconsistent, or which otherwise materially interferes with the Company in relation thereto and, in particular, shall comply promptly with requests by the Company or the Office Holders for documentation and correspondence pursuant to this Section. The Conservator shall not (and shall procure that no other beneficiary of this warranty shall) take any steps to reach any agreement or compromise with any third party which might give rise to a claim by the Conservator or by the relevant beneficiary against the Company under this warranty without first obtaining the express written consent thereto of the Company,
- 7.5.3 The Conservator shall (and shall procure that the relevant beneficiary under this warranty shall) enter into such agreement or compromise with any third party as the Company may direct for the purpose of

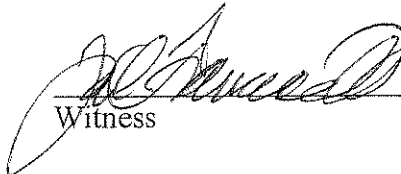
compromising any claim by such third party against either the Conservator or the relevant beneficiary under this warranty in respect of which the Company is liable under this warranty.

- 7.6 The failure of a party to the Agreement to enforce any of the provisions herein shall not be construed to be a waiver of the right of such party to enforce any such provisions.
- 7.7 Notwithstanding any other provisions of the Agreement to the contrary, neither the Office Holders nor the Conservator shall incur any personal liability hereunder. Obligations undertaken by the Office Holders under the Agreement are limited to the value of the Trust Fund. No claim may be made against the Company under the indemnity contained in Section 7.4 of the Agreement later than six years and six months after the date of distribution of the Trust Fund pursuant to Section 3.1 or Section 3.2 and at the end of such period of six years and six months the said indemnity shall cease to have effect except in respect of any claim in respect of which written notice shall have been given by the Conservator to the Office Holders before the end of such period of six years and six months.

IN WITNESS WHEREOF these parties have executed the Agreement as of the latest date set forth below:


James J. Wrynn
Superintendent of Insurance of the
State of New York as Conservator of
Pacific & General Insurance Company Limited

By: 
Dennis J. Hayes
Special Deputy Superintendent


Witness


Date: JANUARY 13, 2011

Pacific & General Insurance Company Limited

By: 
Ipe Jacob
Liquidator

Date: 20/12/2010

Christopher Farmer
Witness


20/12/10

By: _____
Richard Graham White
Liquidator

Witness

Date: _____

EXHIBIT “A”

At the Trial Part 31 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, in the Borough of Manhattan, City and State of New York, on the 27th day of September, 1988.

P R E S E N T :

HON. ALFRED M. ASCIONE

JUSTICE.

-----X
In the Matter of
the Application of

Index No: 41406/1988
ORDER OF CONSERVATION

JAMES P. CORCORAN, as Superintendent of Insurance of the State of New York, for an order to take possession of the property and to conserve the assets of

PACIFIC AND GENERAL INSURANCE COMPANY LIMITED

-----Y
The petitioner, JAMES P. CORCORAN, Superintendent of Insurance of the State of New York, having moved this Court for an order to take possession of and conserve the Trust Fund of PACIFIC AND GENERAL INSURANCE COMPANY LIMITED ("PACIFIC"), in the State of New York and such motion having come on before this Court on the 19th day of September, 1988;

NOW, upon reading and filing the Order to Show Cause made on the 21st day of April, 1988 by Mr. Justice ALFRED M. ASCIONE, one of the Justices of the Supreme Court of the State of New York in the First Judicial District, and the petition of

JAMES P. CORCORAN, Superintendent of Insurance of the State of New York, verified the 18th day of April, 1988 with exhibits thereto, and proof of service thereof by Registered Mail Return Receipt Requested on PACIFIC AND GENERAL INSURANCE COMPANY LTD., Maurice Charles Whitall, Esq., Liquidator of PACIFIC, by affidavit of BURTON GARRICK sworn to the 25th day of April, 1988, and due proof of service upon Miller, Singer, Raives & Brandes, P.C. Attorneys for the Liquidator by affidavit of BURTON GARRICK sworn to the 25th day of April, 1988, and due proof of service upon BANKERS TRUST COMPANY by affidavit of BURTON GARRICK ~~DARRY LESSER~~ sworn to the 25th day of April, 1988, in support thereof and it appearing to my satisfaction that PACIFIC, is a corporation organized and existing under the Laws of the United Kingdom and licensed in the United Kingdom to conduct the business of insurance; that it was not licensed to conduct such business in the State of New York; that PACIFIC issued insurance policies on an excess and surplus lines basis to citizens of New York State and has funds on deposit in New York State in a Trust Fund with BANKERS TRUST COMPANY as Trustee, for the benefit of policyholders and others in the United States; that said Trust Fund in the State of New York is subject to the jurisdiction of this Court pursuant to article 74 of the Insurance Law of the State of New York; that said corporation is unable to meet its insurance obligations in the State of New York and that it is to the best interests of all persons concerned that the Superintendent of Insurance of the

State of New York be directed to take possession of the Trust Fund of said corporation deposited with BANKERS TRUST COMPANY within the State of New York and to conserve said trust to protect United States policyholders, beneficiaries thereof and claimants against policyholders involving policies written in States where PACIFIC did business as unauthorized insurer subject to the further direction of this Court under and pursuant to the provisions of the Insurance Law of the State of New York and after hearing the Hon. ROBERT ABRAMS, Attorney General of the State of New York in support of said motion and the Liquidator of PACIFIC AND GENERAL INSURANCE COMPANY LIMITED, United Kingdom having appeared by the law firm of Miller, Singer, Raives & Brandes, but not in opposition thereto and due deliberation having been had thereon and upon the decision of this Court;

NOW, on motion of Hon. ROBERT ABRAMS, Attorney General of the State of New York, it is

ORDERED, that the petition of JAMES P. CORCORAN, as Superintendent of Insurance of the State of New York and his successors in office, as Superintendent of Insurance of the State of New York, is hereby granted and he is and they are hereby authorized forthwith to take possession of and to conserve the Trust Fund deposited by PACIFIC, held by BANKERS TRUST COMPANY, and to retain such possession and to conserve said Trust Fund until the further order of this Court; and it is further

ORDERED, that PACIFIC, hereby transfers to the Superintendent of Insurance of the State of New York the Trust Fund now in possession of BANKERS TRUST COMPANY, to be held in trust by the Superintendent of Insurance of the State of New York, until such time that the Liquidator adjudicate all claims in the States where PACIFIC did business as an unauthorized insurer and forward a certified list of said claimants whose claims have been allowed in the liquidation proceeding at which time the Superintendent of Insurance will make a distribution of the corpus to said claimants pursuant to Article 74 of the Insurance Law of the State of New York subject to the further order of this Court; and it is further

ORDERED, that the administration of the Trust Fund on deposit with BANKERS TRUST COMPANY shall be governed by the Agreement dated September 9, 1988 duly filed, between the Liquidator and the Superintendent of Insurance of the State of New York; and it is further

ORDERED, that formal notice of the making and entry of this Order be given by the Superintendent of Insurance, as Conservator, by mail to the Commissioners, Superintendents, or Directors of Insurance of each State, District of Columbia and Puerto Rico, and BANKERS TRUST COMPANY, as Trustee; and it is further

ORDERED, that since the Liquidator is to notify all policyholders and claimants of PACIFIC of the order of insolvency and direct all persons having claims against

respondent to file proof of claims with the Liquidator, the Conservator is relieved of notifying all claimants and policyholders of this Order; and it is further

ORDERED, that the notice hereinabove prescribed is sufficient notice to all person interested in the Trust Fund deposited with BANKERS TRUST COMPANY by PACIFIC; and it is further

ORDERED, that all persons who are United States policyholders, beneficiaries and claimants against policyholders involving policies written in States where PACIFIC did business as an unauthorized insurer who have claims against PACIFIC to present proof of claims with the liquidator in charge of the liquidation proceeding at a place specified in liquidator's notice, and such filing shall be deemed a timely proof of claim in the conservation proceeding; and it is further

ORDERED, that PACIFIC, its officers, directors, stockholders, depositories, trustees, attorneys, managers, agents, servants, employees, policyholders and creditors, and all other persons having in the State of New York any property or records belonging to said PACIFIC pertaining to the Trust Fund on deposit with BANKERS TRUST COMPANY, as Trustee, are hereby directed to assign, transfer and deliver to the Superintendent of Insurance, as Conservator, and his successors in office, all of such property in whosoever name the same may be, and that any persons, firms or corporations having any books, papers or

records relating to the said Trust Fund shall preserve the same and submit them to the Superintendent of Insurance as Conservator, or his agents, for examination at all reasonable times; and it is further

ORDERED, that PACIFIC, its officers, directors, stockholders, depositories, trustees, attorneys, managers, agents, servants, employees, policyholders and creditors, and all other persons, be and they are hereby restrained from the further transaction of business on behalf of said corporation within the State of New York or from dealing with or disposing of the Trust Fund on deposit with BANKERS TRUST COMPANY within the State of New York, or from doing or permitting to be done any act or thing which might waste the trust or allow or suffer the obtaining of preferences, judgments, attachments, garnishments or other liens, or the making of any levy against said trust while in the possession or control of the Superintendent of Insurance, as Conservator; and it is further

ORDERED, that the officers, directors, stockholders, depositories, trustees, attorneys, managers, agents, servants, employees, policyholders and creditors of said PACIFIC, and all other persons be and they hereby are enjoined and restrained from bringing or further prosecuting in the State of New York any action at law, suit in equity, special or other proceedings, against its depositories, trustees or the Trust Fund on deposit with BANKERS TRUST COMPANY in the State of New York or the Superintendent of Insurance of the State of New York,

individually or as Conservator, or from making or executing any levy or legal process within the State of New York upon said trust or from in any way interfering with the Superintendent of Insurance of the State of New York or his successors in office in his or their possession, control, conservation and management of the Trust Fund held by BANKERS TRUST COMPANY, or in the discharge of the Insurance Law of the State of New York and any other provision of the Insurance Law of the State of New York; and it is further

ORDERED, that JAMES P. CORCORAN, Superintendent of Insurance of the State of New York, as Conservator, and his successors in office as Superintendents of Insurance of the State of New York, he and he is and they are hereby authorized, permitted and allowed to sell, assign and transfer any and all of the stocks, bonds and securities in his possession or which may hereafter come into his possession belonging to PACIFIC, in conservation, at market price or better, or when there is no market price, at the best price obtainable, at private sale and at such times and upon such terms and conditions as in his discretion he deems for the best interest of the policyholders, and creditors of PACIFIC, in conservation, and in furtherance of the conservation of the Trust Fund on deposit with BANKERS TRUST COMPANY and that he be authorized, permitted and allowed to take such steps and to make and execute such agreements and other papers as may be necessary to effect and carry out such sales, transfers and assignments; and it is further

ORDERED, that all further papers in this proceeding shall bear the caption and be entitled:

"SUPERIOR COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

In the Matter of

the Conservation of
the Assets in the State of New York of

PACIFIC AND GENERAL INSURANCE COMPANY LIMITED"

in place and stead of the caption as heretofore used; as it is further

ORDERED, that the Superintendent of Insurance, as Conservator, may at any time make further application at the foot of this Order for such further and different relief as he sees fit.

B N P P

S/A.M.A.

J. S. C.

ALFRED M. ASCIONE

The undersigned hereby waives notice of settlement and consents to the entry of the foregoing order.

MILLER, SINGER, BAIVES & BRAEDES, P.C.
Attorneys for the Liquidator of PACIFIC
AND GENERAL INSURANCE COMPANY LIMITED
(United Kingdom)

By:

STEVEN S. HONIGMAN, ESQ.

Filed
10/3/88
N.Y. Co.

Sir: Please take notice that the within is a true copy of
duly filed and entered in the office of the Clerk
of
the
day of
19

Yours, etc.,
ROBERT ABRAMS,
Attorney General,

Attorney For
Office and Post Office Address
120 Broadway, New York, N.Y. 10271
To

Attorney for

Sir: Please take notice that the within
will be presented for settlement and signature herein
to the Hon.
one of the judges of the within named Court, at
in the Borough of
City of New York, on the
19, at M.
Dated, N.Y.,
Yours, etc.

ROBERT ABRAMS,
Attorney General,
Attorney For
Office and Post Office Address
120 Broadway, New York, N.Y. 10271
To
Attorney for

SUPREME COURT : NEW YORK COUNTY

In the Matter of
the Application of

JAMES P. CORCORAN, as Superin-
tendent of Insurance of the
State of New York, for an order
to take possession of the
property and to conserve the
assets of

PACIFIC AND GENERAL INSURANCE
COMPANY LIMITED

ORDER OF CONSERVATION

ROBERT ABRAMS,
Attorney General

Attorney for
Superintendent of
Insurance

Office and Post Office Address
120 Broadway, New York, N.Y. 10271

Tel. (212) 341-6400

Personal service of a copy of

within.....

is admitted this..... day of

.....19

EXHIBIT “B”

IN THE MATTER OF

PACIFIC AND GENERAL INSURANCE COMPANY LIMITED (IN LIQUIDATION)

AND

IN THE MATTER OF A SCHEME OF ARRANGEMENT UNDER THE
COMPANIES ACT 2006

AFFIDAVIT OF IPE JACOB

I, Ipe Jacob, a licensed insolvency practitioner and consultant to the firm of chartered accountants Grant Thornton UK LLP, 30 Finsbury Square, Moorgate, London, EC2P 2YU
WILL SAY AS FOLLOWS:

Introduction

1. I, together with my colleague, Richard Graham White, am a joint liquidator of Pacific & General Insurance Company Limited (in liquidation) (the "**Company**") Unless otherwise stated, the facts to which I now depose are within my own knowledge and are true. Where not within my own knowledge, the facts to which I now depose are true to the best of my knowledge, information and belief.
2. In this Affidavit, capitalised terms that are not otherwise defined herein bear the meanings ascribed to them in the Scheme (as defined below).
3. The Company underwrote insurance and reinsurance business in the London Market between November 1978 and October 1984. The principal business underwritten by the Company in that time was direct insurance and facultative and treaty reinsurance for casualty, property and professional indemnity risks mainly from the United Kingdom and North America.
4. On 14 October 1984, upon petition of the English Secretary of State for Trade and Industry to the English High Court of Justice (the "**Court**"), the Company was placed in provisional liquidation, the Official Receiver being appointed as provisional liquidator ("**Provisional Liquidator**"). On 15 November 1985, an order for the winding-up of the Company was made, the Official Receiver continuing as Provisional Liquidator until 29 January 1986 when Maurice Withall (then a partner at Grant Thornton UK LLP ("**Grant Thornton**") was appointed liquidator of the Company.

5. Following Maurice Withall's retirement from practice, Michael Jervis, also then of Grant Thornton, was appointed liquidator on 5 February 1999. Beth Rees then of Grant Thornton was appointed as joint liquidator on 27 July 2001 and she was subsequently replaced by me on 8 July 2003. On 31 July 2003, Richard Graham White also of Grant Thornton was appointed as joint liquidator in place of Michael Jervis. Richard Graham White and I shall hereinafter be referred to as the "Liquidators".
6. Under English law, the principal functions of the Liquidators are to collect in the Company's assets, realise them and distribute them to the Company's creditors and if there is a surplus, to the other persons entitled to it.

The Scheme of Arrangement

7. On 25 March 2008, the Liquidators, on behalf of the Company, proposed a Scheme of Arrangement (the "Scheme" which is attached as Annex 1 to this Affidavit) to the Company's Scheme Creditors pursuant to Section 425 of the Companies Act 1985 of Great Britain. Under the Scheme, instead of creditors being required to submit proofs of debt for valuation under the applicable insolvency law, the claims of Scheme Creditors would be established under the provisions of the Scheme (which provisions would not ordinarily apply in a conventional liquidation) and distributions would be made in respect of such established claims.
8. As set out in the explanatory statement sent to the Scheme Creditors, the Scheme:
 - (i) accelerates the establishment of the Company's liabilities by enabling unliquidated claims to be quantified by the imposition of a Bar Date for the submission of claims and an estimation process to value unliquidated claims;
 - (ii) enables ultimate distributions to be declared and paid by the Company to all Scheme Creditors significantly earlier and in higher amounts than would be the case if the liquidation of the Company were to continue; and
 - (iii) allows the completion of the winding-up of the Company at a lower cost and in a reduced timescale.
9. Under English law, a scheme of arrangement of the type implemented for the Company is a compromise or arrangement to take effect between a company and its creditors (or any class of them), which becomes legally binding on all the creditors to whom it is intended to apply if:
 - (i) the necessary majority in number, representing three-fourths in value of the creditors (or class of creditors), present and voting in person or by proxy, vote in favour of it at a meeting convened with the permission of the Court; and
 - (ii) the Court subsequently sanctions the compromise or arrangement and a copy of the order of the Court to that effect is delivered to the Registrar of Companies for registration.

10. The Scheme was approved by the Scheme Creditors at a meeting on 9 June 2008 and by virtue of an order of the Court dated 26 June 2008, an office copy of which was delivered for registration to the Registrar of Companies on 7 July 2008, the Scheme became effective on 7 July 2008 (the "Effective Date") pursuant to Part 26 of the Companies Act 2006 of Great Britain.¹
11. Pursuant to the terms of the Scheme, Scheme Creditors were asked to submit their claims using a Claim Form and were given 130 business days from the Effective Date to do so, i.e. the Bar Date for submitting claims was 9 January 2009. The Scheme Creditors were asked to include the following details in their Claim Forms (some of these details were completed by the Liquidators in the first instance):
- (i) details of Agreed Liabilities (being, generally, Scheme Claims where liability and quantum had been agreed by or on behalf of the Liquidators prior to the Effective Date but which, for whatever reason, were not formally admitted to proof in the liquidation of the Company as at the Effective Date);
 - (ii) details of Outstanding Losses (being, generally, Scheme Claims which had been notified by a Scheme Creditor to the Liquidators prior to the Effective Date but had not, at that date, become an Agreed Liability);
 - (iii) details of the amounts due by each Scheme Creditor to the Company which (a) had been notified by the Company to the Scheme Creditor prior to the Effective Date and may or may not have been agreed by the Liquidators prior to that date, or (b) which had been incurred but not reported to the relevant Scheme Creditor by the Company; and
 - (iv) details of Projected Claims, i.e. liabilities which had been incurred but not reported to the Liquidators by the relevant Scheme Creditor.
12. Following the Bar Date, the Liquidators assessed the claims submitted for agreement. Where appropriate, the Liquidators consulted the Scheme Actuary in connection with information on Claim Forms and supporting evidence prior to their agreement or determination.
13. In relation to Projected Claims and other claims which were not agreed prior to the Effective Date, the Scheme contains an Estimation Methodology for the valuation of such claims. For the purposes of the application of the Estimation Methodology, Projected Claims were classified into the following seven categories:
- (i) asbestos claims arising from direct insurance and facultative reinsurance;
 - (ii) asbestos claims arising from treaty reinsurance;
 - (iii) pollution claims arising from direct insurance and facultative reinsurance;
 - (iv) pollution claims arising from treaty reinsurance;

¹ Section 425 of the Companies Act 1985, pursuant to which the Scheme was proposed by the Liquidators, was replaced by Part 26 of the Companies Act 2006 on 6 April 2008.

- (v) health hazard claims arising from direct insurance and facultative reinsurance;
 - (vi) health hazard claims arising from treaty reinsurance; and
 - (vii) all other claims.
14. Each relevant Projected Claim was allocated to one of the above categories by the Scheme Actuary and was then valued in accordance with certain criteria applicable to that category under the Estimation Methodology. Full details of how this methodology is to be applied is contained in the Scheme.
15. Under the terms of the Scheme, Scheme Claims are discounted to 17 October 1984 to reflect the time value of money. The Scheme contains procedures for the independent adjudication of disputed claims by the Scheme Adjudicator.
16. As mentioned above, the Bar Date for the submission of claims by the Scheme Creditors was 9 January 2009. The Liquidators have now agreed, in principle, each Scheme Creditor's claim against the Company and would like to pay Scheme Creditors the amounts agreed as soon as possible. In terms of formal steps to be taken before such payments can be made, once the Liquidators have reconciled the information they have on file with that supplied by the Scheme Actuary, they will send formal Valuation Statements to each Scheme Creditor setting out that Scheme Creditor's Estimated Scheme Claim being, generally, the amount of the claim a Scheme Creditor has against the Company taking into account that Scheme Creditor's set-off rights against the Company (if any), Security Interests and the amount of any non-insurance claim they may have, and then applying a discount to allow for the time value of money back to 17 October 1984. Each Scheme Creditor will then have 21 days to challenge its Valuation Statement, which challenge may only be made on the grounds of manifest error.
17. Once the Conservation Court (as defined below) has decided how the Trust Fund is to be distributed (as to which see paragraph 20 below), the Liquidators, having carried out the additional calculations which will then be necessary, will confirm the amount of the dividend each Scheme Creditor will receive from the Company pursuant to the Scheme and will make such payments accordingly.

The Trust Fund

18. Pursuant to an agreement between the Company and Bankers Trust Company, now known as Deutsche Bank N. A. (the "Trustee"), dated 22 November 1978 (the "Trust Deed"), the Company deposited certain funds with the Trustee (such funds, together with any proceeds thereof, being the "Trust Fund"). Pursuant to the terms of the Trust Deed, the Trust Fund is to be used for the payment of claims under policies held by the "American Policyholders" (as defined in the Trust Deed).

19. Pursuant to an order (the "**Order**") of the Supreme Court of the State of New York, County of New York, supervising the Conservation of the Trust Fund (the "**Conservation Court**") dated 27 September 1988, the Trustee delivered the Trust Fund to James P. Corcoran, then Superintendent of Insurance of the State of New York, who, pursuant to the Order, was appointed as "**Conservator**" and directed to conserve funds in the Trust Fund.

Distribution of the Trust Fund

20. Whilst the Conservator would ordinarily be responsible for distributing the Trust Fund to the American Policyholders himself, with the Liquidators distributing the other assets of the Company (the "**Other Assets**") to all of the Company's policyholders (including the American Policyholders) ("**Scenario 2**"), the Liquidators believe that it would be more efficient and cost effective if the Conservator were to deliver the Trust Fund to the Liquidators for distribution by the Liquidators, together with the Other Assets, to all of the Company's policyholders (including the American Policyholders) ("**Scenario 1**").
21. The policyholders which are not American Policyholders shall hereinafter be referred to as the "**Other Policyholders**". The Trust Fund together with the Other Assets shall hereinafter be referred to as the "**Pooled Assets**".
22. It is the Liquidators' view that Scenario 1 would realise a higher dividend for both the American Policyholders and the Other Policyholders. In support of the Liquidators' view, attached as Annex 2 to this Affidavit are estimates of the dividends that would be payable to the American Policyholders and the Other Policyholders in Scenario 1 and Scenario 2 respectively (the "**Estimated Dividends**"). The Estimated Dividend in Scenario 1 is \$0.25 for each \$1.00 owed to the Company's policyholders. The Estimated Dividend in Scenario 2 is \$0.20 for each \$1.00 owed to the Company's policyholders. As explained in paragraphs 23 to 30 below, there are several factors which result in the lower Estimated Dividend in Scenario 2.
23. In Scenario 2, dividend distribution processes would need to be run by both the Conservator (in relation to the Trust Fund) and the Liquidators (in relation to the Other Assets). Running two such dividend distribution processes would be less efficient than running a single dividend distribution process in relation to the Pooled Assets, as would be the case in Scenario 1, and would therefore be slower and more costly. A larger proportion of the Company's assets would be required to fund such processes than would be necessary to fund a single dividend distribution process in Scenario 1, and therefore in Scenario 2, fewer of the Company's assets would be available for distribution to the Company's policyholders, including the American Policyholders.

The "hotchpot" rule

24. In Scenario 2, the Liquidators would need to apply the "hotchpot" rule when calculating the dividend to be distributed to the American Policyholders and the Other Policyholders from the Other Assets. English common law has established the principle that if a company is being wound up in an English liquidation and also in a

liquidation in a foreign country, a creditor who has proved and received a dividend in the foreign liquidation may not receive a dividend in the English liquidation without bringing into account his foreign dividend. The rationale behind the principle is to ensure that the assets of a liquidation are, subject to prior claims such as liquidation expenses, preferential debts etc., divided *pari passu* among the unsecured creditors and avoid a creditor from "double dipping" in two sets of insolvency proceedings. However, the "hotchpot" rule is not intended to penalise a creditor who has received a distribution in a foreign proceeding – merely to ensure that all creditors of the same class are treated equally as far as the overall receipt of dividend distributions is concerned.

25. By way of example, in the present case, in the event that the American Policyholders are paid out of the Trust Fund by the Conservator in circumstances where the Other Policyholders can look only to the Other Assets as a source of distribution by the Liquidators, the Liquidators would need to pay a smaller amount to the American Policyholders *vis-a-vis* the Other Policyholders to ensure that the Other Policyholders receive the same overall dividend out of the Other Assets as the American Policyholders do out of the combination of the Other Assets and the Trust Fund.

Reduction in the value of the Trust Fund in Scenario 2

26. Before applying the "hotchpot" rule, the Liquidators would need to know the dividend that the American Policyholders are to receive from the Trust Fund. However, it may be some considerable time before the Conservator is able to make distributions out of the Trust Fund as the Conservator would first need to be appraised of and assess the claims of the American Policyholders and would then need to calculate and agree with the American Policyholders the dividends payable with respect to such claims. As set out in the 'US Assets' section of the Scenario 2 analysis in Annex 2, the value of the Trust Fund would be reduced as a result of the costs incurred by the Conservator in undertaking this work (which is likely to include an application to the Conservation Court for approval of his recommended course of action). The Liquidators consider that, in addition to the costs of the Conservator in this regard, it is likely that the Liquidators would be asked to assist the Conservator with certain queries relating to the American Policyholders' claims. Again, as set out in the 'US Assets' section of the Scenario 2 analysis in Annex 2, the value of the Trust Fund would be reduced as a result of the costs incurred by the Liquidators in this regard.

Reduction in the value of the Other Assets in Scenario 2

27. The Liquidators consider that in addition to the reduction in the value of the Trust Fund for the reasons described in paragraphs 26 above, Scenario 2 would result in a reduction in the value of the Other Assets of the Company. As mentioned in paragraph 24 above, in Scenario 2 the Liquidators would need to apply the "hotchpot" rule before distributing dividends out of the Other Assets. The Liquidators are likely to make an application for directions to the Court with respect to the application of the "hotchpot" rule. By way of explanation, under English law the Liquidators are not permitted to apply the "hotchpot" rule where a creditor has received the proceeds of a security realisation. The Liquidators would be likely to seek directions from the

Court that they should apply the "hotchpot" rule with respect to the American Policyholders' claims, i.e. to obtain confirmation from the Court that the American Policyholders are not to be treated as secured creditors.

28. In addition to the Court application referred to in paragraph 27 above, the Liquidators would be likely to make an application to the Court with respect to the delay in making payments to Scheme Creditors in Scenario 2. By way of explanation, in sanctioning the Scheme the Court would have considered the Liquidators' assertions that the receipt of dividends by Scheme Creditors under the Scheme would be expedited, compared to the likely timing of the receipt of dividends in a conventional liquidation. As mentioned above, in Scenario 2 the Liquidators would not be able to pay a final dividend to the Scheme Creditors out of the Other Assets until the amount of the dividend distributed to the American Policyholders out of the Trust Fund by the Conservator has been confirmed. Given the basis on which the Scheme was sanctioned by the Court, the Liquidators would want the Court to acknowledge and approve the considerable delay in paying dividends under the Scheme in Scenario 2. In addition, whilst the Liquidators would not be able to pay final dividends to the Scheme Creditors for the reasons discussed above, they may wish to pay an interim dividend to the Scheme Creditors. The Liquidators would be likely to seek directions on this point at the same time as seeking the Court's approval for the delay in making final distributions. The 'Other Assets' section of the Scenario 2 analysis in Annex 2 shows the amounts by which the Liquidators anticipate the value of the Other Assets would be reduced as a result of the Court applications discussed in this paragraph and paragraph 27 above.
29. The Liquidators anticipate that the value of the Other Assets would be further reduced in Scenario 2 as a result of the Liquidators having to stay the liquidation of the Company and the final payments under the Scheme whilst the Trust Fund is distributed by the Conservator. Such costs are likely to include:
- (i) Liquidators' fees;
 - (ii) costs incurred in contacting the Scheme Creditors to update them on developments regarding the distribution of the Trust Fund;
 - (iii) costs incurred in dealing with any queries that may result from the update referred to in (ii) above;
 - (iv) costs incurred in dealing with the Creditors' Committee (the Liquidators had agreed a Scheme Budget with the Creditors' Committee and will need to revisit this in light of the likely increase in costs in Scenario 2);
 - (v) fees incurred by legal advisers;
 - (vi) fees incurred by third party run-off agents in keeping the records up to date;
 - (vii) fees incurred by scheme consultants; and
 - (viii) general administration costs.

30. The 'Other Assets' section of the Scenario 2 analysis in Annex 2 shows the amounts by which the Liquidators anticipate the value of the Other Assets would be reduced as a result of the incurrence of the additional costs referred to in paragraph 29 above.

Timing of payments to policyholders

31. The Liquidators believe that a key benefit for policyholders of a single consolidated administration is that policyholders will receive their money sooner than under two separate administrations.

Conclusion

32. The Liquidators believe that a single consolidated administration and distribution would be more cost effective by eliminating redundancy of effort and costs and would result in quicker and greater pro-rata distributions to creditors.

I believe that the facts stated in this Affidavit are true.


Signed.....

IPE JACOB

Dated 6 October 2010

ANNEX 1

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to what action you should take, you should consult your insurance or financial broker or other professional adviser without delay.

In an endeavour to ensure that brokers are in a position to advise their clients as to the action they should take, a copy of this document has been sent to brokers believed to be currently involved with the business originally placed with P&G.

Further copies of this document can be obtained from Grant Thornton at the address on page ii or from the website at www.gt-pandg.com.

PROPOSAL IN RELATION TO

A SCHEME OF ARRANGEMENT

pursuant to Section 425 of the Companies Act 1985

between

PACIFIC & GENERAL INSURANCE COMPANY LIMITED (IN LIQUIDATION)

and its

SCHEME CREDITORS

(as defined in the Scheme of Arrangement)

A meeting of Scheme Creditors to consider and, if thought fit, approve the Scheme of Arrangement will be held on 9 June 2008 commencing at 12 noon (London time) at the Chartered Insurance Institute, 20 Aldermanbury, London EC2V 7HY, United Kingdom. Notice of this meeting is set out on pages 66 to 67 of this document.

The action required to be taken by you is set out on pages 8 to 10. Whether or not you intend to be present at the meeting, you are requested to complete and return the Voting Form enclosed with this document in accordance with the notes and instructions accompanying it as soon as possible and at the latest by 5 p.m. (London time) on 6 June 2008.

25 March 2008

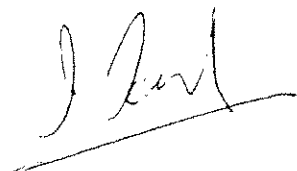


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KEY DATES AND INFORMATION

1. Key Information

Meeting of Scheme Creditors	9 June 2008
Registration	10 a.m. (London time)
Location	Chartered Insurance Institute 20 Aldermanbury London EC2V 7HY United Kingdom
Chairman's address	12 noon (London time)
Scheme Creditors are strongly urged to arrive at the place fixed for the meeting no later than 11.15 a.m. (GMT) and in any event to register and be present immediately prior to the commencement of the meeting to hear the Chairman's address	
Majority required to effect the Scheme	A majority in number representing at least 75% in value of Scheme Creditors voting
Estimated date of court hearing to sanction the Scheme	26 June 2008
Estimated Effective Date	30 June 2008
Estimated Bar Date	31 December 2008
Estimated Final Substantive Closure Distribution Date	31 December 2009
Potential dividend	10%
Liquidators	Ipe Jacob and Richard Graham White Grant Thornton UK LLP 30 Finsbury Square Moorgate London EC2P 2YU United Kingdom
Legal advisers to the Liquidators	Clifford Chance LLP 10 Upper Bank Street London E14 5JJ

United Kingdom

Prospective Scheme Actuary Simon Sheaf
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU
United Kingdom

Prospective Actuarial Adjudicator Steve Mathews
EMB Consultancy LLP
Saddler Court
67-74 East Street
Epsom, Surrey
KT17 1HB
United Kingdom

2. Court hearing

On 17 January 2008, the Court directed that a meeting of Scheme Creditors as set out in paragraph 1 of this section be convened and, for that purpose, this document be sent to all persons who are, or who we have reason to believe, are Scheme Creditors at their last known address where that information is held.

3. Key Dates

Whether or not you intend to be physically present at the meeting, Scheme Creditors are requested to complete and return to the address shown below the Voting Form enclosed with this document in accordance with the instructions printed on the form and the guidance notes by 5 p.m. (London time) on 6 June 2008.

The address for the return of any Voting Form is:

The P&G Liquidators
c/o Michael Tolhurst
LCL Insurance Service Limited
Cornhill House
32 Cornhill
London
EC2V 3SG
England
United Kingdom

It is estimated that the Effective Date of the Scheme will be 30 June 2008, shortly after the court hearing referred to in the previous sections.

The Liquidators must have received from Scheme Creditors properly completed Claim Forms by the Bar Date if such Scheme Claims are to be eligible for receiving payments in respect of such claims under the Scheme. Scheme Creditors who elect to use their Voting Form as their Claim Form (except in relation to estimates of Projected Claims) will not be required to submit a separate Claim Form. The Bar Date is expected to be on or around 31 December 2008. The exact definition of the Bar Date is set out on page 98 of this document. Details of the Bar Date and the Scheme's Effective Date will be published in the following newspapers and journals: The Financial Times (United Kingdom and international edition), Insurance Day, The Wall Street Journal and Business Insurance.

Creditors should note that, apart from the date of the meeting of Scheme Creditors which is fixed, the dates set out above are only estimates and, accordingly may be subject to change. The Liquidators will do their best to bring the exact dates to the attention of Scheme Creditors, including by posting them on P&G's website www.gt-pandg.com.

IMPORTANT NOTICE

This document has been prepared in connection with a proposal in relation to a scheme of arrangement (the "Scheme") pursuant to Section 425 of the Companies Act 1985 between Pacific & General Insurance Company Limited (in Liquidation) ("P&G") and its Scheme Creditors (as defined in the Scheme).

The information contained in this document has been prepared by Ipe Jacob and Richard Graham White in their capacity as Liquidators of P&G (the "Liquidators") based upon information available to them.

The statements, opinions and information contained within this document are made, held or given, respectively, as at the date of this document unless another time is specified and such statements, opinions and information are made, held or given solely by or on behalf of P&G. Service of this document shall not give rise to any implication that there has been no change in the facts set out in it since such date.

Nothing contained in this document constitutes an admission of any fact or liability on the part of P&G or us or any other person in respect of any asset to which it may be entitled or any claim against it. No estimate of the amount of any claim against P&G specified in the voting form returned to P&G or any other party, or otherwise provided for voting purposes, shall be admissible against P&G, or shall be taken into account in calculating payments under the Scheme. Any such estimate shall only be used for voting purposes at the meeting of Scheme Creditors to consider the Scheme.

The summary of the principal provisions of the Scheme and related matters contained herein is qualified in its entirety by reference to the Scheme itself, the full text of which is set out on pages 12 to 65. Scheme Creditors are advised to read in full and consider carefully the text of the Scheme.

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

Although great effort has been made to ensure its accuracy, we are unable to warrant or represent the accuracy of the information contained herein. Neither Simon Sheaf as the proposed Scheme Actuary, nor any members of the Committee of Inspection of P&G, nor Steve Mathews as the proposed Actuarial Adjudicator, is responsible for the information contained in this document.

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

Part A Explanatory Statement

(in compliance with Section 426 of the Companies Act 1985)

in relation to a

SCHEME OF ARRANGEMENT

between

**PACIFIC & GENERAL INSURANCE COMPANY LIMITED (IN
LIQUIDATION)**

and its

SCHEME CREDITORS

(as defined in the Scheme of Arrangement)



25 March 2008

To: The Creditors of
Pacific and General Insurance Company Limited (in Liquidation)

Dear Sirs

Pacific and General Insurance Company Limited (in Liquidation) ("P&G")

This document contains information about a proposal for a scheme of arrangement ("the Scheme") between P&G and its creditors.

The Company is an insurance company incorporated in England. We believe that you may be a creditor of P&G and so may be entitled to vote on the Scheme. However, receipt of this document does not necessarily mean that you are owed, or ever will be owed, anything by P&G.

The purpose of this Explanatory Statement is to explain the effect of the Scheme, for which we propose to seek the sanction of the High Court of Justice of England and Wales (the "Court") subject to the necessary majorities of votes in favour of the Scheme having been obtained at a meeting of creditors convened to consider the Scheme. Creditors should read the whole of this document before deciding what action to take. Certain expressions used in this Explanatory Statement are set out in the glossary to the Scheme on pages 98 to 103 of this document.

1. Background

- 1.1 The Company was incorporated in England and Wales on 26 March 1965 as a private limited company and underwrote insurance and reinsurance business in the London Market until October 1984. It remained dormant until July 1978 when it was granted authorisation to trade as an insurance company by the Department of Trade and Industry (the "DTI"). The Company was authorised to carry on general insurance business, with the exception of motor business, in the United Kingdom.
- 1.2 The present authorised share capital of P&G is £3,225,000 divided into 3,225,000 ordinary shares of £1 each, of which 1,567,341 are issued and fully paid up. The Company's largest shareholder, with a holding of 76.7% of the shares in P&G, was Pacific American Insurance Company, a company incorporated and registered in Delaware, USA; its affairs have been closed by the Delaware Rehabilitation & Liquidation Bureau and it has since been dissolved. The other shareholders are United

Friendly Insurance Limited with a holding of 5.7%, and various individuals (with a holding of 17.56%), including R.D. Turney with a holding of 6.1%.

- 1.3 P&G commenced underwriting in 1978 and wrote lines on approximately 4,500 slips from November 1978 to October 1984. The principal types of business underwritten by P&G in that time were direct insurance, facultative and treaty reinsurance for casualty, property and professional indemnity risks mainly from the UK and North America.
 - 1.4 On 17 October 1984, the DTI presented a winding up petition in respect of P&G and the Official Receiver was appointed provisional liquidator of P&G. Despite attempts to save the business, P&G was placed into compulsory liquidation on 15 November 1985.
 - 1.5 By order of the Court made on 29 January 1986, Maurice Withall of Grant Thornton UK LLP ("**Grant Thornton**") was appointed liquidator of P&G and, following Maurice Withall's retirement from practice, Michael Jervis also of Grant Thornton was appointed liquidator on 5 February 1999. Beth Rees of Grant Thornton was later appointed as joint liquidator on 27 July 2001 and she was subsequently replaced by Ipe Jacob who was appointed on 8 July 2003. On 31 July 2003, Richard Graham White was appointed as joint liquidator in place of Michael Jervis.
 - 1.6 On the basis of the information currently available, we consider that P&G's assets are insufficient to meet all of its liabilities, including future and contingent amounts, so that P&G is insolvent. On present information, we consider any dividend would be in the region of 10 per cent.
2. **What is a scheme of arrangement?**
 - 2.1 Under English law, a scheme of arrangement of the kind proposed by us is a compromise or arrangement provided for by Section 425 of the Companies Act 1985, to take effect between a company and its creditors (or any class of them), which becomes legally binding on all the creditors to whom it is intended to apply if:
 - the necessary majority in number, representing three-fourths in value of the creditors (or class of creditors), present and voting in person or by proxy, vote in favour of it at a meeting convened with the permission of the Court; and
 - the Court subsequently sanctions the compromise or arrangement and a copy of the order of the Court to that effect is delivered to the Registrar of Companies for registration.
3. **Why a scheme of arrangement?**
 - 3.1 Under the Scheme, instead of creditors being required to submit proofs of debt for valuation under the Applicable Insolvency Law, the claims of Scheme Creditors will be established under the provisions of the Scheme and distributions made in respect of such established claims.
 - 3.2 We believe that such a Scheme between P&G and its creditors is preferable to the proof of debt procedure applicable in a conventional liquidation and has significant advantages for

the Scheme Creditors. The Scheme is proposed in order to create provisions that would not ordinarily apply in a conventional liquidation, thereby allowing creditors to benefit from the advantages that arise as a result.

4. Why the proposed Scheme?

4.1 The cut-off or 'estimation' procedure which we are proposing in the Scheme will:

- accelerate the establishment of P&G's liabilities by enabling unliquidated claims to be quantified by the imposition of a Bar Date for the submission of claims and an estimation process to value unliquidated claims;
- enable ultimate distributions to be declared and paid by P&G to all Scheme Creditors significantly earlier and in higher amounts than would be the case if the run-off of P&G were to continue; and
- allow the completion of the winding-up of P&G at a lower cost and in a reduced timescale.

5. What are the advantages and disadvantages of the proposed Scheme?

5.1 We consider that the Scheme is advantageous to Scheme Creditors for the following reasons:

(a) **Payment happens earlier**

The determination of all Scheme Claims will lead to the assets of P&G being paid out to Scheme Creditors significantly earlier than would be the case if claims were adjudicated on in liquidation or if the business was allowed to continue in run off.

(b) **Reduction in run-off costs**

Costs, including our costs and those of our legal and actuarial advisers will be substantially reduced. In the short term, it is expected that there will be an increase in costs as a result, inter alia, of increased claims processing. Thereafter, however, costs will reduce as the period of the liquidation and run-off is truncated.

(c) **Simplified claims valuation process**

The Scheme will provide a practical and cost-effective process for agreeing all present and future Scheme Claims including by use of a transparent Estimation Methodology. The Estimation Methodology is set out in Appendix F of the Scheme on pages 81 to 90. The Estimation Methodology, which has been developed by the Scheme Actuary, provides Scheme Creditors with detailed guidance on how Projected Claims shall be calculated and supported for many specific classes of business.

(d) **Efficient adjudication process**

In the event that agreement cannot be reached in relation to a Scheme Claim, the Scheme provides for the final and binding determination of that Scheme Claim in a fair and efficient manner.

5.2 Scheme Creditors should also be aware of the following potential disadvantages in considering the Scheme:

(a) **Claims emerging post Bar Date**

Earlier closure may work to the disadvantage of certain Scheme Creditors who, whilst having no valid claim currently, may, through a change in circumstances, legislation or information, have a claim which emerges post Bar Date. It is, however, open for any Scheme Creditor in this situation to request that the Scheme Actuary value its Projected Claim prior to the Bar Date. It is relevant to note that the last policies were written in 1984.

(b) **Losses of privilege**

Earlier closure and the requirement to submit a claim before the Bar Date may also be to the disadvantage of potential Scheme Creditors engaged in third party litigation who believe the position they are sustaining in that litigation may be undermined by them submitting a claim in the Scheme, given that the amount of such claim may be discoverable by the third party in the litigation.

(c) **Estimation**

The Scheme has been designed to deal with Scheme Claims as accurately and fairly as possible. However, the process will result in certain Scheme Claims being estimated, which creates the risk that Scheme Creditors may receive a different amount (either more or less) in respect of their Scheme Claims than would have been the case had P&G's business been run off in the traditional way.

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

5.4 Under the terms of the Scheme, Scheme Claims will be discounted to 17 October 1984 to reflect the time value of money. This will result in the value of some Scheme Creditors' claims being greater or less than they may be expecting. Whilst discounting could substantially reduce the gross volume of claims that have developed since 17 October 1984, the outcome for creditors will be to maintain equity between them on dividend. Notwithstanding that the valuation process under the Scheme is necessarily an inexact science, which will result in some Scheme Creditors receiving greater and some less than

what they would have received had the normal run-off continued, we consider that the advantages referred to above significantly outweigh these disadvantages.

6. Are you affected?

- 6.1 The Scheme is proposed between P&G and its Scheme Creditors, being creditors in respect of any claim arising out of a liability to which P&G was subject on the Petition Date or to which it became subject thereafter by reason of an obligation incurred before the Petition Date, except any claim which is a Preferential Claim, a Liquidation Expense, or the claims of Protected Policyholders.

7. What is the position of Protected Policyholders?

- 7.1 Protected Policyholders have been excluded from the Scheme on the basis that Protected Policyholders are entitled, by virtue of P&G being in liquidation, to protection under the Policyholders Protection Act in respect of Protected Liabilities owed by P&G to such Protected Policyholders.
- 7.2 Whether or not you are entitled to protection under the Policyholders Protection Act is ultimately between you and the FSCS and nothing in this document is to be taken as an acceptance or admission by the FSCS that you are entitled to protection under that Act.
- 7.3 Definitions of "Protected Policyholder" and "Scheme Creditor" are set out in the glossary to the Scheme on pages 101 and 102 of this document. If you are in any doubt whether you are a Scheme Creditor or a Protected Policyholder, you should consult your own legal adviser without delay.

8. Whom does the Scheme bind?

- 8.1 Once the Scheme becomes effective, it will bind P&G and its respective Scheme Creditors (including the FSCS). The Scheme will not bind Protected Policyholders.

9. When does the Scheme become effective?

- 9.1 The Scheme will become effective only if the requisite statutory majorities are obtained at the meeting of Scheme Creditors of P&G summoned to consider the Scheme and the necessary court order is obtained and delivered for registration to the Registrar of Companies. Filing of the relevant documents will be carried out as soon as practicable after the Court hearing.

10. What happens after the Scheme becomes Effective?

- 10.1 Once the Scheme becomes effective, we will give notice to each Scheme Creditor at its last known address in writing and by advertisement that the Scheme has become effective, stating the Bar Date and calling for all Scheme Creditors to complete and return their Claim Forms prior to the Bar Date. We will have sent Claim Forms to Scheme Creditors for whom we have verified contact details a CD containing their Claim Form and Claim Form Guidance Notes prior to the Effective Date.

- 10.2 The Claim Form, when sent to a Scheme Creditor by us, will contain, to the extent ascertainable from P&G's records a summary of that Scheme Creditors' policies, Agreed Liabilities, Outwards Unpaid Losses and Outwards Outstanding Losses. The Claim Form will not include any information about a Scheme Creditor's Projected Claims or Outstanding Losses. However a Scheme Creditor who wishes to assert a Projected Claim should indicate in the relevant section of the Claim Form that it wishes the Scheme Actuary to value its Projected Claim. Scheme Creditors who do not have any Agreed Liabilities, any Outwards Unpaid Losses, or any Outwards Outstanding Losses, will be sent a CD containing a blank Claim Form to complete.
- 10.3 The deadline for submitting Claim Forms and Supporting Information is the Bar Date. Scheme Creditors must submit a Claim Form and full Supporting Information to us so as to be received by them before the Bar Date in order for their Scheme Claims which are not, at the Effective Date, Agreed Liabilities to qualify for payments under the Scheme. Scheme Creditors who fail to do so will only receive distributions under the Scheme to the extent the records of P&G show that such Scheme Creditor has Agreed Liabilities (net of set-off) which are set out on the Claim Form made available or sent to them by us. In the event of a failure to submit a properly completed and supported Claim Form and Supporting Information by the Bar Date, the value attributable to such Scheme Creditors' other Scheme Claims, including Outstanding Losses and Projected Claims, shall be nil, unless the Scheme Creditor has elected to use its Voting Form as its Claim Form as described in paragraph 10.4 below.
- 10.4 Except in relation to Projected Claims, a Scheme Creditor can elect to use its Voting Form as its Claim Form thus avoiding the necessity of completing a separate Claim Form. Scheme Creditors wishing to assert Projected Claims must submit a Claim Form with Supporting Information to us by the Bar Date.
- 10.5 On receipt of a Scheme Creditor's submitted Claim Form(s) and Supporting Information, we will endeavour to agree that Scheme Creditor's Notified Scheme Claim with that Scheme Creditor. The process of establishing the value of a claim under the Scheme will include an assessment by the Scheme Actuary of the element of discounting to be applied to the claim in order to reflect the time value of money.
- 10.6 Any Notified Scheme Claim (except a Projected Claim) which is not agreed between the Scheme Creditor and P&G within the timescales set out in the Scheme will be referred to a Scheme Adjudicator as a Disputed Matter. The Scheme Adjudicator will make a final determination in respect of each Disputed Matter referred to him in accordance with the dispute resolution procedure set out in the Scheme. The Scheme Adjudicator's decision will be final and binding on P&G in so far as the law allows and the Scheme Creditor and there will be no right of appeal.
- 10.7 Projected Claims will be determined by application of the Estimation Methodology contained in the Scheme. Disputes in relation to the Scheme Actuary's application of the Estimation Methodology not resolved within the timescales set out in the Scheme shall be referred to the Actuarial Adjudicator, who shall determine whether the Scheme Actuary correctly applied the Estimation Methodology. The Actuarial Adjudicator's decision will

be final and binding on P&G and the Scheme Creditor and there will be no right of appeal.

- 10.8 Once the amount (discounted, where appropriate) of a Scheme Creditors' Notified Scheme Claim has been determined, we will inform that Scheme Creditor in writing of the amount of his overall Established Scheme Liability.
 - 10.9 On receipt of this written notification, a Scheme Creditor may serve notice of objection on the grounds of mathematical or other manifest error only. In the event that agreement cannot be reached within the timescales set out in the Scheme, the dispute will be referred to a Scheme Adjudicator.
 - 10.10 When all, or virtually all, Scheme Claims have been determined, following their agreement or adjudication, we will announce and pay to Scheme Creditors with Established Scheme Liabilities at the relevant date, a Final Substantive Closure Distribution.
 - 10.11 If, at the date of the payment of the Final Substantive Closure Distribution, there remain issues outstanding, we may in our discretion announce and pay an Ultimate Sweep Up Distribution.
- 11. What are Scheme Creditors required to do?**
- 11.1 We applied to the Court for an order directing us to convene a single meeting of Scheme Creditors in respect of P&G to consider and, if thought fit, approve the Scheme.
 - 11.2 In accordance with the relevant Court Practice Statement (Companies' Schemes of Arrangement) [2002] 1 WLR at 1345, Scheme Creditors were given advance notice of the relevant directions hearing before the Court on 17 January 2008, either in writing by a letter dated 29 October 2007, or by advertisements being placed in the Financial Times (United Kingdom and international edition); Insurance Day; the Wall Street Journal and Business Insurance. By order of Mr Justice Peter Smith, the Court directed that such meeting be convened.
 - 11.3 If you are a Scheme Creditor, you are entitled to vote at the meeting of creditors convened with leave of the Court (the "**Creditors' Meeting**") for the purpose of considering and, if thought fit, approving the Scheme.
 - 11.4 The notice of the Creditors' Meeting to be held on 9 June 2008 at 10 a.m. (London time) at Chartered Insurance Institute, 20 Aldermanbury London EC2V 9HY, United Kingdom is at Appendix A to the Scheme, which is at pages 66 to 67 of this document. The chairman of the Creditors' Meeting (the "**Chairman**") will address all Scheme Creditors generally on the Scheme, including the provisions of the Scheme and on the issues relevant to voting at the commencement of the meeting at 12 noon (London time). You may attend the meeting in person (or, if a corporation, by a duly authorised representative) or you may vote by proxy. Voting will be by way of a poll.
 - 11.5 There is enclosed with this document a Voting Form and Form of Proxy to be used for voting at the Creditors' Meeting. Whether or not you intend to be physically present at

the meeting you are requested to complete, sign and return the Voting Form enclosed with this document in accordance with the accompanying guidance notes by 5 p.m. (London time) on 6 June 2008 to us at the address stated at page iii of this document. Returning the Voting Form or Form of Proxy will not prevent a Scheme Creditor from attending and voting in person should he wish to do so. However, a proxy will not be able to vote if the relevant Scheme Creditor attends and votes in person.

- 11.6 Please note that faxed and emailed Voting Forms will only be accepted if they are legible and if the original is received no later than 7 days after the Creditors' Meeting.
- 11.7 The Voting Form requires an estimate of the amount of the Scheme Creditors' present and future claims against P&G in order to determine the value of each Scheme Creditor's vote at the meeting. The value to be attributed to each Scheme Creditor's claim for voting purposes will comprise the actual amounts of that Scheme Creditor's Agreed Liabilities, Outwards Unpaid Losses, Outwards Outstanding Losses and estimates of Outstanding Losses and Projected Claims.
- 11.8 The value of any estimated claims will be determined by the Chairman on the basis of (i) the information provided by the Scheme Creditor; (ii) the information available to us from the existing records of P&G; (iii) advice from the Scheme Actuary applying the principles described in the Estimation Methodology. The Chairman has the power to reject a claim, in whole or in part, for voting purposes only if he considers that it does not represent a reasonable assessment of the sum due from P&G. The decision of the Chairman as to the value to be placed on a claim for voting purposes is final and binding and, where possible, will be notified to the relevant Scheme Creditor before the meeting and, in any event, afterwards but before the sanction hearing.
- 11.9 Estimates of Projected Claims will not be taken into account in calculating payments under the Scheme: they will be used for voting purposes only. The amount of a claim admitted for voting purposes will not constitute an admission of the existence or amount of any liability of P&G to the Scheme Creditor and will not bind the Scheme Creditor, P&G, us, or any other party.
- 11.10 For the purposes of voting at the Creditors' Meeting, Scheme Creditors' claims will be converted into Sterling at the Scheme Rate.
- 11.11 We have been advised that particulars as to estimates of the amount of any future claims furnished by a Scheme Creditor for voting purposes may not be protected by privilege under English law and may be discoverable by a third party with a claim against the Scheme Creditor in any action or proceedings to which the Scheme Creditor may be a party. You should, however, consult your own legal adviser as to the consequences for you of furnishing such particulars in the light of any litigation in which you may be or are involved.
- 11.12 An Independent Assessor shall be appointed to review all valuations made by the Chairman in order to ensure that the estimated elements of Scheme Creditors' claims have been valued on a consistent and fair basis. The Independent Assessor will be a fellow of an actuarial body which is affiliated to the International Actuarial Association and who has

at least two years continuous experience of general insurance actuarial work. The Independent Assessor shall not be a Scheme Creditor, shareholder or director of P&G. His remuneration, costs and expenses will be payable as a Liquidation Expense but shall not be dependent upon the level at which claims are agreed under the Scheme.

- 11.13 The Independent Assessor shall be present at the Creditors' Meeting in order to assess the consistency and fairness of the process of valuing the estimated elements of Scheme Creditors' claims. Once the Independent Assessor has reviewed the Chairman's valuations of the estimated elements of Scheme Creditors' claims, he shall report his findings in writing to the Chairman. The Independent Assessor's report will be made available at the sanction hearing.
- 11.14 After the Creditors' Meeting, the votes must be checked and verified. Once the outcome of the vote has been determined notification will be published on the website at www.gt-pandg.com.
- 11.15 If you are a direct insured (as opposed to a reinsured) and are bankrupt or (being a company) in liquidation, or are subject to any similar insolvency proceedings, a third party with a claim against you in respect of which you are insured under the policy issued by P&G may have rights under the Third Parties (Rights Against Insurers) Act 1930 which result in such third party being a Scheme Creditor and accordingly entitled to attend and vote at one or more of the meetings.
- 11.16 You are requested to notify us if you are bankrupt, in liquidation or subject to any similar insolvency proceedings and to provide the name of any such third party. You should also inform any such third party of the Scheme. We will send a copy of this document to each such third party notified to them.
- 11.17 If you are unclear or have any questions concerning the action you are required to take, please contact us at the address given on page ii.

12. Court hearings

- 12.1 Before the Scheme can become effective and binding the Court must also sanction the Scheme after it has been approved by the requisite majority of Scheme Creditors and the necessary court order must be delivered to the Registrar of Companies in England and Wales for registration.

13. Effective Date of the Scheme

- 13.1 It is expected that, if the Scheme is sanctioned by the Court and the necessary Court order is delivered for registration, the Scheme will become effective on 30 June 2008.

14. Recommendation

- 14.1 The Committee of Inspection have informed us that, on the basis of the information contained in this document, they support the Scheme.

14.2 We believe that the Scheme is in the best interests of the Scheme Creditors and accordingly recommend that creditors who are entitled to do so vote in favour of the Scheme.

Yours faithfully
for and on behalf of
Pacific & General Insurance Company Limited (In Liquidation)

Ipe Jacob and Richard Graham White
Joint Liquidators

Part B Scheme of Arrangement

No 9163 of 2007

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

PACIFIC & GENERAL INSURANCE COMPANY LIMITED
(IN LIQUIDATION)

and

IN THE MATTER OF THE COMPANIES ACT 1985

SCHEME OF ARRANGEMENT

(pursuant to section 425 of the Companies Act 1985)

between

PACIFIC & GENERAL
INSURANCE COMPANY LIMITED
(IN LIQUIDATION)

and its

SCHEME CREDITORS

(as defined in the scheme of arrangement)

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PART 1 - PRELIMINARY

1.1 Definitions

- 1.1.1 In the Scheme, unless the context otherwise requires or otherwise expressly provides, defined terms shall bear the meanings set out in the glossary which is at Appendix J to the Scheme.
- 1.1.2 Clause and part headings and the index to the Scheme are inserted for convenience of reference only and shall be ignored in the interpretation of the Scheme.
- 1.1.3 In the Scheme, unless the context otherwise requires or otherwise expressly provided for:
 - (a) references to Clauses and parts are to be construed as references to the Clauses and the parts respectively of the Scheme;
 - (b) references to (or to any specified provision of) the Scheme shall be construed as references to the Scheme (or that provision) as in force for the time being and as modified in accordance with the terms of the Scheme;
 - (c) words importing the plural shall include the singular and vice versa and words importing one gender shall include all genders;
 - (d) except in relation to the definitions of "Protected Liability" and "Protected Policyholder", references to a person shall be construed as including references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or any state agency;
 - (e) references to or to any provision of the Policyholders Protection Act "as then in force" or "as in force at the time" or "as from time to time in force" are references to that Act or provision as then or at any time or from time to time (as the case may be) in force in relation to the Company (whether or not it is also in force in relation to other companies) and include references to that Act or provision as re-enacted (with or without modification) in or replaced by (or in or by any provision, including any rule or rules, made by virtue of) any statute or statutory instrument then or at any time or from time to time (as the case may be) in force and applying to the Company; and
 - (f) subject to (e) above (and without prejudice to the definition of the Policyholders Protection Act) references to any enactment shall be deemed to include references to such enactment as re-enacted, amended or extended.

1.2 The Company

The Company was incorporated in England on 26 March 1965. Its authorised share capital is £3,225,000, divided into 3,225,000 ordinary shares of £1 each, of which 1,567,341 are issued and are fully paid up.

1.3 Purpose of the Scheme

1.3.1 The purpose of the Scheme is:

- (a) to enable the liabilities of the Company in respect of Scheme Claims to be established and ascertained;
- (b) to provide for the payment of dividends by the Company to those of its creditors whose Scheme Claims have from time to time become established and to those of its creditors whose Scheme Claims will become established at a later date and to provide for payments to be made to the FSCS; and
- (c) to provide a mechanism for closure of the Scheme by utilisation of a Bar Date for submission of claims together with an actuarial based estimation methodology, where appropriate, to evaluate and quantify liabilities notified under the Scheme owed by and to the Company in order to effect a Final Substantive Closure Distribution.

1.3.2 The Scheme does not affect or purport to compromise the rights of Protected Policyholders or of creditors in respect of Preferential Claims.

PART 2 - THE SCHEME

2.1 Application of the Scheme

The Scheme shall apply to all liabilities of the Company in respect of Scheme Claims.

2.2 Stay of Proceedings

Without prejudice to any rights under Clauses 2.4 and 2.5, no Scheme Creditor shall institute or continue any Proceedings or other judicial, quasi-judicial, administrative or regulatory process whatsoever against or in respect of the Company or its assets or property in any jurisdiction for the purpose of establishing the existence, priority and/or amount of a Scheme Claim or for the purpose of obtaining and/or securing payment of any such Scheme Claim and/or any part thereof, except as expressly provided herein.

2.3 Enforcement of Scheme Claims

2.3.1 Except to the extent that the Company has failed to perform any obligation to make a payment to a Scheme Creditor under the provisions of the Scheme and subject to the rights of Scheme Creditors under Clauses 2.2, 2.4 and 2.5, no Scheme Creditor shall institute or continue any Proceedings or other judicial, quasi-judicial, administrative or regulatory process whatsoever against the Company or its assets or property in any jurisdiction for the purpose of enforcing payment of any Scheme Claim or any part thereof.

2.3.2 If any Scheme Creditor takes any such action as is prohibited by Clause 2.3.1 after the Effective Date it shall be treated as having received, on account of its Scheme Claim, an advance payment under Clause 3.2 equal to the amount or gross value of any money, property, benefit or advantage obtained by it at the expense of the Company as the result of such action; and the extent, if any, to which it is entitled to any payment under Clauses 3.2.1(a) or 3.2.1(b) shall be reduced accordingly. For this purpose, the gross value of any such property, benefit or advantage shall in so far as the law allows be conclusively determined by the Liquidators and, without limitation, may include such amount as the Liquidators may consider to be appropriate by way of interest or costs, charges or expenses incurred by the Company as a consequence thereof.

2.4 Security, letters of credit and trusts

2.4.1 Nothing in the Scheme shall affect the right of any person to take any appropriate action to enforce:

- (a) any security over the property of the Company which could have been lawfully enforced subsequent to the Petition Date; or
- (b) any letter of credit issued or trust created (expressly, by implication or by operation of law) in respect of the Company and of which he is a

beneficiary, if such letter of credit or trust was issued or created before the Petition Date.

- 2.4.2 Nothing in the Scheme shall affect the right of the Company against any person in respect of any wrongful drawdown or enforcement of any security, letter of credit issued or trust created in respect of the Company.

2.5 Set-off

- 2.5.1 The Company may, in relation to a Scheme Claim, rely on any right of set-off or cross claim upon which it could have relied in the liquidation of the Company prior to the Effective Date.
- 2.5.2 Without prejudice to the generality of Clause 2.5.1, when calculating the value of a Scheme Creditor's Established Scheme Liability, such calculation shall take into account any right of set-off or cross claim in respect of any contingent and/or prospective liabilities of the Scheme Creditor to the Company arising out of claims agreed and/or determined in accordance with Part 7.
- 2.5.3 For the avoidance of doubt, a Scheme Creditor which is under a liability to the Company may rely on any set-off or cross claim upon which it could have relied in the liquidation of the Company prior to the Effective Date.

2.6 Established Scheme Liabilities

- 2.6.1 Subject to Clauses 2.3, 2.6.2, 2.7 and 2.10.1(b), a liability of the Company in respect of a Scheme Claim shall be an "Established Scheme Liability" when a Scheme Creditors' Established Scheme Liability has been calculated in accordance with Part 7, after account has been taken of:
- (a) any security over the property of the Company which the Scheme Creditor is entitled (or claims to be entitled) to enforce in accordance with Clause 2.4.1(a);
 - (b) any letter of credit issued or trust created in respect of the Company which the Scheme Creditor is entitled (or claims to be entitled) to enforce in accordance with Clause 2.4.1(b); and
 - (c) any set-off or cross claim which may be taken into account from time to time in accordance with Clause 2.5.
- 2.6.2 For the purposes of the Scheme, the amount of an Established Scheme Liability shall be the amount at which it was so established, notwithstanding any payment which has been made (or is treated as having been made) under the Scheme.

2.7 Interest

For the purpose of paying or providing for payments under the Scheme, there shall not be included as part of an Established Scheme Liability any interest liability of the Company except interest for which a Scheme Creditor is entitled to prove in the liquidation of the Company under the Applicable Insolvency law ("**Admissible Interest**"). No payment shall be made under the Scheme in respect of any part of a Scheme Claim which represents interest which is not Admissible Interest. For the avoidance of doubt, this Clause does not affect a Scheme Creditor's entitlement (if any) to assert a Scheme Claim in respect of that Scheme Creditor's liability in interest to a third party.

2.8 Currency of payment

- 2.8.1 Any amount payable to a Scheme Creditor under the Scheme in respect of an Established Scheme Liability owed to a Scheme Creditor shall be paid in Sterling.
- 2.8.2 In determining any set-off or cross claim in relation to a Scheme Claim, where the set-off or cross claim is expressed in a currency other than Sterling, the set-off or cross claim shall be converted into Sterling at the Scheme Rate.

2.9 Method of payment

- 2.9.1 Payments to a Scheme Creditor under the Scheme may be made, in the absolute discretion of the Liquidators:
 - (a) by cheque in favour of the Scheme Creditor concerned or as such Scheme Creditor may direct and sent through the post at the risk of such Scheme Creditor to the last known address of such Scheme Creditor or to such other address as such Scheme Creditor may from time to time notify to the Company;
 - (b) by telegraphic transfer to such bank account as the Scheme Creditor concerned may from time to time notify to the Company; or
 - (c) in such other manner or in favour of such other person (including any third party) as the Liquidators may from time to time determine. The cost of using any such payment method in a particular case shall be an expense of the Scheme Creditor concerned.
- 2.9.2 Payment under or pursuant to the Scheme shall be deemed to have been made on the day that the cheque is posted or telegraphic transfer instruction given to the relevant bank (as the case may be). Payment of any such cheque by the banker on whom it is drawn shall be satisfaction of the monies in respect of which it was drawn; and receipt of the amount of such telegraphic transfer into such account shall be satisfaction of the monies in respect of which it was paid.

2.9.3 Without prejudice to Clause 2.9.2, payment by the Company, as the case may be, of the payments to be made herein in respect of an Established Scheme Liability:

- (a) to a Scheme Creditor; or
- (b) where two or more persons comprise a Scheme Creditor to any one such person;
- (c) to any person acting on behalf of a Scheme Creditor (whether actually or ostensibly); or
- (d) otherwise pursuant to Clause 2.9.1,

shall for all purposes constitute a valid discharge of the Company in respect of such Established Scheme Liability.

2.10 Commutations, settlements and other agreements

2.10.1 If the Liquidators consider that to do so would be in the best interests of the Scheme Creditors (excluding the Scheme Creditor with whom such contractual arrangements are made), the Company may enter into contractual arrangements with a Scheme Creditor under which:

- (a) all or part of the liability (which may include, without limitation, a liability to provide or fund the costs of that Scheme Creditor's defence) of the Company to that Scheme Creditor is discharged in full in consideration of payment made by the Company; or
- (b) all or part of the liability of the Company to that Scheme Creditor becomes an Established Scheme Liability otherwise than as a result of an obligation to pay an ascertained sum of money being established in accordance with Clause 2.6.1; or
- (c) all or part of the liability of the Company to that Scheme Creditor is valued and converted into a liability subordinated to Established Scheme Liabilities on any terms (including the payment of an amount higher than the current Payment Percentage, calculated as if that subordinated liability were an Established Scheme Liability) that the Liquidators think fit.

PART 3 - PAYMENTS TO SCHEME CREDITORS

3.1 Computation of the Payment Percentage

3.1.1 Subject as hereinafter provided in this part 3, the Liquidators shall from time to time:

- (a) set the Payment Percentage; and
- (b) revise a Payment Percentage previously set by setting a new Payment Percentage of a greater or lesser amount.

3.1.2 The Liquidators shall not set a Payment Percentage unless they consider, on the basis of the information and advice referred to in Clause 3.1.5, that after:

- (a) the Company has (by reference to the then current Payment Percentage) complied with the provisions of Clause 3.2 in relation to all Established Scheme Liabilities owed by it as at the Review Date concerned; and
- (b) such reserves have been created by the Company as they consider to be prudent to enable the Company to meet its liabilities for Preferential Claims and for Liquidation Expenses as and when they fall due.

the Company will retain Scheme assets of an amount which the Liquidators consider sufficient to enable the Company to comply with the provisions of Clause 3.2 (by reference to a Payment Percentage at that rate) in relation to all liabilities of the Company in respect of Scheme Claims which have become, or which the Liquidators consider may become, Established Scheme Liabilities after the Review Date concerned.

3.1.3 The Payment Percentage, as and when set, in relation to the Company shall be set at, or increased to, such rate as the Liquidators consider will ensure that all the assets of the Company remaining after:

- (a) the Company has retained assets of an amount which the Liquidators consider sufficient to enable it to comply with the provisions of Clause 3.2 (by reference to a Payment Percentage at that rate) in relation to all liabilities of the Company in respect of Scheme Claims which have become, or which the Liquidators consider may become, Established Scheme Liabilities after the Review Date concerned; and
- (b) the creation of the reserves referred to in Clause 3.1.2(b).

are distributed proportionately in respect of all the Established Scheme Liabilities owed by the Company as at the Review Date concerned.

3.1.4 If on considering the current Payment Percentage the Liquidators consider that there are not sufficient assets for such Payment Percentage to be set at that level and for the provisions of Clause 3.1.2 to be complied with, they shall reduce such Payment Percentage to such level as they consider appropriate.

- 3.1.5 For the purpose of setting the Payment Percentage as at a particular Review Date, the Liquidators shall obtain and consider such financial and/or actuarial information and advice as the Liquidators, following consultation with the Committee of Inspection, shall consider appropriate.

3.2 Payments to Scheme Creditors

- 3.2.1 In respect of an Established Scheme Liability, the Company shall, subject to Clauses 2.3.2, and 7.1:
- (a) as soon as reasonably practicable but, in any event, within 40 Business Days following the date on which it becomes an Established Scheme Liability or on which the initial Payment Percentage has been set (whichever is the later), pay to the Scheme Creditor concerned an amount equal to the then current Payment Percentage of such Established Scheme Liability; and
 - (b) as soon as reasonably practicable, but in any event within 40 Business Days following an increase in the Payment Percentage under Clause 3.1, pay to the Scheme Creditor concerned (whether or not the same person who received payment under Clause 3.2.1(a)), a further amount equal to the difference between (A) the Payment Percentage (as increased) of such Established Scheme Liability and (B) the amount of such Established Scheme Liability which has previously been discharged by the Company or is treated as having been discharged under Clause 2.3.2.
- 3.2.2 The Liquidators shall suspend payments under Clause 3.2.1 for such period (not exceeding 130 Business days) as they consider appropriate if information becomes available to them concerning the financial position of the Company as a result of which they require 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 Liquidators 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.

PART 4 - PAYMENTS TO THE FSCS

4.1 Payments to the FSCS

4.1.1 Where the FSCS has made or is required to make a payment in respect of a Protected Liability as required pursuant to the Policyholders Protection Act the FSCS shall have a right to payment by the Company, in accordance with the terms of the Scheme, of all sums due or payable by the Company in respect of the Protected Liability to which the payment made or required to be made by the FSCS relates, and accordingly:

- (a) the Company shall treat the FSCS as a Scheme Creditor in respect of the Protected Liability (being the person to whom that liability is owed) to the exclusion of any other person to the extent of the payment made or required to be made; and
- (b) the receipt of the FSCS of payment by the Company of all sums due or payable by the Company in respect of the Protected Liability to which the payment made by the FSCS relates, shall constitute a valid discharge of the Company in respect of such sums;

and so that the Company shall not remain under or incur any liability with respect to any Protected Policyholder by reason of having paid any such sums to the FSCS.

4.2 Information to be provided to the FSCS

4.2.1 Before the termination of the Scheme and until the Company is dissolved, the Company and the Liquidators shall, insofar as they are reasonably able so to do, promptly provide the FSCS with all such information in their respective possession or under their respective control or the control of their respective agents as the FSCS may from time to time request in order to establish whether (or the extent to which) any Established Scheme Liability is a Protected Liability or whether (or the extent to which) a creditor of the Company is a Protected Policyholder or otherwise for the purpose of enabling or assisting the FSCS to 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 (and where the FSCS requests copies of documents it shall pay the reasonable photocopying costs of providing them). The Company, or as the case may be, the Liquidators shall, so far as it or they are able, authorise and instruct any third party with any such information to disclose it to the FSCS. The Company's and the Liquidators' obligations set out in this clause 4.2.1 shall not extend to any information which the Company, or as the case may be, the Liquidators are under a legal duty not to disclose, but neither the Company nor the Liquidators 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 4.2.1.

4.2.2 Subject to receiving reasonable notice in any case, the Company shall, for the purpose referred to in clause 4.2.1, permit (and, so far as it is able, authorise and instruct its agents to permit) any person authorised by the FSCS to have access to, and (subject to the FSCS agreeing to pay the reasonable costs thereof) to be provided with copies of, all or any of the books and records of the Company and, in so far as they relate to the Company, of such agents, during normal business hours. Such obligation shall not extend to any such information which the Company or any such agent is under a legal duty not to disclose.

4.3 The FSCS's rights against the Company in respect of any assignment to it of the rights of a Protected Policyholder

For the avoidance of doubt and without prejudice to clauses 4.1 to 4.3, the Company agrees with the FSCS that any assignment to the FSCS of all or any rights whatsoever of a Protected Policyholder against the Company shall be valid and binding on the Company, and that the FSCS may, subject to the terms of the Scheme, take actions and proceedings in the name of such Protected Policyholder and exercise all his rights against the Company, including without limitation his rights, prior to such assignment, against the Company.

PART 5 - THE LIQUIDATORS

5.1 Power to act jointly or severally

The functions and powers of the Liquidators under the Scheme may be performed and exercised jointly or severally and any act required to be done by the Liquidators pursuant to the Scheme may be done by all or any one or more of them.

5.2 Functions and powers

5.2.1 The Liquidators shall:

- (a) manage the run-off and closure of the Company's business;
- (b) realise the assets of the Company and apply them for the benefit of Scheme Creditors in accordance with the Scheme; and
- (c) supervise and ensure the carrying out of the Scheme, and for these purposes shall:
 - (i) have power in the name and on behalf of the Company to manage the affairs, business and property of the Company; and
 - (ii) without prejudice to the generality of the foregoing, have the powers specified in Clauses 5.2.2, 5.2.3 and 5.2.4.

5.2.2 Without prejudice to the generality of Clause 5.2.1, in carrying out their functions and powers under the Scheme, the Liquidators shall be entitled:

- (a) to agree claims and process reinsurance recoveries as part of the run-off of the Company's business;
- (b) to take possession of, collect and get in all the property and assets (of whatever nature) to which the Company is or appears to be entitled and to do all such things as may be necessary for the realisation of any such property or assets;
- (c) to have full access at all times to all books, papers and other documents of the Company, to receive all such information as they may require in relation to its affairs;
- (d) to do all things which may be necessary or expedient for the protection of the Company's assets or of any assets that appear to belong to the Company;
- (e) to bring or defend any action or other legal proceedings in the name and on behalf of the Company or otherwise;
- (f) to be remunerated for the carrying out of such functions and powers and to be reimbursed for all expenses properly incurred by them in connection therewith;

- (g) to employ and remunerate accountants, actuaries, lawyers and other professional advisers or agents whether in England and Wales or in other jurisdictions in connection with the conduct of their functions and powers under the Scheme;
- (h) to do all acts and to execute in the name and on behalf of the Company any deed, receipt or other document and to use the Company's seal;
- (i) to borrow and to make any payment which is necessary or incidental to the performance of their functions and to give a valid discharge for amounts received by the Company;
- (j) to delegate to any person (being, other than in the case of delegation to the Scheme Conflicts Administrator, a partner in the same firm as the Liquidators) qualified to act as an insolvency practitioner within the meaning of section 390 of the Insolvency Act 1986 of England and Wales and approved for the time being by the Committee of Inspection for the purposes of this Clause 5.2.2(j) (a "Delegate"), all or any of the functions, powers, rights, authorities and discretions conferred upon the Liquidators under the Scheme and from time to time to revoke any such delegation (other than in the case of delegation to the Scheme Conflicts Administrator which shall be, subject to the provisions of any such agreement as is referred to in Clause 5.4, irrevocable), provided that (other than in the case of delegation to the Scheme Conflicts Administrator) the Liquidators shall be personally responsible for any act or omission of any such Delegate to the same extent as if they had expressly authorised it;
- (k) to do all other things incidental to the exercise of the functions and powers referred to in this Clause 5.2.2 and in Clauses 5.2.1, 5.2.3 and 5.2.4.

5.2.3 The Company shall be entitled to enter into contractual arrangements with Scheme Creditors (known as "commutations") under which the total liability of the Company to the relevant Scheme Creditor in relation to some or all of the contracts of insurance, reinsurance or retrocession between the Company and the Scheme Creditor shall:

- (a) be discharged in full in consideration for a cash payment by the Company; or
- (b) become an Established Scheme Liability otherwise than in the normal course and on the basis that no further claims may be made under the relevant insurance, reinsurance or retrocession contracts.

No such arrangement shall be entered into unless the Liquidators are satisfied that it is likely to increase payments to the Scheme Creditors as

a whole. The Liquidators shall be entitled to agree commutations on behalf of the Company.

5.2.4 In respect of Lloyd's Syndicates, the Liquidators shall have the power to treat all the members of a Lloyd's Syndicate which has a Scheme Claim as if they were a single Scheme Creditor of the Company in respect of that Scheme Claim and the members of a Lloyd's Syndicate which owes money to the Company shall be treated as a single debtor of the Company in respect of the sum due, in each case on the basis that the effect of closing a year of account (Year A) by means of reinsurance to close into a later year (Year B) is that the rights of the members of the syndicate in Year A become instead the rights and liabilities of the members of the successor syndicate or syndicates in Year B.

5.2.5 In carrying out their functions and exercising their powers under the Scheme, the Liquidators shall consult with, and take account of the views expressed by, the Committee of Inspection on any matter material to the Scheme, which for the avoidance of doubt shall include, without limitation, the setting of and revisions to a Payment Percentage pursuant to Clause 3.1.

5.3 Responsibility and indemnity

5.3.1 In carrying out their functions and exercising their powers under the Scheme, the Liquidators shall act bona fide and with due care and diligence in the interests of Scheme Creditors as a whole and shall use their powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms.

5.3.2 In so far as the law allows, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by the Liquidators in accordance with, and to implement the provisions of, the Scheme or the exercise by the Liquidators in good faith and with due care of any power conferred upon them for the purposes of the Scheme if exercised in accordance with, and to implement the provisions of, the Scheme and the Liquidators shall not be liable for any loss unless such loss is attributable to their own negligence, default, breach of duty, breach of trust, fraud or dishonesty (or to that of any Employee or Delegate other than the Scheme Conflicts Administrator).

5.3.3 In so far as the law allows, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by any Employee in accordance with and to implement the provisions of the Scheme if exercised in accordance with and to implement the provisions of the Scheme and no Employee shall be liable for any loss unless such loss is attributable to his own negligence, default, breach of duty, breach of trust, fraud or dishonesty.

- 5.3.4 In so far as the law allows, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by any Delegate in accordance with and to implement the provisions of the Scheme or the exercise by such Delegate in good faith and with due care of any power conferred upon the Liquidators for the purposes of the Scheme if exercised in accordance with and to implement the provisions of the Scheme and no Delegate shall be liable for any loss unless such loss is attributable to his own negligence, default, breach of duty, breach of trust, fraud or dishonesty (or to that of any Employee).
- 5.3.5 Subject to the Companies Act, each Liquidator (in his capacity as such) (and each Employee and Delegate) shall be entitled to an indemnity out of the assets of the Company against:
- (a) all actions, claims, proceedings and demands brought or made against such Liquidator (or Employee or Delegate) in respect of any act done or omitted to be done by such Liquidator (or Employee or Delegate) in good faith without negligence, default, breach of duty, breach of trust, fraud or dishonesty in the course of implementing the Scheme in accordance with its terms; and
 - (b) all expenses and liabilities properly incurred by such Liquidator (or Employee or Delegate) in carrying out his functions and powers (or the functions for which such Employee is employed by the Liquidators or any Delegate) in the course of implementing the Scheme in accordance with its terms.
- 5.3.6 Without prejudice to the generality of Clause 5.3.5, each such person as is expressed to be entitled to an indemnity in accordance with that Clause (in the capacity in which he is entitled to such an indemnity) shall be entitled to an indemnity out of the assets of the Company:
- (a) against any liability incurred by him in defending any proceedings, whether civil or criminal, in respect of any negligence, default, breach of duty, breach of trust, fraud or dishonesty in which judgment is given in his favour or in which he is acquitted; or
 - (b) in connection with any application in any such proceedings in which relief is granted to him by a court from liability for negligence, default, breach of duty, breach of trust, fraud or dishonesty in relation to the affairs of the Company.
- 5.3.7 The Company may, with the approval of the Committee of Inspection (such approval not to be unreasonably withheld or delayed):
- (a) purchase and maintain for any such person as is referred to in Clause 5.3.5 insurance against any liability in respect of which the Company

would be obliged to indemnify that person in accordance with Clauses 5.3.5 and 5.3.6; and

- (b) pay costs incurred by any such person as is referred to in Clause 5.3.6 in defending proceedings of the nature described in Clause 5.3.6 provided that the Company obtains from a Liquidator an obligation to reimburse the Company (with interest) in respect of any sum which would not, in the event, have been payable by the Company under Clause 5.3.6.

5.4 Procedure for the resolution of conflicts

The Company and the Liquidators may from time to time, and after consultation with the Committee of Inspection, enter into such agreement as they consider appropriate to deal with disputes or conflicts that arise or may arise during the course of the Scheme, whether between the Company and the Liquidators or between the Liquidators themselves (in their professional capacity, whether as insolvency practitioners or otherwise, or because a resolution concerning the Liquidators is to be put before a meeting of the Committee of Inspection), which agreement may provide for the delegation in relation to a particular dispute or conflict of the Liquidators' functions, powers, rights, authorities and discretion pursuant to Clause 5.2.2(j) to a Scheme Conflicts Administrator to represent one or more of the parties to the dispute or conflict in question.

PART 6 - THE COMMITTEE OF INSPECTION

6.1 Functions

6.1.1 Without prejudice to the specific provisions of this Clause 6.1 the Committee of Inspection shall monitor the carrying out of the Scheme and supervise the Liquidators in the exercise of their functions under the Scheme.

6.1.2 The Committee of Inspection may from time to time resolve what information it is desirable to seek from the Liquidators concerning the affairs of the Company or the operation of the Scheme, and may authorise any one member of the Committee of Inspection to apply in writing to and receive from the Liquidators all such information. The Liquidators shall promptly give to the Committee of Inspection all such information concerning the affairs of the Company or the operation of the Scheme as the Committee of Inspection shall from time to time resolve to seek and in respect of which a written request shall have been received by the Liquidators. Each member of the Committee of Inspection shall be entitled at any time to raise questions or to request a meeting with the Liquidators in connection with the performance of his responsibilities as a member of the Committee of Inspection and, subject to their duties under the Scheme, the Liquidators shall use reasonable endeavours to respond to such questions or to comply with any such request for a meeting. Notwithstanding the preceding provisions of this Clause 6.1, the Liquidators shall not be obliged to disclose any confidential information of the Company to a member of the Committee of Inspection if the information relates to any matter where such member (and, where such member is a Designated Representative, its appointors) has an interest in conflict with the Company (other than a general conflict arising as a result of the status of the members of the Committee of Inspection (or appointors) as creditors of the Company).

6.2 Duties

Each member of the Committee of Inspection shall, in performing their functions as such in relation to the Scheme, act bona fide in the interests of the Scheme Creditors as a whole.

6.3 Responsibilities and indemnity

6.3.1 In so far as the law allows, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by any member of the Committee of Inspection in accordance with and to implement the provisions of the Scheme or the exercise by any such person in good faith and with due care of any power conferred upon it or him for the purposes of the Scheme if exercised in accordance with and to implement the provisions of the Scheme and no such person shall be liable for any loss unless such loss is attributable to its or his own wilful default, fraud, dishonesty or wilful breach of duty or trust.

6.3.2 Subject to the Companies Act, each member of the Committee of Inspection shall be entitled to an indemnity out of the assets of the Company against all actions, claims, proceedings and demands brought or made against him in respect of any act done or omitted to be done in relation to the Company in good faith and with due care by such person in the course of implementing the Scheme in accordance with its terms.

6.3.3 Without prejudice to the generality of Clause 6.3.2, each such person as is expressed to be entitled to an indemnity in accordance with that Clause (in the capacity in which he is entitled to such an indemnity) shall be entitled to an indemnity out of the assets of the Company:

- (a) against any liability incurred by it or him in defending any proceedings, whether civil or criminal, in respect of any wilful default, fraud, dishonesty or wilful breach of duty or trust in relation to the Company in which judgment is given in his favour or in which he is acquitted; or
- (b) in connection with any application in any such proceedings in which relief is granted to him by a court from liability for wilful default, fraud, dishonesty or wilful breach of duty or trust in relation to the affairs of the Company.

6.3.4 The Company may, with the approval of the Committee of Inspection (such approval not to be unreasonably withheld or delayed):

- (a) purchase and maintain for any such person as is referred to in Clause 6.3.2 insurance against any liability in respect of which the Company would be obliged to indemnify that person in accordance with Clauses 6.3.2 and 6.3.3; and
- (b) pay costs incurred by any such person as is referred to in Clause 6.3.2 in defending any actions, claims, proceedings and demands of the nature described in Clauses 6.3.2 and 6.3.3 which relate to the Company provided that the Company obtains from such person an obligation to reimburse the Company (with interest) in respect of any sum which would not, in the event, have been payable by the Company under those Clauses.

6.4 Validation of acts

All acts done by the Committee of Inspection or any meeting of the Committee of Inspection or any person acting as a member of the Committee of Inspection shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of a member of the Committee of Inspection, or that any of them were disqualified, be valid as if every such person had been duly appointed and qualified.

6.5 No Committee of Inspection

If at any time there are less than two members of the Committee of Inspection, the requirements for obtaining the consent, approval or agreement of and for consulting with or notifying the Committee of Inspection contained in Clauses 1.1.1, 2.3.1, 3.1.2, 3.1.5, 5.2.2(j), 5.2.5, 5.3.7, 5.4, 6.3.4, 7.2.3(b), 7.7.2, 7.8.7, 8.1.1(a) and 8.1.1(b) shall be suspended.

PART 7 - CLOSURE PROVISIONS

7.1 The Bar Date

- 7.1.1 With effect from the Effective Date and without prejudice to the following provisions of this Part 7, no Scheme Creditor shall be entitled to receive any payments under the Scheme in respect of any Scheme Claim (but in all other respects any such Scheme Creditor shall be bound by the Scheme) unless, before the Bar Date, the Liquidators shall have received from or on behalf of such Scheme Creditor a Claim Form (or a Voting Form submitted pursuant to Clause 7.5.9) and all Supporting Information in respect of such Scheme Claim in accordance with Clause 7.8. For the avoidance of doubt, from the Effective Date, the entitlement of Scheme Creditors to file proofs of debt in the liquidation of the Company and to receive dividends in accordance with Applicable Insolvency Law shall be replaced by their entitlement to lodge claims and receive payments under this Scheme.
- 7.1.2 Without prejudice to the generality of Clause 7.1.1 and the following provisions of this Part 7, Scheme Creditors shall not be entitled to receive any payments under the Scheme in respect of any Agreed Liability (where the reason for it being an Agreed Liability is that the Liquidators do not have the name and address of the relevant Scheme Creditor) unless and until the Liquidators have received notification of the name and address of the Scheme Creditor concerned prior to the Final Substantive Closure Distribution Date.
- 7.1.3 No Scheme Creditor shall have any right after the Bar Date to revise or provide further Supporting Information in respect of any Scheme Claim (including any amount of such liabilities) except in response to a specific request for such further information by the Liquidators or a Scheme Adjudicator under this Part 7. Accordingly, subject to such exceptions, for the purposes of seeking to agree or adjudicating a Notified Scheme Claim, neither the Liquidators nor a Scheme Adjudicator shall be obliged to take into account any Supporting Information which has not been supplied to the Liquidators before the Bar Date and, where appropriate, shall be entitled to treat such Notified Scheme Claim in accordance with Clause 7.5.8. For the purposes of seeking such agreement or adjudication, the Liquidators and a Scheme Adjudicator may, at any time, take into account any market information and/or market development.

7.2 Appointment of a Scheme Adjudicator

- 7.2.1 In the event that a dispute between the Company and a Scheme Creditor falls to be referred to a Scheme Adjudicator under Clause 7.5, the Scheme Adjudicator shall be appointed according to the procedure described in that Clause. Such individual(s) appointed to act as Scheme Adjudicator shall have the powers, rights, duties and functions conferred upon him by this Part.

- 7.2.2 A Scheme Adjudicator shall be an individual who is qualified to discharge that function and has consented in writing to act as Scheme Adjudicator.
- 7.2.3 A Scheme Adjudicator shall cease to hold that office upon the occurrence of any of the following events:
- (a) if he dies or becomes bankrupt or mentally disordered or becomes disqualified by any professional body of which he is a member;
 - (b) if he resigns his appointment at any time by giving not less than 40 Business Days' notice in writing (or less in the Liquidators' discretion) to the Liquidators and the Committee of Inspection;
 - (c) if he is convicted of an indictable offence;
 - (d) if he is disqualified from acting as a director of a company under the Company Directors Disqualification Act 1986; or
 - (e) if he is removed for good cause by the Liquidators.
- 7.2.4 In the event that a Scheme Adjudicator shall become aware that he has a conflict of interest in relation to a matter referred to him under this Part 7, he shall inform the Liquidators and the Scheme Creditor concerned of such conflict forthwith. In the event of such notification by a Scheme Adjudicator or notification by the Scheme Creditor pursuant to Clause 7.6.2(e), or in the event that the Liquidators in their reasonable opinion consider that a Scheme Adjudicator would have such a conflict of interest, the Liquidators shall, as soon as is reasonably practicable, request that the President of the Law Society nominate a replacement Scheme Adjudicator in relation to the relevant matter and the Scheme Creditor concerned shall be notified of such request.
- 7.2.5 Without prejudice to the generality of Clause 7.6 and as more particularly provided in Clauses 7.5.44 and 7.6.3, a Scheme Adjudicator shall be responsible for the adjudication of:
- (a) any issues of fact or law directly or indirectly necessary to adjudicate on any Disputed Matters (as defined in Clause 7.5.21) but, for the avoidance of doubt, not (i) the principles, policies or assumptions comprised within the Estimation Methodology; or (ii) the application of the principles, policies or assumptions comprised within the Estimation Methodology;
 - (b) the amount of any Notified Scheme Claim;
 - (c) whether a Notified Scheme Claim should have been designated as a Suspended Scheme Liability by the Liquidators pursuant to Clauses 7.5.39 and 7.5.43;

- (d) any disputes relating to the calculation of the overall Established Scheme Liability pursuant to Clause 7.5.53; and
- 7.2.6 any disputes relating to the provision of Supporting Information.
- 7.2.7 Subject to any directions which may be given by a Scheme Adjudicator in accordance with Clauses 7.6.6 and 7.6.8, the Company shall pay such reasonable remuneration to the Scheme Adjudicator for the exercise and performance of his powers, duties and functions under the Scheme as may be agreed between the Liquidators and Scheme Adjudicator and the Liquidators shall pay all such amounts in full out of the assets of the Company as Liquidation Expenses. Subject to Clauses 7.6.6 and 7.6.8, the Company shall pay all costs, charges and expenses reasonably incurred by the Scheme Adjudicator including, subject to the prior agreement of the Liquidators and Clause 7.6.2(c), the cost of any retained legal advisers or experts in the course of exercising and performing his powers, duties and functions under the Scheme.
- 7.2.8 In carrying out his functions and exercising his powers under the Scheme, a Scheme Adjudicator shall act bona fide and with due care and diligence and shall use his powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms. The provisions of Clauses 6.3.1 to 6.3.4 (both inclusive), in particular the protections, indemnities and provision for insurance referred to therein, shall apply with all necessary changes to a Scheme Adjudicator.

7.3 Appointment of the Scheme Actuary

- 7.3.1 There shall be one Scheme Actuary appointed for the purposes of and having the powers, rights, duties and functions conferred upon him by this Part. The Scheme Actuary shall be an individual who is a member of an actuarial body affiliated to the International Actuarial Association and who has a suitable number of years of continuous experience of relevant actuarial work. The initial Scheme Actuary shall be Mr Simon H. Sheaf.
- 7.3.2 The Scheme Actuary shall cease to hold that office upon the occurrence of any of the following events:
 - (a) if he dies or becomes bankrupt or mentally disordered or ceases to be a member of an actuarial body which is affiliated to the International Actuarial Association;
 - (b) if he resigns his appointment at any time by giving not less than 40 Business Days' notice in writing (or less in the Liquidators' discretion) to the Liquidators and the Committee of Inspection;
 - (c) if he is convicted of an indictable offence;

- (d) if he is disqualified from acting as a director of a company under the Company Directors Disqualification Act 1986; or
 - (e) if he is removed for good cause by the Liquidators.
- 7.3.3 In the event that there is a vacancy in the office of the Scheme Actuary the Liquidators may fill the vacancy by appointing another person as Scheme Actuary.
- 7.3.4 In the event that the Scheme Actuary shall become aware that he has a conflict of interest in relation to any matters referred to him under this Part 7, he shall inform the Liquidators of such conflict forthwith, and the Liquidators may, at their discretion, appoint an alternate Scheme Actuary, for the purpose of fulfilling the relevant functions in relation to the relevant matter only. For the avoidance of doubt, the Scheme Actuary's appointment shall, subject to Clause 7.3.2, continue during the appointment of the alternate, and he shall continue to fulfil the relevant functions in relation to all other matters referred to him under this Part 7, unless a conflict shall arise in respect of any of those matters, in which case this Clause 7.3.4 shall apply.
- 7.3.5 The Scheme Actuary shall perform the functions referred to in this Part 7 for which purposes the Liquidators shall provide the Scheme Actuary with access to all books and records and work product available to the Company and the Liquidators. In particular,
- (a) the Scheme Actuary must, if so required by the Liquidators, assist the Liquidators in considering amounts and information supplied to the Liquidators on Claim Forms and/or Supporting Information relating to Notified Scheme Claims and Projected Claims (but not Non Insurance/Reinsurance Scheme Claims) supplied before the Bar date in accordance with Clauses 7.5.7 and 7.5.20; and
 - (b) the Scheme Actuary shall assist a Scheme Adjudicator if the Scheme Adjudicator thinks appropriate, in adjudicating Disputed Matters (except in connection with Non Insurance/Reinsurance Scheme Claims) and disputes concerning the designation of Suspended Scheme Liabilities under this Part 7.
- 7.3.6 Subject to any directions which may be given by a Scheme Adjudicator in accordance with Clauses 7.6.7 and 7.6.8, the Company shall pay such reasonable remuneration to the Scheme Actuary for the exercise and performance of his powers, duties and functions under the Scheme as may be agreed between the Scheme Actuary and the Liquidators and the Liquidators shall pay all such amounts in full out of the assets of the relevant Scheme Company as Liquidation Expenses.
- 7.3.7 In carrying out his functions and exercising his powers under the Scheme in relation to the Company, the Scheme Actuary shall act bona fide and with due

care and diligence in the interests of the Company's Scheme Creditors as a whole and shall use his powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms. The provisions of Clauses 5.3.3 to 5.3.7 (both exclusive), in particular the protections, indemnities and provision for insurance referred to therein, shall apply with all necessary changes in respect of any Scheme Actuary.

7.4 Appointment of the Actuarial Adjudicator

- 7.4.1 There shall be an Actuarial Adjudicator appointed for the purposes of and having the powers, duties, functions and rights conferred upon him by this Part. The Actuarial Adjudicator shall be an individual who is a member of an actuarial body affiliated to the International Actuarial Association and who has a suitable number of years of continuous experience of relevant actuarial work. The initial Actuarial Adjudicator shall be Steve Mathews of EMB Consultancy LLP.
- 7.4.2 The Actuarial Adjudicator shall be an individual qualified to act as the Scheme Actuary, save that the same individual shall not hold both positions.
- 7.4.3 In the event that there is a vacancy in the office of the Actuarial Adjudicator the Liquidators may fill the vacancy by appointing another person as Actuarial Adjudicator.
- 7.4.4 The Actuarial Adjudicator shall cease to hold that office upon the occurrence of any of the following events:
- (a) if he dies or becomes bankrupt or mentally disordered or ceases to be a member of an actuarial body which is affiliated to the International Actuarial Association;
 - (b) if he resigns his appointment at any time by giving not less than 40 Business Days' notice in writing (or less in the Liquidators' discretion) to the Liquidators and the Committee of Inspection;
 - (c) if he is convicted of an indictable offence;
 - (d) if he is disqualified from acting as a director of a company under the Company Directors Disqualification Act 1986; or
 - (e) if he is removed for good cause by the Liquidators.
- 7.4.5 The Actuarial Adjudicator shall be responsible for the adjudication of all matters submitted to him in accordance with the provisions of this Part 7.
- 7.4.6 Subject to any directions which may be given by a Scheme Adjudicator in accordance with Clauses 7.6.6 and 7.6.8, the Company shall pay such reasonable remuneration to the Actuarial Adjudicator for the exercise and performance of his powers, duties and functions under the Scheme as may be

agreed between the Liquidators and Actuarial Adjudicator and the Liquidators shall pay all such amounts in full out of the assets of the Company as Liquidation Expenses. Subject to Clauses 7.6.6 and 7.6.8, the Company shall pay all costs, charges and expenses reasonably incurred by the Actuarial Adjudicator including, subject to the prior agreement of the Liquidators and Clause 7.6.2(c), the cost of any retained legal advisers or experts in the course of exercising and performing his powers, duties and functions under the Scheme.

7.4.7 In the event that the Actuarial Adjudicator shall become aware that he has a conflict of interest in relation to any matter referred to him under this Part 7, he shall inform the Liquidators of such conflict forthwith, and the Liquidators may, at their discretion, appoint an alternate Actuarial Adjudicator, for the purpose of fulfilling the relevant functions in relation to the relevant matter only. For the avoidance of doubt, the Actuarial Adjudicator's appointment shall, subject to Clause 7.4.4, continue during the appointment of the alternate, and he shall continue to fulfil the relevant functions in relation to all other matters referred to him under this Part 7, unless a conflict shall arise in respect of any of those matters, in which case this Clause 7.4.7 shall apply.

7.4.8 In carrying out his functions and exercising his powers under the Scheme, the Actuarial Adjudicator shall act bona fide and with due care and diligence and shall use his powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms. The provisions of Clauses 6.3.1 to 6.3.4 (both inclusive), in particular the protections, indemnities and provision for insurance referred to therein, shall apply with all necessary changes to the Actuarial Adjudicator.

7.5 Determination of Notified Scheme Claims by the Liquidators

Accessing Claim Forms and Release Agreement by Scheme Creditors

7.5.1 The Liquidators shall, by the Effective Date:

- (a) make available on the Website the full text of the Explanatory Statement, the Scheme, the Claim Form, the Claim Form Guidance Notes and all other documents referred to in the Explanatory Statement and the Scheme; and
- (b) send to any such Scheme Creditor or person as is referred to in Clauses 7.5.2(a)(i) and 7.5.2(a)(ii) below for whom, at the date of sending, the Liquidators possess verified contact details, a CD containing a Voting Form, a Claim Form, the Claim Form Guidance Notes, the full text of the Explanatory Statement, the Scheme, and all other documents referred to in the Explanatory Statement and the Scheme.

7.5.2 As soon as is reasonably practical after the Effective Date, the Liquidators shall by post in accordance with Clause 7.8:

(a) give notice to:

- (i) every Scheme Creditor to whom written notice was given of the meeting of Scheme Creditors convened by the Court for the purpose of considering the Scheme under Section 425 of the Companies Act ("**Scheme Meeting**"); and
- (ii) any other person whom the Liquidators believe to be a Scheme Creditor;

stating that the Scheme has become effective, the Effective Date and the Bar Date and calling for Scheme Creditors to complete and return their Claim Forms; and

- (b) send to any broker or other person known by the Liquidators to be duly authorised to accept service on behalf of such a Scheme Creditor as is referred to in Clause 7.5.2(a)(i) and in respect of which the Liquidators have verified contact details, a copy of the notice referred to in Clause 7.5.2(a)(i) together with a request that such broker or other person pass the same onto the Scheme Creditor.

7.5.3 As soon as is reasonably practical after the Effective Date, the Liquidators shall also cause to be published once in each of the same newspapers and publications in which the Scheme Meeting was advertised, an advertisement stating those matters in Clause 7.5.2(a) and calling for:

- (a) any person believing himself to be a Scheme Creditor and who has not received any of the notices or details referred to in Clause 7.5.2 to request a CD or paper copies; and
- (b) Scheme Creditors to complete and return their Claim Form and Supporting Information to the Liquidators before the Bar Date in accordance with Clause 7.8.

7.5.4 The Liquidators shall send a CD or a paper copy of the Claim Form and the Claim Form Guidance Notes by post to any Scheme Creditor who requests the same (provided they give full reasons for doing so) as soon as reasonably practicable after receipt of such request.

7.5.5 The Claim Forms and Claim Form Guidance Notes made available to Scheme Creditors under Clause 7.5.2 shall be in substantially the form set out at Appendix E. Any Claim Form so made available or sent out to Scheme Creditors shall contain such statements as to quantum as are known by the Liquidators, based on the information in the Company's books and records, at the Effective Date in respect of any:

- (a) Agreed Liabilities;
- (b) Outwards Unpaid Losses;

(c) Outwards Outstanding Losses; and

(d) any security, letters of credit, trust, set-off or cross claims under Clauses 2.6.1(a), 2.6.1(b) and 2.6.1(c) in respect of the relevant Scheme Creditor.

7.5.6 Notwithstanding anything in this Clause 7.5, where a Scheme Creditor does not, to the knowledge of the Liquidators, have any Agreed Liabilities, the Claim Form made available to such Scheme Creditor under Clause 7.5.2 shall not contain any statements as to quantum of Agreed Liabilities.

The Requirement to Submit Claim Forms Before the Bar Date

7.5.7 At any time before (but not after) the Bar Date, a Scheme Creditor may complete, amend, and return the Claim Form made available or sent to them under Clause 7.5.2 in accordance with the Claim Form Guidance Notes, provided that they shall Submit the Claim Form together with all Supporting Information to the Liquidators in accordance with Clause 7.8 so as to be received by them before the Bar Date. Any such amendment, addition or alteration to the Claim Form may relate to:

- (i) any dispute as to the accuracy or completeness of the Liquidators' statement as to quantum of the Agreed Liability element of a Scheme Claim shown on such Claim Form;
- (ii) any dispute as to the accuracy or completeness of the Liquidators' statement as to quantum of that Scheme Creditor's Outwards Unpaid Losses and Outwards Outstanding Losses shown on such Claim Form;
- (iii) any dispute as to the accuracy or completeness of the Liquidators' statement as to quantum of any security, letters of credit, trust, set-off or cross claim under Clause 2.6.1(a), 2.6.1(b) and 2.6.1(c) shown on such Claim Form;
- (iv) any Outstanding Losses claimed by the Scheme Creditor, valued as at the Valuation Date; and/or
- (v) any Projected Claim claimed by the Scheme Creditor. A Scheme Creditor wishing to assert that it has a Projected Claim shall indicate in the relevant section of its Claim Form that it wishes the Scheme Actuary to value its Projected Claims in accordance with the Estimation Methodology.

Any claim contained on a Claim Form duly Submitted in accordance with this clause or, a Voting Form submitted pursuant to Clause 7.5.9, with the exception of Projected Claims, shall be referred to in this Part 7 as the Scheme Creditor's "Notified Scheme Claim".

7.5.8 For the avoidance of doubt, any such Claim Form Submitted to the Liquidators under Clause 7.5.7 must be accompanied by the Supporting Information by reference to which the claim can be substantiated including the specific amounts that the Scheme Creditor seeks to claim for in respect of any Notified Scheme Claim and/or, if applicable, Supporting Information for the purpose of valuing its Projected Claim. To the extent that the Liquidators reasonably determine that a Scheme Creditor has not so included such Supporting Information, the Liquidators shall, in accordance with Clause 7.8, request that the Scheme Creditor concerned provide such Supporting Information. If the Scheme Creditor concerned does not provide such Supporting Documentation to the Liquidators' within 20 Business Days of deemed receipt of the Liquidators' request, such Scheme Creditor shall be deemed (in the case where the Supporting Information which the Liquidators have requested relates to a Notified Scheme Claim) not to have notified any such Notified Scheme Claim and/or, if applicable, (in the case where the Supporting Information which the Liquidators have requested relates to a Projected Claim) not to have provided Supporting Information for the purpose of valuing its Projected Claims before the Bar Date.

7.5.9 A Scheme Creditor may, by placing a tick in the relevant box on its Voting Form and then submitting that Voting Form, elect to treat the Voting Form as its Claim Form for the purposes of the Scheme. For the avoidance of doubt:

- (a) a Scheme Creditor who makes such election as provided for in this Clause will not be required to submit a Claim Form in respect of any such claims and any such Voting Form shall be deemed to be a Claim Form which has been submitted in accordance with Clause 7.5.7 above;
- (b) a Scheme Creditor may not, in any event, by making such election as provided for in this Clause, incorporate into its Claim Form any estimates of its Projected Claim which it may have provided in its Voting Form;
- (c) if a Scheme Creditor wishes to assert a Projected Claim it must submit a Claim Form and Supporting Information for the purpose of valuing its Projected Claim in accordance with Clauses 7.5.7 and 7.5.8 above; and
- (d) the provisions of this Clause 7.5.9 are without prejudice to the Scheme Creditor's rights under Clause 7.5.7. However, to the extent a Scheme Creditor who has elected as provided in this Clause 7.5.9 subsequently Submits a further Claim Form under the Scheme which is inconsistent with the information provided by the Scheme Creditor (in so far as such information related to the Scheme Creditor's Notified Scheme Claim), the Liquidators shall treat such Claim Form as having superseded and replaced the Voting Form for the purposes of this Part 7.

- 7.5.10 Each Scheme Creditor shall be deemed to have warranted to the Company and the Liquidators that the information contained in any Claim Form and Supporting Information sent by it or on its behalf to the Liquidators, or, as the case may be, a Scheme Adjudicator or Scheme Actuary, is, to the best of its knowledge and belief, fair and correct.
- 7.5.11 If the Liquidators have not received a completed Claim Form from a Scheme Creditor before the Bar Date, they may, in their absolute discretion, treat the information (except in relation to the Scheme Creditor's estimate of its Projected Claim) provided by the Scheme Creditor in the Voting Form which he submitted for the purpose of voting at the Scheme Meeting as having been a Submitted Claim Form.

Agreeing Claim Forms Made Available by the Liquidators

- 7.5.12 A Scheme Creditor shall be deemed to have agreed as accurate and complete such amounts or information as appears on any Claim Form sent or made available to them under Clause 7.5.2 and Submitted by the Scheme Creditor unless that Scheme Creditor amends, alters and/or adds to the relevant Claim Form and provides Supporting Information to the Liquidators in accordance with Clauses 7.5.7 and 7.5.8. Such amounts and information contained in the Claim Form shall thereafter be binding on the Scheme Creditor for the purposes of the following provisions of this Part 7.
- 7.5.13 For the avoidance of doubt and without prejudice to the other provisions of this Part 7, the Claim Form shall not be deemed to have been Submitted to the Liquidators in accordance with Clauses 7.5.7 and 7.5.8 before the Bar Date unless the Claim Form includes the relevant details of the identity and contact details for the Scheme Creditor concerned to the reasonable satisfaction of the Liquidators or unless the Liquidators shall otherwise be in possession of such information.
- 7.5.14 If any Scheme Creditor:
- (a) wishes to agree the information and amounts in respect of Agreed Liabilities, Outwards Unpaid Losses and Outwards Outstanding Losses contained on the Claim Form made available or sent by the Liquidators under Clause 7.5.2, and
 - (b) either (i) does not have or (ii) does not wish to make any amendment, alterations or additions to the Claim Form whether in respect of Outstanding Losses, Projected Claims or otherwise,

such Scheme Creditor shall notify the Liquidators before the Bar Date of this fact in accordance with Clause 7.8 without making any amendment to it; whereupon such information and amounts contained in the Claim Form shall thereafter be binding on the Scheme Creditor for the purposes of the following provisions of this Part 7.

- 7.5.15 Notwithstanding Clause 7.1.1, where the Agreed Liability element of a Scheme Claim has been included on a Claim Form prepared by the Liquidators, but not Submitted by the Scheme Creditor to the Liquidators by the Bar Date, it shall be deemed to be on a Claim Form Submitted before the Bar Date to which Clause 7.5.14 applies.

Agreeing Notified Scheme Claims and Projected Claims with Scheme Creditors

- 7.5.16 The Liquidators will consider the information concerning each Scheme Creditor's claims contained in the Claim Form and Supporting Information, including, but not limited to, consideration of whether any submissions are accurate or adequately supported with relevant documentation, and whether any estimates in respect of Notified Scheme Claims are reasonable, and whether there is any applicable set-off.
- 7.5.17 Subject to Clauses 7.5.11, 7.5.14, 7.5.16, and 7.5.48 to 7.5.55, the Liquidators shall as soon as reasonably possible after the receipt by them of a Claim Form and Supporting Information, use their reasonable endeavours to reach agreement with the Scheme Creditor concerned with regard to the information and amounts contained in such Claim Forms and Supporting Information in relation to each Notified Scheme Claim and Projected Claim of a Scheme Creditor (which agreement in the case of any Outstanding Losses and Projected Claims will be as to both undiscounted amounts and such amounts discounted to net present value as referred to in the Estimation Methodology).
- 7.5.18 Whether before or after the Bar Date, the Liquidators shall be entitled, upon request made in accordance with Clause 7.8, to seek from the Scheme Creditor concerned (and the Scheme Creditor shall be obliged to provide in the same manner within a reasonable period) such further information or require the production to them of such documentary or other evidence relating to any such Notified Scheme Claim and Projected Claim as they consider necessary for the purpose of reaching such agreement as is referred to in Clause 7.5.17. In default of such Scheme Creditor providing such information and/or documentary or other evidence so requested within a reasonable period (which, subject to Clause 7.8.8(a), shall in no case be later than 40 Business Days after such request) the Liquidators shall be entitled to seek agreement in accordance with Clause 7.5.17. In the absence of agreement the Liquidators shall be entitled to refer for adjudication, in accordance with Clauses 7.5.21 to 7.5.26, such Notified Scheme Claim in respect of which the information and/or documentary or other evidence was so requested, without taking into account such information.
- 7.5.19 In considering the information concerning each Scheme Creditor's Notified Scheme Claims and, if applicable, Projected Claim contained in the Claim Form and Supporting Information, the Liquidators shall have regard to the

following, where applicable, and any other factors which they consider material:

- (a) any relevant information contained in the Company's records;
- (b) the current and anticipated trends in loss settlement values and legal arguments in respect of similar claims; and
- (c) current agreements and practices in the London insurance and reinsurance markets.

7.5.20 In the event that (as anticipated in Clause 7.5.17) the Liquidators, having where they consider it appropriate to do so, consulted with the Scheme Actuary, agree with the amounts and/or information contained in a Claim Form and/or Supporting Information returned by the Scheme Creditor, in accordance with Clause 7.5.7 (and Clause 7.5.18, if appropriate), in respect of the whole or part of any Scheme Claim, they shall, as soon as reasonably practicable, notify the relevant Scheme Creditor, in accordance with Clause 7.8, of such agreement. For the avoidance of doubt, such agreement shall in the case of any Outstanding Losses and Projected Claims include both undiscounted and discounted net present value amounts. The Company, the Liquidators and the Scheme Creditor will thereafter treat such amounts and/or information as valid and binding as to such matters and/or amounts.

Disputed Notified Scheme Claims

7.5.21 In the event that the Liquidators, having, where considered appropriate, consulted with the Scheme Actuary, have been unable to reach agreement with a particular Scheme Creditor pursuant to Clause 7.5.17 in respect of the whole or part of the amounts and/or information contained in a Claim Form and/or Supporting Information returned by a Scheme Creditor in accordance with Clause 7.5.7 (except in relation to Projected Claims) the Liquidators shall in accordance with Clause 7.8 notify the relevant Scheme Creditor of the matters which are not agreed and the reasons for the failure to agree, within 40 Business Days of the Bar Date. The Liquidators and the relevant Scheme Creditor shall thereupon endeavour to resolve and agree on the disputed matters (the matters and/or amounts in dispute under this Clause 7.5.21 being referred to as that Scheme Creditor's "Disputed Matters"), in any event no later than 260 Business Days after the Bar Date. In the event that the Disputed Matters are resolved and agreed, the Claim Form so agreed shall, except in relation to a Projected Claim, be binding on the Company and the relevant Scheme Creditor for the purposes of the Scheme.

7.5.22 In the event that such resolution or agreement on the Disputed Matters shall not have been reached within 40 Business Days of deemed receipt of such notice as is referred to in Clause 7.5.21, the Liquidators shall be entitled to send a notice in accordance with Clause 7.8 to the relevant Scheme Creditor to

the effect that the Disputed Matters shall be referred to a Scheme Adjudicator for adjudication, and the nature of the Disputed Matters. Such notice will include the details of the Liquidators' proposed choice of Scheme Adjudicator. If the Scheme Creditor concerned does not give a notice of objection in accordance with Clause 7.8 within 20 Business Days of deemed receipt of the Liquidator's notice referred to in this Clause 7.5.22, the Liquidators' proposed choice of Scheme Adjudicator shall be binding on the relevant Scheme Creditor.

- 7.5.23 The relevant Scheme Creditor may within 20 Business Days of deemed receipt of the notice referred to in Clause 7.5.22 object to the Liquidators' proposed choice of Scheme Adjudicator by delivering a notice of objection pursuant to Clause 7.8 containing full reasons for their objection and identifying their preferred choice of Scheme Adjudicator. If an agreement as to the identity of a Scheme Adjudicator cannot be reached between the Scheme Creditor and the Liquidators within 20 Business Days of receipt of such notice of objection by the Liquidators, the Liquidators shall request that the President of the Law Society from time to time appoint a Scheme Adjudicator.
- 7.5.24 In the event that a Scheme Creditor's Disputed Matters shall not have been agreed or resolved within 260 Business Days of the Bar Date, the Liquidators shall, save to the extent that an agreement to the contrary has been reached between the Liquidator and Scheme Creditor concerned, refer the Disputed Matters to a Scheme Adjudicator appointed in accordance with the procedure described in Clauses 7.5.22 and 7.5.23. No Scheme Creditor may submit a Claim Form directly to a Scheme Adjudicator for adjudication of the Disputed Matters.
- 7.5.25 In no circumstances shall any amounts comprised in the Disputed Matters referred to a Scheme Adjudicator in accordance with Clauses 7.5.22 to 7.5.23 exceed, in respect of any Notified Scheme Claim, the relevant amounts notified by the Scheme Creditor in a Claim Form under Clause 7.5.7 and 7.5.18.
- 7.5.26 The fact that there are, in respect of a Claim Form and/or Supporting Information, Disputed Matters which have been submitted to a Scheme Adjudicator under Clauses 7.5.22 to 7.5.23 (and Clause 7.5.24 if appropriate), shall not prevent other information and/or amounts in the Claim Form and/or Supporting Information which have been agreed or deemed to have been agreed between the Liquidators and the Scheme Creditor under Clause 7.5.17 from being binding on the Scheme Creditor and the Company as to such amounts and/or information. The value of a Scheme Creditor's overall Established Scheme Liability shall not be calculated under Clause 7.5.48 until all Disputed Matters and/or Actuarial Disputes in respect of that Scheme Creditor have been adjudicated upon in accordance with Clause 7.6.4 and/or, as the case may be, Clause 7.5.35 and Suspended Scheme Liabilities

with that Scheme Creditor have been agreed or, if necessary, adjudicated upon in accordance with that Clause 7.6.4.

Estimation Methodology

- 7.5.27 All Scheme Creditors shall be bound by the principles, policies and assumptions comprised within the Estimation Methodology for the purposes of calculating Projected Claims. For the avoidance of doubt, the Estimation Methodology shall have no relevance to the valuation of any Non Insurance/Reinsurance Scheme Claim.
- 7.5.28 Where a Scheme Creditor has indicated pursuant to Clause 7.5.7(v) that it wishes the Scheme Actuary to value its Projected Claim or where an amendment to information originally set out pursuant to Clause 7.5.7(ii) is not agreed to by the Liquidators pursuant to Clause 7.5.20, the Liquidators shall request the Scheme Actuary to value that Scheme Creditor's Projected Claim and, if applicable, that Scheme Creditor's Outwards Projected Claim, Outwards Unpaid Losses and Outwards Outstanding Losses in accordance with the Estimation Methodology.
- 7.5.29 Following such a request and once the other information on a Claim Form has become binding for the purposes of the Scheme pursuant to Clause 7.5.20 or Clause 7.5.21, the Scheme Actuary shall apply the Estimation Methodology to that information where relevant and to any relevant Supporting Information provided by the Scheme Creditor and the information in the Company's records.
- 7.5.30 The Scheme Actuary shall be entitled to request further information and documentation from a Scheme Creditor, in which event the provisions of Clause 7.5.18 shall apply as if the request had been made by the Liquidators, provided that any further information or documentation received pursuant to this Clause shall not result in the amendment of any amount determined pursuant to Clause 7.5.20 or Clause 7.5.21.
- 7.5.31 Following the valuation of all Scheme Claims contained in a Claim Form Submitted by a Scheme Creditor under Clause 7.5.7, the Scheme Actuary shall as soon as reasonably practicable apply the principles, policies and assumptions comprised within the Estimation Methodology to the information on the Claim Forms and any Supporting Information supplied by the Scheme Creditor to the Liquidators under Clause 7.5.7.
- 7.5.32 As soon as reasonably practicable after completing the application of the principles, policies and assumptions comprised within the Estimation Methodology the Scheme Actuary shall send to the Scheme Creditor a statement setting out the values resulting from his application of the Estimation Methodology.

- 7.5.33 If the Scheme Creditor objects to any aspect of the statement referred to in Clause 7.5.32 (such disputes under this Clause 7.5.33 being referred to as that Scheme Creditor's "Actuarial Dispute"), it shall notify the Scheme Actuary within 20 Business Days of the date of deemed receipt of such statement setting out the reasons for its objection. The Scheme Actuary and the Scheme Creditor concerned shall thereupon endeavour to resolve and agree, as soon as is reasonably practical but in any event within 40 Business Days. In the event that the Actuarial Dispute is resolved and agreed between the Scheme Actuary and the Scheme Creditor concerned, the agreed valuation shall be binding upon the company and the relevant Scheme Creditor. If the Actuarial Dispute is not resolved and agreed within 40 Business Days, the Liquidators shall refer the Actuarial Dispute to the Actuarial Adjudicator.
- 7.5.34 Subject to Clause 7.8.8(c), the Actuarial Adjudicator shall, before the expiration of 40 Business Days from the date on which such Actuarial Dispute was referred to him pursuant to Clause 7.5.33, certify in writing to the Liquidators, the Scheme Actuary and to the Scheme Creditor concerned pursuant to Clause 7.8 his determination in respect of the Actuarial Dispute. The Actuarial Adjudicator shall only determine whether the Estimation Methodology was correctly applied in accordance with its terms in relation to the Actuarial Dispute and, if he determines it has not been, he shall determine the value which would have resulted from a correct application of the Estimation Methodology.
- 7.5.35 In determining Actuarial Disputes an Actuarial Adjudicator shall act as expert and not as arbitrator. A certificate given by an Actuarial Adjudicator in relation to an Actuarial Dispute shall be final and binding on the Company, the Liquidators, the Scheme Actuary, the relevant Scheme Creditor and all Scheme Creditors in so far as the law allows. Except as required by law or in the case of any mathematical or other manifest error, no Scheme Creditor, the Scheme Actuary, nor the Liquidators shall have any right to appeal there from or any claim against the Actuarial Adjudicator in respect thereof. Once such certificate has been given the provisions of Clauses 7.5.48 to 7.5.50 shall then apply. The value of a Scheme Creditor's overall Established Scheme Liability shall not be calculated under Clauses 7.5.48 to 7.5.50 until all Actuarial Disputes in respect of that Scheme Creditor have been adjudicated upon by the Actuarial Adjudicator.
- 7.5.36 At the time of the giving of any such certificate as is referred to in Clause 7.5.34 above in relation to an Actuarial Dispute, an Actuarial Adjudicator may make such directions in respect of his reasonable remuneration and in respect of the costs, charges and expenses reasonably incurred by him, by the Liquidators, the Scheme Actuary, or by the Scheme Creditor or Scheme Creditors concerned, as he shall think just.

- 7.5.37 If an Actuarial Adjudicator shall direct that any such reasonable remuneration, costs, charges and expenses be paid by the Liquidators the same shall forthwith be paid in full by the Liquidators out of the assets of the Company as Liquidation Expenses.
- 7.5.38 If an Actuarial Adjudicator shall direct that any such reasonable remuneration, costs, charges and expenses be payable by a Scheme Creditor and the Scheme Creditor does not pay the same in full within 20 Business Days after such directions the Company shall pay any unpaid balance thereof in full out of its assets. In any such case, for the purposes of determining whether such Scheme Creditor is entitled to receive any payments pursuant to Clause 3.1 of the Scheme from the Company, they shall be treated as having received on account of all Established Scheme Liabilities in respect of which they are so entitled an amount equal to the unpaid balance so paid by the Company and the extent, if any, to which they are entitled to any payment pursuant to Clause 3.1 of the Scheme shall be reduced accordingly. Where the Scheme Creditor is not entitled to receive a payment pursuant to the Scheme or the amount of such remuneration, costs and expenses exceeds their entitlement to a payment under the Scheme, such amount or such excess shall be treated as a debt owed by the Scheme Creditor or Offset Scheme Creditors (as the case may be) to the Company.

Suspended Scheme Liabilities

- 7.5.39 Where it appears to the Liquidators, in their discretion, that the amount of a Notified Scheme Claim may be materially affected by any Proceedings, they may suspend the operation of the process of determining the amount due in accordance with Clauses 7.5.11 to 7.5.20 above in relation to that Notified Scheme Claim for such period as the Liquidators, in their discretion, reasonably deem appropriate. Such Notified Scheme Claim shall, thereupon, become a Suspended Scheme Liability.
- 7.5.40 In the event that the Liquidators designate a Notified Scheme Claim as a Suspended Scheme Liability, the Liquidators shall, as soon as reasonably practicable after such designation, send to the relevant Scheme Creditor a notice in the manner provided for in Clause 7.8. That notice shall state that the relevant Notified Scheme Claim has become a Suspended Scheme Liability and the reasons for such designation.
- 7.5.41 The relevant Scheme Creditor may within 20 Business Days of receiving the notice referred to in Clause 7.5.40 object to the Liquidators' designation by delivering a notice of objection pursuant to Clause 7.8 containing full reasons for their objection. If within a further reasonable period (to be determined by the Liquidators in their discretion) from receipt of such notice of objection by the Liquidators, the Scheme Creditor and the Liquidators have not reached agreement as to the treatment of the Suspended Scheme Liability, the matter

shall be referred to a Scheme Adjudicator and the Liquidators shall notify the Scheme Creditor of their proposed choice of Scheme Adjudicator.

- 7.5.42 The relevant Scheme Creditor may within 20 Business Days of deemed receipt of the notice referred to in Clause 7.5.41 object to the Liquidators' proposed choice of Scheme Adjudicator by delivering a notice of objection pursuant to Clause 7.8 containing full reasons for their objection and identifying their preferred choice of Scheme Adjudicator. If an agreement as to the identity of a Scheme Adjudicator cannot be reached between the Scheme Creditor and the Liquidators within 20 Business Days of receipt of such notice of objection by the Liquidators, the Liquidators shall request that the President of the Law Society from time to time appoint a Scheme Adjudicator. For the avoidance of doubt, if the Scheme Creditor concerned does not give a notice of objection within 20 Business Days of deemed receipt of the notice from the Liquidators under Clause 7.5.41, the Liquidators' proposed choice of Scheme Adjudicator shall be binding on the relevant Scheme Creditor.
- 7.5.43 The Liquidators will provide the individual appointed as Scheme Adjudicator with a copy of the notices of designation and objection referred to in Clauses 7.5.40 and 7.5.41 and, to the extent the Liquidators deem relevant, the relevant Claim Forms and Supporting Information and a copy of any other notice, statement and correspondence relating to the Suspended Scheme Liability.
- 7.5.44 In adjudicating whether the Suspended Scheme Liability should continue to be treated as such by the Liquidators, the provisions of Clause 7.6 shall apply with all necessary changes save that:
- (a) a Scheme Adjudicator shall only be concerned with the issue of whether the Liquidators properly designated the Scheme Creditor's Notified Scheme Claim as a Suspended Scheme Liability; and
 - (b) a Scheme Adjudicator shall make his determination within 40 Business Days of the matter being referred to him.
- 7.5.45 If a Scheme Adjudicator determines that the Liquidators were justified in making such designation, the Suspended Scheme Liability shall continue to be governed by Clause 7.5.39.
- 7.5.46 If a Scheme Adjudicator determines that the Liquidators were not justified in making such designation or, if at any time, the Liquidators determine that it is appropriate to revoke such designation the Liquidators will seek to agree or, if necessary, refer for adjudication such Suspended Scheme Liabilities in the same way as Notified Scheme Claims in accordance with Clauses 7.4 and 7.6. In such case any relevant time periods after the Bar Date shall commence from the date of such determination.

- 7.5.47 At the request of the relevant Scheme Creditor, and in addition to the provision at Clause 7.5.41, the Liquidators will review the designation, or re-designation under this Clause, of a Notified Scheme Claim as a Suspended Scheme Liability. Such a request for review cannot be made earlier than 130 Business Days after the claim was last designated by the Liquidators or, if later, last determined by a Scheme Adjudicator to be so designated. The Liquidators shall thereafter notify the Scheme Creditor of the result of their review whereupon the provisions of Clauses 7.5.39 to 7.5.46 (inclusive) shall apply with all necessary changes.

Set off and calculation of overall Established Scheme Liabilities

- 7.5.48 The Liquidators shall, as soon as practicable following the determination, whether by agreement or adjudication of the amounts (discounted, where appropriate) of all Scheme Claims due to any particular Scheme Creditor in accordance with this Part 7, calculate that Scheme Creditor's overall Established Scheme Liability, (which for the avoidance of doubt may be nil as a result of the calculation carried out under this Clause), and shall notify such Scheme Creditor in writing of the result of their calculation.
- 7.5.49 The value of a Scheme Creditor's overall Established Scheme Liability shall be calculated with regard to:
- (a) Agreed Liabilities, at the value agreed or adjudicated upon under Part 7;
 - (b) Outstanding Losses, at the value agreed or adjudicated upon under Part 7;
 - (c) Projected Claims, at the value agreed or adjudicated under Part 7;
 - (d) Outwards Projected Claims, Outwards Unpaid Losses and Outwards Outstanding Losses, at the value agreed or adjudicated upon Part 7 and the amount of any other set-off or cross claim which may be taken into account from time to time in accordance with Clause 2.5;

(the claims under (a), (b), (c) and (d) being, where relevant, discounted to net present value by the Scheme Actuary in accordance with the Estimation Methodology);
 - (e) Amount of any security which has been or may be deducted from the sum due from the Company to the Scheme Creditor and/or the effect of any of the other matters referred to in Clause 2.4, in each case as agreed or adjudicated upon under Part 7; and
 - (f) the amount, if any, resulting from the subtraction of the total of (d) and (e) from the total of (a), (b) and (c) in respect of such Scheme Creditor, provided that if such subtraction gives rise to a negative amount, the

figure shall be treated as nil for the purpose of calculating the overall Established Scheme Liability under Part 7.

The amount that the Liquidators so calculate as being due by the Company to the Scheme Creditor concerned in accordance with this Clause 7.5.49 (and for the avoidance of doubt after effecting set off under Clause 2.5 and subject to Clauses 7.5.50 to 7.5.55) shall be the Scheme Creditor's overall Established Scheme Liability (if any). Subject to Clauses 7.5.50 to 7.5.55, a Scheme Creditor shall become an Offset Scheme Creditor if the Liquidators determine that no overall Established Scheme Liability is due to such person by the Company under this Clause 7.5.48 or, if relevant, the Scheme Adjudicator makes a determination to that effect under Clause 7.5.53.

- 7.5.50 For the avoidance of doubt, in calculating a Scheme Creditor's overall Established Scheme Liability in accordance with Clause 7.5.48, the Liquidators shall be entitled to take into account, for the purpose of effecting the set off referred to in that Clause, any reinsurance claims which the Company may have against a Scheme Creditor in respect of the Agreed Liabilities (if appropriate), Outstanding Losses and Projected Claims in the amounts calculated under this Part 7 (including, in particular, by the application of the principles, policies and assumptions comprised within the Estimation Methodology).
- 7.5.51 Each Scheme Creditor may, by notice in writing under Clause 7.8 to be received by the Liquidators within 20 Business Days after deemed receipt by the Scheme Creditor of the written notice sent to them, object to the amount calculated in accordance with Clause 7.5.48. In so far as the law allows, such objection may only (save in the case of the purported offset by the Liquidators, pursuant to Clause 7.5.50, of an alleged reinsurance claim by the Company as described in that Clause) be on the grounds of mathematical or other manifest error. The Scheme Creditor shall give full reasons for such objection. Such Scheme Creditor shall not object to the principles, policies or assumptions comprised within the Estimation Methodology or its application to its Scheme Claim. If no objection has been received by the Liquidators from the relevant Scheme Creditor within the above 40 Business Day period, the amount notified to such Scheme Creditor in accordance with Clause 7.5.48 shall be fixed as the Scheme Creditor's overall Established Scheme Liability.
- 7.5.52 In the event that the Liquidators agree with the objections of a Scheme Creditor received within the period referred to in Clause 7.5.51, the Liquidators shall provide the relevant Scheme Creditor with written confirmation of the agreed valuation of his overall Established Scheme Liability and such valuation shall constitute the Scheme Creditor's Established Scheme Liability for the purposes of the Scheme.
- 7.5.53 In the event that the Liquidators do not agree with the objections of the Scheme Creditor received within the period allowed by Clause 7.5.51, and

agreement cannot be reached between the Liquidators and the Scheme Creditor within 40 Business Days of the receipt of the objection under Clause 7.5.51, the disputed matter (which shall be limited to a dispute on the grounds of arithmetical or other manifest error) and all relevant information and documents shall be referred to a Scheme Adjudicator to be adjudicated upon in accordance with Clause 7.6 and the Liquidators shall notify the Scheme Creditor of their proposed choice of Scheme Adjudicator.

7.5.54 The relevant Scheme Creditor may within 20 Business Days of deemed receipt of the notice referred to in Clause 7.5.52 object to the Liquidators' proposed choice of Scheme Adjudicator by delivering a notice of objection pursuant to Clause 7.8 containing full reasons for their objection and identifying their preferred choice of Scheme Adjudicator. If an agreement as to the identity of a Scheme Adjudicator cannot be reached between the Scheme Creditor and the Liquidators within 20 Business Days of receipt of such notice of objection by the Liquidators, the Liquidators shall request that the President of the Law Society from time to time appoint a Scheme Adjudicator. For the avoidance of doubt, if the Scheme Creditor concerned does not give a notice of objection within 20 Business Days of deemed receipt of the notice from the Liquidators under Clause 7.5.52, the Liquidators' proposed choice of Scheme Adjudicator shall be binding on the relevant Scheme Creditor.

7.5.55 The amount determined by the adjudication of the Scheme Adjudicator under Clause 7.5.53 shall be binding upon the Company, the Liquidators, the relevant Scheme Creditor and all Scheme Creditors and shall be that Scheme Creditor's overall Established Scheme Liability.

7.5.56 Upon determination under this Part 7 of all of a Scheme Creditor's Established Scheme Liabilities, those Established Scheme Liabilities shall constitute the Company's total aggregate liability to the Scheme Creditor concerned.

7.6 Determination of Disputed Matters and Suspended Scheme Liabilities by a Scheme Adjudicator

7.6.1 Without prejudice to the generality of the foregoing, in referring:

- (a) any Disputed Matter to a Scheme Adjudicator in accordance with Clause 7.5.53; or
- (b) any dispute as to the Liquidators' designation of a Notified Scheme Claim as a Suspended Scheme Liability under Clause 7.5.41 (but only in this latter case to the extent the Liquidators deem appropriate),

the Liquidators will provide to a Scheme Adjudicator a copy of the relevant Claim Forms and Supporting Information and a copy of any other notice, statement or correspondence relating to the Disputed Matters or Suspended Scheme Liability (as the case may be). A Scheme Adjudicator shall have full and unrestricted access to all of the Company's and Liquidators' records and

information and work product in the possession or under the control of the Liquidators which such Scheme Adjudicator considers is needed in order to resolve the Disputed Matters or the matters in dispute as to the designation of the Suspended Scheme Liability (as the case may be).

7.6.2 In relation to any matter which is referred to a Scheme Adjudicator:

- (a) a Scheme Adjudicator shall consider the papers and documents before him and shall, within 40 Business Days of receipt of the records and information referred to in Clause 7.6.1, send a notice in accordance with Clause 7.8 to the person concerned stating whether he requires further written explanations, documents, data or information from the Scheme Creditor, the Liquidators or the Company, in which case the relevant person or persons shall, within 40 Business Days after receipt of such request, provide such Scheme Adjudicator with the required written explanation, documents or data or information. In no circumstances whatsoever shall the Scheme Creditor (or their duly authorised representative) be entitled to appear before and address such Scheme Adjudicator on any matter and any submissions which the Scheme Creditor or the Liquidators (or their duly authorised representatives) shall be entitled under the terms of this Clause 7.6 to make shall be made solely in writing;
- (b) a Scheme Adjudicator shall be entitled to prescribe and lay down such procedures or provisions as he in his discretion deems appropriate for the purposes of assisting him in reaching his decision and shall be entitled to call upon any party to the adjudication for such written explanation, evidence, documents, data and information as he may require. In no circumstances shall such Scheme Adjudicator request submissions to be made by the Liquidators, a Scheme Creditor (or their duly appointed representative) otherwise than in writing;
- (c) Without prejudice to the generality of Clause 7.2.5: (i) in relation to adjudicating upon Disputed Matters and disputes concerning the designation of Suspended Scheme Liabilities under this Part 7, a Scheme Adjudicator shall, if appropriate, consult with such advisers, including US coverage attorneys, other legal advisers and experts as he may deem appropriate, including for the purpose of obtaining legal advice or legal opinion in connection with any Disputed Matters or matters in dispute regarding the designation of Suspended Scheme Liabilities;
- (d) if, after the expiry of 40 Business Days from the deemed receipt of the request for further information pursuant to Clause 7.6.2(a), some or all of the requested information has not been provided then a Scheme Adjudicator shall make such determination as he sees fit on the basis of the information then available to him; and

- (c) in the event that the Scheme Creditor concerned considers that a Scheme Adjudicator has a conflict of interest in relation to any matter referred to him under this Part 7, the Scheme Creditor shall within 20 Business Days of deemed receipt of a notice of referral in accordance with Clause 7.5.21 notify the Liquidators of such conflict and its nature whereupon the provisions of Clause 7.2.4 shall apply.

7.6.3 A Scheme Adjudicator's powers under this Clause 7.6.3 shall:

- (a) be to determine any issues of fact or law directly or indirectly necessary to adjudicate on any Disputed Matters and the designation of Suspended Scheme liabilities (to the extent the Scheme Adjudicator has been unsuccessful in obtaining any agreement in respect of the same between the Liquidators and the relevant Scheme Creditor); and
- (b) not include adjudicating upon any disputes as to (i) the principles, policies or assumptions comprised within the Estimation Methodology or the application of such principles, policies or assumptions to the Disputed Matters and (ii) any amounts of Notified Scheme Claims, except as a consequential result of his adjudication of matters of fact and law referred to in Clause 7.6.3(a) (with the exception of any Non Insurance/reinsurance Scheme Claim, the amount in respect of which the Scheme Adjudicator shall be entitled to determine upon having adjudicated any Disputed Matters relating to such Scheme Claim).

7.6.4 Subject to Clause 7.8.8, the Scheme Adjudicator shall, before the expiration of 40 Business Days from the date on which he receives the records and information and work product referred to in Clause 7.6.1, certify in writing to the Liquidators and to the Scheme Creditor concerned pursuant to Clause 7.8 his determination in respect of the Disputed Matters concerning the Notified Scheme Claim. In no circumstances shall the amounts (discounted, where appropriate) of such adjudicated liabilities as are referred to in this Clause 7.6.4 exceed the relevant amounts notified by the Scheme Creditor in their Claim Form and Supporting Information pursuant to Clauses 7.5.7 and (if appropriate) 7.5.18.

7.6.5 In determining the Disputed Matters in relation to a Notified Scheme Claim, or the matters in respect of which the Liquidators designated such Notified Scheme Claim as a Suspended Scheme Liability, a Scheme Adjudicator shall act as expert and not as arbitrator. A certificate given by a Scheme Adjudicator in relation to a Notified Scheme Claim or a Suspended Scheme Liability under Clause 7.6.4 shall be final and binding on the Company, the Liquidators, the relevant Scheme Creditor and all Scheme Creditors in so far as the law allows. Except as required by law or in the case of any mathematical or other manifest error, no Scheme Creditor nor the Liquidators shall have any right to appeal therefrom or any claim against the Scheme

Adjudicator in respect thereof. Once such certificate has been given the provisions of Clauses 7.5.53 to 7.5.55 shall then apply.

- 7.6.6 At the time of the giving of any such certificate as is referred to in Clause 7.6.4 above in relation to a Notified Scheme Claim or Suspended Scheme Liability, a Scheme Adjudicator may make such directions in respect of his reasonable remuneration and in respect of the costs, charges and expenses reasonably incurred by him, by the Liquidators, or by the Scheme Creditor or Scheme Creditors concerned, as he shall think just.
- 7.6.7 If a Scheme Adjudicator shall direct that any such reasonable remuneration, costs, charges and expenses be paid by the Liquidators the same shall forthwith be paid in full by the Liquidators out of the assets of the Company as Liquidation Expenses.
- 7.6.8 If a Scheme Adjudicator shall direct that any such reasonable remuneration, costs, charges and expenses be payable by a Scheme Creditor and the Scheme Creditor does not pay the same in full within 20 Business Days after such directions the Company shall pay any unpaid balance thereof in full out of its assets. In any such case, for the purposes of determining whether such Scheme Creditor is entitled to receive any payments pursuant to Clause 3.1 of the Scheme from the Company, they shall be treated as having received on account of all Established Scheme Liabilities in respect of which they are so entitled an amount equal to the unpaid balance so paid by the Company and the extent, if any, to which they are entitled to any payment pursuant to Clause 3.1 of the Scheme shall be reduced accordingly. Where the Scheme Creditor is not entitled to receive a payment pursuant to the Scheme or the amount of such remuneration, costs and expenses exceeds their entitlement to a payment under the Scheme, such amount or such excess shall be treated as a debt owed by the Scheme Creditor or Offset Scheme Creditors (as the case may be) to the Company.

7.7 Payment to Scheme Creditors

- 7.7.1 For the avoidance of doubt, any Scheme Creditors' Established Scheme Liability determined under this Part 7 shall be an Established Scheme Liability within the meaning of Clause 2.6 and shall be treated as such for all purposes of the Scheme, including the setting and receiving of Payment Percentages under Parts 2 and 3.
- 7.7.2 When the value of all, or virtually all, Scheme Claims has been determined following their agreement or, if necessary, adjudication (and subject to any claims in suspension), the Liquidators shall, as soon as reasonably possible thereafter, determine, with the consent of the Committee of Inspection, the date (the "**Final Substantive Closure Distribution Date**") on which the Company intends to pay (and subsequently does pay), subject to Clause 7.6.8, a final substantive closure distribution to Scheme Creditors with Established Scheme Liabilities at the Final Substantive Closure Distribution Date. The final substantive closure distribution in respect of each Scheme Creditor will be comprised of a payment in respect of a final substantive closure Payment Percentage under Clause 3.2.1(b) (at a rate determined with the consent of the Committee of Inspection) (such amount being referred to in this Clause 7.7 as the "**Final Substantive Closure Distribution**").
- 7.7.3 The Liquidators may also, in their discretion, determine such date or dates ("**Ultimate Sweep Up Distribution Date**") on which the Company shall, if the Liquidators deem it necessary and subject to Clause 7.6.8, pay an amount by way of secondary distribution to all Scheme Creditors with Established Scheme Liabilities being an amount ("**Ultimate Sweep Up Distribution**") equal to the final Payment Percentage (under Clause 3.2.1(b)), which calculation of the Payment Percentage shall take into account, for the avoidance of doubt, any sums accruing from the settlement of any Suspended Scheme Liabilities, Unclaimed Distributions and any assets received after the Final Substantive Closure Distribution Date and after reserving for all Liquidation Expenses involved in making a Ultimate Sweep Up Distribution and all closing costs of the Scheme and the dissolution of the Company and amounts required to be put aside or placed in trust in accordance with Clause 8.2.2 and for satisfying all continuing obligations of the Company and Liquidators under the Scheme (notwithstanding the termination of the Scheme) which the Liquidators consider it is prudent to make.
- 7.7.4 For the avoidance of doubt, in declaring and paying any Final Substantive Closure Distribution and/or Ultimate Sweep Up Distribution, the Liquidators shall be entitled to make such reserves for present and future Liquidation Expenses as they see fit.
- 7.7.5 The Payment Percentage of the Final Substantive Closure Distribution and Final Substantive Closure Distribution Date shall be notified to the Scheme Creditors once by advertisement in each of those newspapers and publications

in which notice of the Scheme Meeting was advertised. Such Final Substantive Closure Distribution Date shall be no earlier than 40 Business Days after the Final Substantive Closure Distribution Date was so advertised in the last such newspaper or journal.

7.7.6 If a Scheme Creditor to whom a cheque for distribution has been dispatched in accordance with Clause 2.9, in respect of a Final Substantive Closure Distribution and/or Ultimate Sweep Up Distribution, has not presented it for payment within 130 Business Days from the date the cheque is issued then the sums representing such unclaimed distributions ("**Unclaimed Distributions**") shall in the absolute discretion of the Liquidators and at such time as they deem appropriate, either be repaid into the assets of the Company to be made available to its Scheme Creditors (subject to the provisions of Clause 7.8.5) or be donated to The Insurance Charities (registered charity number 206860 and Company Registration Number 74461) (or to their order) and the Scheme Creditor concerned shall be deemed to have waived its right to the Unclaimed Distribution. The Liquidators may do any act or thing or enter any arrangements to give effect to this Clause 7.7.6.

7.7.7 This Clause 7.7.7 applies for the purpose of determining the relevant date for currency conversion in relation to set-off or cross claims for all purposes relating to the calculations of the Liquidators under this Part 7. For such purpose, in determining the value of any set-off or cross-claim that is expressed in a currency other than the relevant Scheme Claim the currency of payment provision at Clause 2.8.2 shall apply with the following modification. The relevant date for the Liquidators' acceptance or other determination that set-off or cross-claim is available (being the date on which the appropriate rate of exchange shall be selected) shall, in the absence of agreement or contractual provision as referred to in Clause 2.8.2, be the Valuation Date.

7.7.8 If any currency in which a Scheme Claim is denominated has ceased to be legal tender at the date of any payment to a Scheme Creditor or set-off under the Scheme, then, subject to the Scheme Creditor's right to make an election under Clause 2.8.1, the following provisions shall apply. In the case of any such liability being denominated in a currency which has been superseded by the Euro, the amount of such liability (and any amount payable under the Scheme in relation to such liability) will be calculated in accordance with the relevant measures of the European Council relating to the change-over operation of a single European currency. The conversion rate to be applied to determine any other such liability or payment shall be at the Liquidators' reasonable discretion.

7.8 Communications under this Part 7 and extension of time limits

7.8.1 Notwithstanding any provision in the Scheme (but subject to the provisions of Clause 7.8.6) for the purposes of this Part 7, any information, forms, statements, documents, notices or other written communications required to be

or capable of being given or sent under this Part 7 (including any Claim Form and Supporting Information) to individual Scheme Creditors, the Company, the Liquidators, the Actuarial Adjudicator, or a Scheme Adjudicator (as the case may be) may be given either:

- (a) by delivering the same by hand (including by courier); or
- (b) by posting the same by first class post or airmail, as appropriate,

in each case

- (i) in the case of the Scheme Creditors, to such Scheme Creditor's last known address of which the Liquidators are aware;

- (ii) in the case of the Company or the Liquidators, to:

The Liquidators
Pacific & General Company Limited (in Liquidation)
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU
United Kingdom;

or such other address as the Liquidators may notify to Scheme Creditors for the purpose of this Clause 7.8;

- (iii) in the case of the Scheme Adjudicator, to the address of the relevant Scheme Adjudicator appointed in accordance with the relevant provisions of this Part 7;

- (iv) in the case of the Scheme Actuary, to Grant Thornton UK LLP 30 Finsbury Square, London EC2P 2YU, United Kingdom marked for the attention of Simon H Sheaf; and

- (v) in the case of the Actuarial Adjudicator, to EMB Consultancy LLP Saddlers Court, 64-74 East Street, Epsom, Surrey KT17 1HB, United Kingdom marked for the attention of Steve Mathews.

7.8.2 Any notice (except such notice as is referred to in Clause 7.5.2(a)) to be given under or in relation to this Part to Scheme Creditors generally will be deemed to have been duly given to Scheme Creditors if it is advertised once in each of those newspapers and other publications in which the notice of the Scheme Meetings was advertised.

7.8.3 Any such information, forms, statements, documentation, notices or other communication referred to in Clause 7.8.1 to be given under this Part shall be deemed to have been served and received;

- (a) if delivered by hand or by courier pursuant to Clause 7.8.1(a), at the time of such delivery;
 - (b) if sent by post pursuant to Clause 7.8.1(b), on the second Business Day after posting if the recipient is in the country of dispatch, otherwise on the seventh Business Day after posting; and
 - (c) if advertised, when advertised in accordance with 7.8.2.
- 7.8.4 Subject to Clause 7.8.5, in proving service by post the party seeking to rely upon such effective service must supply reasonable proof of having placed into the post a properly stamped and addressed envelope containing the relevant notice, statement, documentation, information, form or other written communication.
- 7.8.5 The accidental omission by the Liquidators to send or make available any notice, written communication or other document in accordance with this Part 7 (including the notice referred to in Clause 7.5.2 and Claim Form), or the non receipt of the same by any Scheme Creditor shall not affect the provisions or operation of the Scheme either generally or with regard to the particular Scheme Creditor and where such accidental omission results in a Scheme Creditor being disqualified from receiving any payments in respect of the whole or any part of their Scheme Claim under the Scheme, such Scheme Creditor although bound by the terms of the Scheme shall not be entitled to participate in any distributions that may be paid to Scheme Creditors in respect of that Scheme Claim.
- 7.8.6 For communication purposes only, the Liquidators may, at their discretion, treat those acting on behalf of Scheme Creditors in the ordinary course (including, but not limited to professional advisers, managing general agents, the managers of underwriting pools, the holders of line slips or binding authorities or similar representative bodies ("**Representatives**") on the basis that those Representatives are fully authorised to represent the Scheme Creditor concerned. Further, the Liquidators may in their absolute discretion treat those Representatives as if they were a single Scheme Creditor or, as the case may be, Offset Scheme Creditor in place of their principal or principals.
- 7.8.7 Where under this Part 7, the consent or agreement of the Committee of Inspection is required, such consent or agreement shall be deemed to have been given if a majority in number of the Committee of Inspection so consent.
- 7.8.8 Except in relation to the Bar Date, the Liquidators may, in their absolute discretion, at the request of a Scheme Creditor or otherwise, either generally or in respect of any particular Notified Scheme Claim, Projected Claim or Suspended Scheme Liability, extend any time period referred to in Part 7:
- (a) Within which the Liquidators are required to refer Disputed Matters in relation to a Notified Scheme Claim or the designation of Suspended

Scheme Liabilities to the Scheme Adjudicator pursuant to Clauses 7.5.22, 7.5.23, 7.5.39, 7.5.40 and 7.5.46 (as the case may be);

(h) Within which the Scheme Adjudicator is to provide his certificate pursuant to Clause 7.6.4; and

(c) Within which the Actuarial Adjudicator is to provide his certificate pursuant to Clause 7.5.34.

7.8.9 If at any time before the Bar Date, there has been a substantive failure of the Website and/or a major disruption of the postal service, in the reasonable opinion of the Liquidators, then they may in their absolute discretion extend the Bar Date to such date as they deem appropriate. The Liquidators shall notify all Scheme Creditors of the date of the extended Bar Date by advertising once in those newspapers and journals in which notice of the Scheme Meetings was given.

PART 8 - DURATION OF THE SCHEME

8.1 Termination events

8.1.1 The Scheme shall terminate if:

- (a) all the liabilities of the Company have been discharged in full; or
- (b) the Liquidators, after consulting with the Committee of Inspection, give notice in writing to the Company at its registered office that, after due enquiry, they have concluded that the Scheme is no longer in the interests of the Scheme Creditors.

8.1.2 Upon termination of the Scheme 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 any right to an indemnity out of the assets of the Company 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
- (b) as soon as practicable following termination, the Liquidators shall cause notices stating that the Scheme has terminated to be placed in such newspaper as the Liquidators consider appropriate for one day a week for three consecutive weeks following such termination.

8.1.3 In the event of a conflict or inconsistency between the provisions of the Scheme and the Applicable Insolvency Law as it applies to the Company, for the purposes of the Scheme the provisions of the Scheme shall, in so far as the law allows, prevail.

8.2 Releases

- 8.2.1 Subject to Clause 8.2.5, with effect from the Final Substantive Closure Distribution Date, any then existing or former Liquidators, the Scheme Actuary, a Scheme Adjudicator, the Actuarial Adjudicator, members of the Committee of Inspection, Employees and Delegates, the Superintendent of Insurance for the State of New York, and any person who may be held liable in law for the actions or omissions of such persons in each case in their capacity as such (collectively referred to as the "**Released Parties**") shall be released absolutely and unconditionally from any claims by any Scheme Creditor howsoever relating to the Released Parties, save those notified in writing to the Liquidators (who shall act as agent for service in respect of claims against third parties (but without attracting any liability in so doing)) by that date, in respect of any loss or liability relating to or arising out of any act done or omitted to be done in the course of or in connection with the

preparation, implementation, administration and operation of the Scheme, or the exercise by any of the Released Parties of any power, right, duty or obligation conferred upon it or him thereunder howsoever or wheresoever caused and whether any such claims are attributable to his or her negligence, default, breach of duty or breach of trust (but not fraud or dishonesty). For the avoidance of doubt, in this Clause 8.2 Scheme Creditors includes Offset Scheme Creditor.

- 8.2.2 In relation to any claim or potential claim against any of the Released Parties whether or not notified prior to the Final Substantive Closure Distribution Date under Clause 8.2.1, the Company will (in consultation with the Committee of Inspection) set aside or place in trust, at such time as they see fit, such sums by way of reserves as are deemed appropriate to meet any obligation that it may at some future date have to pay. Any amounts so set aside or placed in trust which, in the Liquidators' opinion, are not required to meet any such obligation, shall be available for distribution to Scheme Creditors pursuant to the Scheme. The Company may, with the approval of the Committee of Inspection (such approval not to be unreasonably withheld or delayed) purchase and maintain for the benefit of the Released Parties insurance against any liability, which it might incur notwithstanding the release in Clause 8.2.1 above or any liability that they might incur in relation to fulfilling its functions under the Scheme howsoever arising, save in respect of any such Released Parties' 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.
- 8.2.3 Subject to Clause 8.2.5, each of the Scheme Creditors and Offset Scheme Creditors hereby authorises any one of the Liquidators (acting alone) to enter into, execute and deliver as a deed on behalf of each such Scheme Creditor the Deed of Release in substantially the form at Appendix B between the Scheme Creditors and Offset Scheme Creditors and the Liquidators on the one hand and each of the Released Parties on the other.
- 8.2.4 Subject to Clause 8.2.5, on the Final Substantive Closure Distribution Date (or as soon as practicable thereafter), the Liquidators shall cause one of their number to enter into and deliver the Deed of Release on behalf of all Scheme Creditors and Offset Scheme Creditors pursuant to the authority conferred by Clause 8.2.3.
- 8.2.5 For the purposes of Clauses 8.2.1, 8.2.3 and 8.2.4, Released Parties shall include any third party retained to assist or advise in relation to those matters referred to in Clause 8.2.1 and to the extent only of such advice or assistance. For the avoidance of doubt, such third party shall not have the benefit of Clause 8.2.2, any indemnification under the Scheme nor shall they be released from any claim the Company may have.

PART 9 - GENERAL SCHEME PROVISIONS

9.1 Effective Date

- 9.1.1 The Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme shall have been delivered for registration to the Registrar of Companies in England and Wales as required by section 425(3) of the Companies Act (the "Effective Date").

9.2 Liquidation Expenses

- 9.2.1 There shall be paid in full out of the assets of the Company (and notwithstanding the termination of the Scheme):
- (a) all outstanding costs, charges, expenses and disbursements reasonably incurred by the Company on or after the Petition Date, but prior to the Effective Date, in connection with the liquidation of the Company generally, as well as in connection with the negotiation, preparation and implementation of the Scheme, including the costs of holding the meeting of its Scheme Creditors convened to consider the Scheme and the costs of obtaining the sanction of the Court;
 - (b) all costs, charges, expenses and disbursements incurred by the Company in the course of carrying out the Scheme and of complying with the provisions of the Companies Act (including convening the Scheme Meeting);
 - (c) insofar as they do not fall within Clause 9.2.1(a) and (b), and all costs, charges, expenses, and disbursements incurred by, and the remuneration of, the Liquidators and/or any similar officeholder appointed to the Company, to the extent that such costs, charges, expenses, disbursements and remuneration are referable to the affairs of the Company; and
 - (d) insofar as it does not fall within Clauses 9.2.1(a) or (c), any sum which the Company is obliged to pay by reason of the obligations imposed on it by Clauses 5.3.5, 5.3.6, 5.3.7, 6.3.2, 6.3.3 and 6.3.4 and Part 7; and
 - (e) the costs of placing the notices required by Clause 8.1.2(b).

9.3 Modification of the Scheme

- 9.3.1 The Company may, at any hearing to sanction the Scheme, consent on behalf of all those concerned to any modification of the Scheme or any terms or conditions which the Court may think fit to approve or impose and which would not directly or indirectly have a materially adverse effect on the interests of any Scheme Creditor under the Scheme.

9.4 Notice

Save as provided for in Clause 7.8, any notice to be given to the Company under or in relation to this Scheme shall be given in writing and shall be deemed to have been duly given if it is delivered by hand or sent by pre-paid first class post, and by air mail where it is addressed to a different country from that in which it is posted, to:

The Liquidators
Pacific & General Insurance Company Limited (in Liquidation)
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU
United Kingdom;

(or at such other address as the Liquidators may notify to Scheme Creditors for the purpose of this Clause 9.4 in such newspaper as the Liquidators consider appropriate for one day a week for three consecutive weeks), and any notice posted as aforesaid shall be given also by telefax to the Company at such address and shall be deemed to have been given on the second (or, if by airmail, the seventh) Business Day following the date on which it is posted.

9.5 Governing law and jurisdiction

The Scheme shall be governed by, and construed in accordance with, English law and the Scheme Creditors hereby agree that the Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which may arise out of the Explanatory Statement or any provision of the Scheme, or 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 provided, however, that nothing in this Clause 9.5 shall affect the validity of other provisions determining governing law and jurisdiction as between the Company and any of the Scheme Creditors, whether contained in any contract or otherwise.

9.6 Third Party Rights

Without prejudice to the terms of the Deed of Release, nothing in the Scheme, or the Explanatory Statement gives any person any right to enforce any terms of the Scheme other than as provided for by the Contracts (Rights of Third Parties) Act 1999.

Dated 25 March 2008

APPENDIX A
NOTICE OF MEETING OF SCHEME CREDITORS

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 9163 of 2007

IN THE MATTER OF PACIFIC & GENERAL INSURANCE COMPANY LIMITED
(IN LIQUIDATION)

AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an order dated 17 January 2008 made in the High Court of Justice of England and Wales (the "**Court**") in the above matter, a meeting was ordered to be convened of the Scheme Creditors (as defined in the Scheme of Arrangement hereinafter mentioned) (the "**Meeting**") of the above named company ("**P&G**") for the purposes of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between P&G and its Scheme Creditors (the "**Scheme**").

The Meeting will be held on 9 June 2008 at Chartered Insurance Institute, commencing at 12 noon (London time). Registration will commence at 10 a.m. (London time).

All Scheme Creditors are requested to attend the Meeting either in person or by proxy. Scheme Creditors may vote in person at the Meeting or may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place.

The chairman of the Meeting will address Scheme Creditors generally on the Scheme and on issues relevant to voting immediately prior to the commencement of the Meeting.

A Form of Proxy and Voting Form for use at the said Meeting is enclosed with this Notice. Scheme Creditors are requested to lodge the completed Form of Proxy and Voting Form with LCL Insurance Services Limited, Cornhill House, 32 Cornhill, London EC2V 3SG, England, United Kingdom, Fax: +44 (0) 207 623 4352 or E-mail: pacific.general@lcl-group.com, marked for the attention of Michael Tolhurst, by no later than 5 p.m. (London time) on 6 June 2008. Forms may also be handed in at the registration desk prior to the commencement of the Meeting. Faxed and e-mailed Forms of Proxy and Voting Forms will be accepted only if legible but Scheme Creditors are requested to send the originals, to be received by LCL Insurance Services Limited at the above address by no later than 5 p.m. (London time) on the date which falls 7 days after the Meeting.

A copy of the statement required to be provided to creditors pursuant to section 426 of the Companies Act 1985 is enclosed with this notice. Copies of this document, as well as the

Scheme and blank Forms of Proxy and Voting Forms may be obtained by attending at Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU, or on written application to such address, marked for the attention of Edward Walker or Christopher Farmer during normal business hours on any day (other than a Saturday or Sunday or public holiday) prior to the day appointed for the said Meeting. They may also be downloaded and printed from the website www.gt-pandg.com.

You are entitled to vote against the Scheme as proposed and/or attend on the hearing of the petition to sanction the Scheme, should it be approved by the requisite majority of Scheme Creditors, to voice any objections to the Scheme.

The Court has appointed Ipe Jacob or, failing him, Richard Graham White, to act as chairman of the Meeting and has directed the chairman of the Meeting to report the result of the Meeting to the Court.

If approved by the requisite majorities of Scheme Creditors, the Scheme will be subject to the subsequent approval of the Court. Any policyholder who has any questions concerning the action he is required to take should contact Ipe Jacob and Richard Graham White, Joint Liquidators of P&G at Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU.

DATED 25 March 2008

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ
United Kingdom

APPENDIX B
DEED OF RELEASE

Dated [●]

THE LIQUIDATORS OF
PACIFIC & GENERAL INSURANCE COMPANY LIMITED (IN LIQUIDATION)

- and -

THE SCHEME CREDITORS

- and -

THE RELEASED PARTIES

DEED OF RELEASE

THIS DEED is made the [●] day of [●] [●]

BETWEEN:

- (1) **EACH SCHEME CREDITOR** of the Company, acting by any one of the Liquidators, acting as agent pursuant to the authority conferred upon the Liquidators by the Scheme Creditors under Clause 8.2.1 of the Scheme;
- (2) **EACH OF THE RELEASED PARTIES**, as defined in Clause 8.2 of the Scheme, acting in the following capacities, as appropriate:
 - (a) on their own behalf;
 - (b) subject to the following, as trustee for any corresponding former Released Party;
 - (c) in the case of the Liquidators, (i) as agent for each Scheme Creditor pursuant to Clause 8.2 of the Scheme for the purpose of giving the releases in favour of the Released Parties and (ii) as trustee for any Released Party as defined in Clause 8.2 of the Scheme which is not expressly identified in this parties Clause;
 - (d) in the case of any former member of the Committee of Inspection, by one current member of the Committee of Inspection acting on their behalf; and
 - (e) [●] and [●] as trustee on behalf of current and former Employees and Delegates, respectively.

WHEREAS:

- (A) Pursuant to Clause 8.2 of the scheme of arrangement (the "**Scheme**") proposed in relation to the Company pursuant to Section 425 of the Companies Act 1985, which Scheme became effective on [insert *Effective Date of Scheme*] each Scheme Creditor has authorised any one of the Liquidators to enter into and execute and deliver this Deed on its behalf.
- (B) The Released Parties, have agreed to enter into and execute and deliver this Deed on their own behalf and, where stated, as trustee on behalf of certain of the Released Parties on the terms set out below.

THE PARTIES AGREE as follows:

PART 1 - INTERPRETATION

- 1.1 Terms defined in the Scheme shall have the same meaning in this Deed. The term "Company", as used in this Deed, shall mean Pacific & General Insurance Company Limited (in Liquidation).
- 1.2 In this Deed, unless the context otherwise requires or expressly provides:

- (a) references to any Clause, without further designation, unless the context otherwise requires, shall be construed as a reference to the Clause of this Deed so numbered;
- (b) section headings, the front cover of this Deed and the headings are for convenience only and shall not be taken into account in the interpretation of this Deed;
- (c) reference to any Act, statute or statutory provision shall include a reference to that provision as amended, re-enacted or replaced from time to time whether before or after the date of this Deed and any former statutory provision replaced (with or without modification) by the provision referred to;
- (d) words importing the plural shall include the singular and vice versa; and
- (e) references to a person includes a reference to any body corporate, unincorporated association or partnership and to that person's legal personal representatives or successors.
- (f) for the avoidance of doubt, a person who at any time is treated under any provision of the Scheme as a Scheme Creditor shall be bound by the releases in Clauses 2.1 of this Deed and 8.2 of the Scheme notwithstanding that he shall have become an Offset Scheme Creditor under Clauses 7.5.47 to 7.5.54 of the Scheme.

PART 2 - RELEASES

- 2.1 In consideration of the payment of £1 (receipt of which is hereby acknowledged), the Liquidator who executes this Deed on behalf of the Scheme Creditors and each of them pursuant to the authority conferred on him by Clause 8.2 of the Scheme, hereby releases on behalf of such Scheme Creditors:
 - 2.1.1 the Released Parties absolutely and unconditionally from any claims that the Scheme Creditors (or any of them) have or may have howsoever attaching to any such Released Party, save those notified in writing to the Liquidators before the Final Substantive Closure Distribution Date pursuant to Clause 8.2 of the Scheme:
 - (a) in respect of any loss or liability relating to or arising out of any act done or omitted to be done in the course of or in connection with the preparation, implementation, administration and operation of the Scheme; and
 - (b) in respect of the exercise by any Released Party of any power, right, duty or obligation conferred upon that Released Party.
 - 2.1.2 the existing and former members of the Committee of Inspection absolutely and unconditionally from any claims that the Scheme Creditors (or any of

them) have or may have howsoever attaching to any such persons, save those notified in writing to the Liquidators before the Substantive Closure Distribution Date pursuant to Clause 8.2 of the Scheme:

- (a) in respect of any loss or liability relating to or arising out of the implementation of the Scheme and their role as members of the committee of inspection established under the Applicable Insolvency Law (as defined under the Scheme); and
- (b) in respect of the exercise by any such person of any power, right, duty or obligation conferred upon that person thereunder,

in each case howsoever or wheresoever caused and whether any such claims are attributable to that Released Party's negligence, default, breach of duty or breach of trust (but not fraud or dishonesty) to the intent and effect that such releases shall operate in favour of and be enforceable by all or any Released Party.

- 2.2 For the avoidance of doubt the releases conferred under Clause 2.1 shall be conferred on, in the case of Clause 2.1.1, any Released Party (as defined in Clause 8.2 of the Scheme) and, in the case of Clause 2.1.2, any existing or former member of the Committee of Inspection whether or not such a party is specifically named as a party to or executes this Deed.

PART 3 - FURTHER ASSURANCE

Each party shall at its own cost do and execute or procure to be done and executed all necessary acts, deeds, documents and things reasonably within its power to give effect to this Deed.

PART 4 - CONFLICT

This Deed is expressly intended to supplement the Scheme in relation to the releases to be given by Scheme Creditors to Released Parties. If at any time there shall be any conflict between the provisions of this Deed and the provisions of the Scheme, the provisions of this Deed shall prevail.

PART 5 - THIRD PARTIES

- 5.1 The parties to this Deed agree that the Contracts (Rights of Third Parties Act) 1999 shall apply with respect to the benefits this Deed confers on the Released Parties. For the avoidance of doubt, such Act shall apply to any Released Party whether or not such a party is specifically named as a party to this Deed.
- 5.2 Should any party to this Deed be acting as agent or trustee on behalf of another person and that agent or trustee is determined to be not so duly authorised so to act or if their agency or trusteeship is otherwise terminated or retrospectively or prospectively declared invalid for any reason, the provisions of this Deed shall continue to operate and take effect as though they were so duly authorised.

PART 6 - LIQUIDATORS

- 6.1 This Deed is entered into by the Liquidator who executes it on behalf of the Scheme Creditors and each of them pursuant to the authority conferred upon that Liquidator under Clause 8.2 of the Scheme.
- 6.2 The Liquidators have also entered into this Deed:
- (a) on their own behalf; and
 - (b) as trustee on behalf of the persons referred to at Recital (2)([•]) to this Deed.
- 6.3 The Liquidators shall incur no personal liability, either by entering into this Deed or their acting in any capacity referred to herein. Nothing in this Deed shall operate to restrict or affect in any way any right of the Liquidators to an indemnity or assurance to which by law they are entitled.

PART 7 - COUNTERPARTS

This Deed may be executed in two or more counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same instrument.

PART 8 - ASSIGNMENT

This Deed shall not be assignable.

PART 9 - GOVERNING LAW

This Deed shall be governed by and construed in accordance with English law. The parties hereby agree that the English Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which may arise out of this Deed.

IN WITNESS of which this Deed has been duly executed and delivered on the date first appearing on this Deed.

[TO BE EXECUTED AND DELIVERED as
a deed by each of the **SCHEME**
CREDITORS and **RELEASED PARTIES**
in the manner and capacity referred to in the parties clause herein.]

APPENDIX C

SUMMARY OF RECEIPTS AND PAYMENTS 17 OCTOBER 1984 - 31 DECEMBER 2007

RECEIPTS	TOTAL (£)
Reinsurance recoveries and collections	11,720,522.14
Interest received	2,473,989.57
Capital receipts	1,681,064.72
Receivership surplus	777,807.10
Other income	204,819.43
Pension Realisations	200,799.49
Corporation Tax Refunds	190,548.44
Ex-gratia receipt	179,400.82
Stock realisations	171,698.37
Deposits received	<u>84,000.00</u>
	<u>17,684,650.08</u>
 PAYMENTS	
Liquidators' Fees	5,090,219.30
Liquidators' Expenses	130,508.30
Legal Fees	2,813,693.15
Run-off Agents	1,824,933.72
Underwriters & Consultant fees	764,844.50
VAT	775,038.21
Contributions to legal costs	746,850.00
DTI payments	561,540.33
Agents' Fees	462,458.30
Tax on Interest	254,975.88
Other Payments	239,210.67
Security for costs	202,000.00
Professional Fees	119,405.00
Bank Charges	19,630.85
Petitioners' Costs	<u>3,913.95</u>
	<u>14,009,222.16</u>
 BALANCES IN HAND	<u>3,675,427.92</u>
 CASH AT BANK	<u>3,675,427.92</u>

[illegible]

Patent & Copyright Office, Department of Commerce, Patent Division	
Summary claim form	
1. Name of inventor	2. Name of assignor
3. Name of agent	4. Name of attorney
5. Title of invention	6. Date of invention
7. Date of filing	8. Date of payment of fee
9. Name of country of origin	10. Name of country of residence
11. Name of country of birth	12. Name of country of citizenship
13. Name of country of domicile	14. Name of country of domicile
15. Name of country of domicile	16. Name of country of domicile
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91. Name of country of domicile	92. Name of country of domicile
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97. Name of country of domicile	98. Name of country of domicile
99. Name of country of domicile	100. Name of country of domicile

PACIFIC AND GENERAL INSURANCE COMPANY LIMITED (IN LIQUIDATION)
("P&G")

INSTRUCTIONS FOR THE COMPLETION OF CLAIM FORMS

This document provides guidance on how to submit your Claim Form in the proposed scheme of arrangement "Scheme" under Section 425 of the Companies Act 1985 between Pacific and General Insurance Company Limited and its Scheme Creditors, as defined in the Scheme.

Please note that you should not submit your Claim Form until after you have been notified by the Liquidators that the Scheme has become effective.

Asserting your claim

You have been sent a Claim Form because you are believed to be a Scheme Creditor. In order to assert your claims against P&G and become entitled to receive dividend payments pursuant to the Scheme you are required to complete and return a Claim Form in accordance with these instructions and return it to the Liquidators on or before the Bar Date.

If the Liquidators do not receive a Claim Form from you on or before the Bar Date you will not be entitled to any dividend payment pursuant to the Scheme and will have no other right to payment by P&G in respect of any Scheme Claim. The Bar Date will be notified by separate letter, when known.

Included in the Claim Form pack are a number of forms as listed on the contents page. It is important that when you assert any claim you follow the instructions and ensure that it is correct and fair and is supported by appropriate evidence. The Liquidators request that you return this package by amending and returning the spreadsheet provided. Alternatively, you may request a paper copy of the Claim Form pack from the Scheme Claim Form Team.

For a detailed explanation of the Scheme and the reasons why the Liquidators are requesting that you complete the enclosed Scheme Claim Form please refer to the Scheme Document.

IT IS IMPORTANT that you carefully check the information provided before you submit your Claim Form.

The detailed information provided includes:

Form name	Action required	When
Claim Form	After the Scheme has become effective, the Liquidators will advise all creditors to submit	After the Effective Date and before the Bar Date. Claims submitted after

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A glossary is available at the back of this document

Form name	Action required	When
	their Claim Forms. Your Scheme Claims must be presented on a Claim Form.	the Bar Date, subject to the Liquidators' discretion, will not be admitted for dividend purposes.
Bank Details Form	If you require payment by Telegraphic Transfer, please complete your bank account details and submit this information with your Claim Form. If we do not receive these details payment will be made by cheque.	After the Effective date and before the Bar Date.
Summary extract data of P&G's records	Please review this summary information, which is an extract of data held in P&G's computer system. This information is provided to assist you with the completion of the Claim Form. It is for information purposes only, but does provide an indicator as to your anticipated claim against P&G. We recommend that you commence your reconciliation as soon as this information is received.	When received
Inward unpaid paid summary	This report provides, at Category of claim level, a summary of the Inwards unpaid paid report.	When received
Inward unpaid paid	Items that have been presented to P&G for settlement that have been agreed and which remain unpaid per your records.	When received
Inward outstanding summary	This report provides, at Category of claim level, a summary of the Inwards	When received

Form name	Action required	When
	outstanding report.	
Inward outstanding	This form is provided blank. It is for you to complete. Please provide, on an individual policy basis, details of each claim you currently have in your records as being outstanding from P&G.	After the Effective Date and before the Bar Date. Claim Forms submitted after the Bar Date, subject to the Liquidators' discretion, will not be admitted for dividend purposes.
Outward unpaid paid summary	This report provides a summary of the Outwards unpaid paid report.	When you submit your Claim Form.
Outward unpaid paid	This report is the detailed line by line analysis of the summary values entered on the data from P&G's records' report. This form shows your share of P&G's outward reinsurance protections and the current items that remain unpaid. These values will need to be entered on your Claim Form.	When you submit your Claim Form.
Outward outstanding summary	This report provides a summary of the Outwards outstandings report.	When you submit your Claim Form.
Outward outstanding	This form shows your share of P&G's outward reinsurance protections and the current outstanding advised to our brokers. These values will need to be entered on your Claim Form.	When you submit your Claim Form.
Inward contract listing	This is an extract of all inward contracts written by P&G protecting you.	<i>(This information is primarily provided for information purposes)</i>
Outward contract listing	This is an extract of all outward reinsurance contracts	<i>(This information is primarily provided for</i>

Form name	Action required	When
	placed by P&G with you.	<i>information purposes)</i>

Please note that details of any inward outstandings (outstanding claim advices presented by you to P&G) have not been included, as past analysis indicates that the Company's records for these items may not be up to date. These will be amended, as with all other data items, when your Claim Form becomes final and binding under the Scheme. To assist with completing the Claim Form, claims falling under the heading of Health Hazard include:

- Blood Factor HIV
- Hearing Loss
- Silicone/Breast Implants
- Exposure to Beryllium
- Exposure to Chemicals
- Exposure to Silica Dust
- Exposure to Agent Orange
- Use of Selacryn
- Use of Diethylstilbestrol (DES)
- Hull Blister

Estimates of the values of inward and outward Projected Claims have also not been included. Any outward Projected Claim, for offset purposes will be calculated by the Scheme Actuary in accordance with the Estimation Methodology.

Supporting Information when Returning the Claim Form Pack

In addition to the specific detailed information required in the Claim Form pack you must enclose additional detailed information to support any amendments you make to your Claim Form. This could include:

- policy and exposure information in connection with asbestos, pollution and health hazard claims,
- the model used to justify any estimate of IBNR you enter,
- information on the current development of large claims,
- any other information which you feel supports your claim against P&G, whether relating to an insured loss or a non-insurance claim.

Before returning the package you must complete the declaration at the bottom of the Claim Form. Please submit your completed claim form pack and supporting information to:

LCL Insurance Services Limited, Cornhill House, 32 Cornhill, London EC2V 3SG, United Kingdom;

or by email to

pacific.general@lcl-group.com

It is important that care is taken in completing Claim Forms. If a Claim Form is returned to the Liquidators for or on behalf of a Scheme Creditor, that Scheme Creditor will be deemed pursuant to the Scheme to have warranted that the information on it, or enclosed with it, is correct and fair and supported by appropriate evidence.

NOTE: FOR SECURITY REASONS, IF YOU WOULD LIKE DIVIDEND PAYMENTS TO BE MADE DIRECT TO YOUR BANK ACCOUNT, THE BANK DETAILS FORM MUST BE RETURNED UNDER COVER OF A LETTER ON HEADED STATIONERY.

The Claim Agreement Process

Once the Liquidators have received your completed Claim Form pack, the first step will be to agree the factual information you have provided.

Should your returned information not be agreed immediately the payment of any eventual dividend to you may be delayed as the Liquidators will need to investigate your claim. It is therefore in your interests to provide complete supporting information when initially asserting your claim. If, after investigation and discussion with you, your claim is still not agreed, it will be referred for adjudication, the results of which will be binding on both parties. Please note the Scheme Adjudicator has the power to award costs.

Projected Claims Valuation

Once all factual information has been agreed, or determined by adjudication, it becomes binding. The Scheme Actuary will then calculate any applicable estimation of liabilities in accordance with the Estimation Methodology set out in Appendix F to the Scheme.

The Valuation Statement

The Scheme Actuary will calculate your claim in accordance with the Estimation Methodology, taking into account any reinsurance or other set-off, Security Interests and the amount of any non-insurance claim you may have. This net total is your Established Scheme Claim due from the Company, which has been discounted to allow for the time value of money back to the Petition Date, 17 October 1984. A Valuation Statement will be sent to you setting out your Established Scheme Claim with a breakdown of the constituent elements. A Valuation Statement will only be subject to challenge on the grounds of manifest error.

If you have any queries regarding the proposed Scheme and associated forms then please contact the Scheme Claim Form Team at the Company.

Tel: +44 (0) 207 398 5600

E-mail: pacific.general@lcl-group.com

APPENDIX F

ESTIMATION METHODOLOGY

1. Scope and Purpose

- 1.1 This Estimation Methodology will be employed by the Scheme Actuary in the valuation of Scheme Claims referred to him by the Liquidators in accordance with the Scheme.
- 1.2 The Scheme Actuary will also estimate the value of a Scheme Creditor's Outwards Projected Claims, Outwards Unpaid Losses and Outward Outstanding Losses where this has not been agreed between the Liquidators and the Scheme Creditor for the purposes of off-set against Scheme Claims in accordance with the Scheme. These values will be derived from the values determined for Scheme Claims, including Projected Claims.
- 1.3 In addition, the Scheme Actuary will be responsible for discounting all Established Scheme Liabilities, such that they are valued as at 17 October 1984.

2. Approach

- 2.1 The Estimation Methodology has been prepared in accordance with the Institute of Actuaries guidance note GN12: General Insurance Business: Actuarial Reports. This methodology must be considered in its entirety, as individual sections could be misleading if considered in isolation.
- 2.2 This Estimation Methodology is designed to allow the Scheme Actuary to value Projected Claims in a fair, equitable and cost-effective manner allowing for the key characteristics and claims experience of each class of business.
- 2.3 The Estimation Methodology as a whole has been reviewed by the Actuarial Adjudicator and in his opinion it is appropriate for application to the Company's business for the purposes of the Scheme. The Actuarial Adjudicator will also review the application of the Estimation Methodology by the Scheme Actuary. A Scheme Creditor will be permitted to dispute whether the Estimation Methodology has been applied correctly by the Scheme Actuary. However, a Scheme Creditor will not be permitted to dispute the results of the correct application of the methodology by the Scheme Actuary.

3. Data

- 3.1 The Company wrote business between 1979 and 1983. The business written consisted predominantly of direct insurance, facultative reinsurance, and treaty reinsurance of casualty and property risks. It was mostly London market business written on a worldwide basis, including substantial US exposures.
- 3.2 For the purposes of the application of the Estimation Methodology, claims will be classified into the following seven categories:

- 1) Asbestos claims arising from direct insurance and facultative reinsurance
- 2) Asbestos claims arising from treaty reinsurance
- 3) Pollution claims arising from direct insurance and facultative reinsurance
- 4) Pollution claims arising from treaty reinsurance
- 5) Health Hazard claims arising from direct insurance and facultative reinsurance
- 6) Health Hazard claims arising from treaty reinsurance
- 7) All other claims

In terms of outstanding claims, Category 1 is by far the most significant.

- 3.3 The Scheme Actuary will allocate each individual claim to one of these categories. The data to which the Estimation Methodology will be applied will be that contained in the Claim Form and any supporting evidence returned by a Scheme Creditor to the Liquidators when that data has either been agreed with the Liquidators, or determined by Adjudication, and has become binding for the purposes of the Scheme.
- 3.4 The valuation of all Scheme Claims will be stated as at 17 October 1984 by adjusting, where necessary, for the time value of money.
- 3.5 Data will be agreed or determined in Sterling, US Dollars, Canadian Dollars and Australian Dollars which are shown on the Claim Form, but will be converted into a common currency using the relevant exchange rates prevailing as at 17 October 1984 prior to the application of the Estimation Methodology.
- 3.6 Where appropriate, the Liquidators will consult the Scheme Actuary in connection with information on Claim Forms and supporting evidence prior to its agreement or determination.
4. **Actuarial Process**
 - 4.1 After the Bar Date, once all Claim Forms and supporting evidence have been received from Scheme Creditors, the Scheme Actuary will conduct a best estimate reserving study.
 - 4.2 Amongst other things, this will be used to produce benchmark payment patterns which will be used whenever Scheme Claims or reinsurance recoverable need to be discounted by the Scheme Actuary pursuant to the Scheme.
 - 4.3 This reserving study will be used directly in the process of valuing Projected Claims for individual Scheme Creditors.
5. **Projected Valuation Approach**
 - 5.1 The Scheme Actuary will value the Projected Claims for all Scheme Creditors.

- 5.2 A Scheme Creditor may challenge whether the Scheme Actuary has applied the Estimation Methodology correctly. If such an appeal is made, the Actuarial Adjudicator will peer review the application of the Estimation Methodology by the Scheme Actuary as it applies to that Scheme Creditor and determine whether, in the Actuarial Adjudicator's opinion, it is appropriate.
6. **Best Estimate Reserving Study**
- 6.1 After the Bar Date, a best estimate reserving study will be conducted for the purpose of determining figures and parameters to be used for the purpose of valuing Projected Claims for each category of claims and underwriting year. The Projected Claims for each Scheme Creditor will be valued in a consistent manner so that two Scheme Creditors with identical claims and exposures will have equal values of Projected Claims.
- 6.2 Once the data reconciliation process has been formally concluded, the best estimate reserving study will be finalised to reflect any agreed or determined changes in the data for Scheme Creditors asserting Projected Claims. The primary purpose of this revised best estimate study is to set the actual figures and parameters to be used for the purpose of valuing Projected Claims for each category of claims and underwriting year.
- 6.3 The actual figures and parameters that will be needed will vary between the different claim categories. The approaches that the Scheme Actuary will use to value Projected Claims for each Claim Category are described in the following sections.
7. **Category 1: Asbestos Claims Arising from Direct Insurance and Facultative Reinsurance**
- 7.1 This Category is by far the most significant in terms of outstanding claims. An exposure-based modelling approach will be used to value Projected Claims.
- 7.2 Under the terms of the Scheme, the Bar Date will preclude making any allowance for the emergence of asbestos defendants who have yet to receive asbestos filings. Consequently, the approach will be to consider all known assureds at the individual policy level. Individual assureds will be allocated to groups based on the nature and magnitude of their exposure to asbestos-related claims.
- 7.3 The Scheme Actuary will then apply a percentage to each policy in each underwriting year where the percentage reflects the level of erosion that an average insured in that group would experience within that layer in that year as a result of asbestos-related claims. The percentages will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.
- 7.4 A number of other factors will also be taken into account when determining the extent to which each layer is eroded. These will include the level of paid and outstanding asbestos claims, and information on the size of the insured's underlying coverages.

- 7.5 For the largest insureds, if sufficient data is available, the Scheme Actuary will consider estimating the insured's ground-up indemnity and expenses using projections of numbers of claims and average costs per claim, and adjusting his valuation as appropriate.
8. **Category 2: Asbestos Claims Arising from Treaty Reinsurance**
- 8.1 For low layer excess of loss reinsurance and proportional reinsurance (ie reinsurance of direct business), an exposure based modelling approach will be used where sufficient data is available on the underlying direct assureds.
- 8.2 In these circumstances, the Scheme Actuary will identify the policies written by the Scheme Creditor and the underlying direct assureds. Then, the ultimate claims to the Scheme Creditor arising from each assured will be estimated using a methodology similar to that described in Section 7 for direct asbestos claims. Finally, the relevant Scheme policy terms will be applied to estimate the losses from each assured to the Scheme Creditor's policies. Any resulting reinstatement premiums will also be calculated and offset against the claims.
- 8.3 When insufficient data is available to undertake this analysis, and for other reinsurance types, a benchmark approach will be adopted to the valuation of the Scheme Creditor's Projected Claims. A number of relevant industry benchmarks will be selected including some or all of the following:
- percentages to reflect the number of times a reinsurance policy is expected to be eroded
 - Projected Claims as a proportion of notified incurred claims
 - Projected Claims as a proportion of outstanding claims
 - ultimate claims as a proportion of paid claims
 - ultimate claims as a proportion of notified incurred claims
 - paid survival ratios
- 8.4 The benchmark ratios will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.
- 8.5 The benchmark ratios will each be applied to the data in respect of the Scheme Creditor subject to policy limits. Additionally, on a case-by-case basis, allowance will be made for specific features of notified claims.
- 8.6 This will produce a number of estimates of the Scheme Creditor's Projected Claims. After reviewing these, the Scheme Actuary will select his valuation of the Projected Claims.

8.7 This process will be undertaken in a manner that is consistent and equitable to all scheme creditors.

9. Category 3: Pollution Claims Arising from Direct Insurance and Facultative Reinsurance

9.1 Claims of this type are not considered to be a significant part of the portfolio. As a consequence, a benchmark approach will be adopted to the valuation of the Scheme Creditor's Projected Claims. A number of relevant industry benchmarks will be selected including some or all of the following:

- percentages to reflect the proportion of a policy that is expected to be eroded
- Projected Claims as a proportion of notified incurred claims
- Projected Claims as a proportion of outstanding claims
- ultimate claims as a proportion of paid claims
- ultimate claims as a proportion of notified incurred claims
- paid survival ratios

9.2 The benchmark ratios will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.

9.3 The benchmark ratios will each be applied to the data in respect of the Scheme Creditor subject to policy limits. Additionally, on a case-by-case basis, allowance will be made for specific features of notified claims.

9.4 This will produce a number of estimates of the Scheme Creditor's Projected Claims. After reviewing these, the Scheme Actuary will select his valuation of the Projected Claims.

9.5 This process will be undertaken in a manner that is consistent and equitable to all scheme creditors.

10. Category 4: Pollution Claims Arising from Treaty Reinsurance

10.1 Claims of this type are not considered to be a significant part of the portfolio. As a consequence, a benchmark approach will be adopted to the valuation of the Scheme Creditor's Projected Claims. A number of relevant industry benchmarks will be selected including some or all of the following:

- percentages to reflect the number of times a reinsurance policy is expected to be eroded
- Projected Claims as a proportion of notified incurred claims
- Projected Claims as a proportion of outstanding claims

- ultimate claims as a proportion of paid claims
 - ultimate claims as a proportion of notified incurred claims
 - paid survival ratios
- 10.2 The benchmark ratios will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.
- 10.3 The benchmark ratios will each be applied to the data in respect of the Scheme Creditor subject to policy limits. Additionally, on a case-by-case basis, allowance will be made for specific features of notified claims.
- 10.4 This will produce a number of estimates of the Scheme Creditor's Projected Claims. After reviewing these, the Scheme Actuary will select his valuation of the Projected Claims.
- 10.5 This process will be undertaken in a manner that is consistent and equitable to all scheme creditors.
11. **Category 5: Health Hazard Claims Arising from Direct Insurance and Facultative Reinsurance**
- 11.1 Claims of this type are not considered to be a significant part of the portfolio. As a consequence, a benchmark approach will be adopted to the valuation of the Scheme Creditor's Projected Claims. A number of relevant industry benchmarks will be selected including some or all of the following:
- percentages to reflect the proportion of a policy that is expected to be eroded
 - Projected Claims as a proportion of notified incurred claims
 - Projected Claims as a proportion of outstanding claims
 - ultimate claims as a proportion of paid claims
 - ultimate claims as a proportion of notified incurred claims
 - paid survival ratios
- 11.2 The benchmark ratios will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.
- 11.3 The benchmark ratios will each be applied to the data in respect of the Scheme Creditor subject to policy limits. Additionally, on a case-by-case basis, allowance will be made for specific features of notified claims.

11.4 This will produce a number of estimates of the Scheme Creditor's Projected Claims. After reviewing these, the Scheme Actuary will select his valuation of the Projected Claims.

11.5 This process will be undertaken in a manner that is consistent and equitable to all scheme creditors.

12. Category 6: Health Hazard Claims Arising from Treaty Reinsurance

12.1 Claims of this type are not considered to be a significant part of the portfolio. As a consequence, a benchmark approach will be adopted to the valuation of the Scheme Creditor's Projected Claims. A number of relevant industry benchmarks will be selected including some or all of the following:

- percentages to reflect the number of times a reinsurance policy is expected to be eroded
- Projected Claims as a proportion of notified incurred claims
- Projected Claims as a proportion of outstanding claims
- ultimate claims as a proportion of paid claims
- ultimate claims as a proportion of notified incurred claims
- paid survival ratios

12.2 The benchmark ratios will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.

12.3 The benchmark ratios will each be applied to the data in respect of the Scheme Creditor subject to policy limits. Additionally, on a case-by-case basis, allowance will be made for specific features of notified claims.

12.4 This will produce a number of estimates of the Scheme Creditor's Projected Claims. After reviewing these, the Scheme Actuary will select his valuation of the Projected Claims.

12.5 This process will be undertaken in a manner that is consistent and equitable to all scheme creditors.

13. Category 7: All Other Claims

13.1 This category of claims will be projected by a variety of methods to estimate the ultimate claims on each underwriting year. These methods will include some or all of the following:

- the basic chain ladder method separately applied to paid claims
- the basic chain ladder method separately applied to incurred claims

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A glossary is available at the back of this document

- a curve-fitting approach based on actual claims development
 - benchmarking, given market experience of other similar claims.
- 13.2 When choosing appropriate future development percentages, consideration will be given to the impact on reporting patterns of processing delays.
- 13.3 The above methods will produce a number of estimates of ultimate claims for each year. After reviewing them, the Scheme Actuary will select his chosen estimate for each year.
- 13.4 For each underwriting year, the Scheme Actuary will calculate the ratio of Projected Claims to incurred claims.
- 13.5 For each Scheme Creditor, the relevant ratio will then be applied to the Scheme Creditors incurred claims on each underwriting year in order to calculate the Scheme Creditors Projected Claims for that underwriting year.
- 13.6 Given the maturity of the portfolio being considered, there is reason to expect that actual claims development for these claims may, in aggregate, show releases and, as a result, the Projected Claims for some underwriting years could be negative. For the purposes of this exercise only, the minimum Projected Claims for each underwriting year will be zero. This means that, if a calculated ratio of Projected Claims to incurred claims is below one, a ratio of one will be used instead.
- 14. No Allowance for Outwards Reinsurance**
- 14.1 The valuation of Scheme Creditors' gross claims will be conducted gross of outward reinsurance with an estimation of undiscounted Projected Claims being produced at policy level with no allowance for the time value of money.
- 14.2 The Projected Claims are intended to be on a best estimate basis, with no margin for prudence or optimism. This approach is designed to maintain equity between all Scheme Creditors including those with no Projected Claims.
- 15. Offset for Outwards Reinsurance**
- 15.1 Where a Scheme Creditor is also a reinsurer of the Company, balances due to the Company and estimates of amounts expected to fall due to the Company will be offset against Scheme Claims. Estimation of recoveries arising from outward reinsurance policies will be conducted, applying the same principles as for inwards claims. This will involve applying the undiscounted best estimate gross ultimate claims including any Projected Claims, for all Scheme Creditors, to the relevant reinsurance policies in order to estimate outstanding recoverable outward reinsurance amounts. The total of a Scheme Creditor's agreed claim - whether in respect of unpaid paid, notified outstandings or Projected Claims will be offset by the estimated ultimate level of reinsurance recoveries in respect of that Scheme Creditor.

- 15.2 Allowance will be made for claims and reinsurance recoveries paid prior to 17 October 1984 with the net balance being discounted using the claims payment patterns for the relevant inward claim categories (prior to any payment). Where relevant, due allowance will be made for outward reinstatement premiums.

16. Discounting to value as at 17 October 1984

- 16.1 All Scheme Claims, but not including Non Insurance/Reinsurance Scheme Claims, will be discounted based on the benchmark claims payment patterns produced in the initial best estimate reserve study. Relevant payment patterns by claim category will be applied with discounting at 5% compound per annum back to 17 October 1984. Such discounting will also be applied to Outwards Outstanding Losses, Outwards Unpaid Losses and Outwards Projected Claims.

17. Role of the Actuarial Adjudicator

- 17.1 The Actuarial Adjudicator has relevant experience and appropriate qualifications to provide assurance that the Estimation Methodology has integrity and is applied in a consistent and unbiased manner consistent with the agreed principles and methodology. The Actuarial Adjudicator's role will consist of the following elements.

- Provide peer review assessment of the proposed Estimation Methodology to ensure that it has integrity, is logical and fit for the purpose for which it is intended.
- Ensure that the best estimate reserve study conducted by the Scheme Actuary is in the Actuarial Adjudicator's view a best estimate which treats Scheme Creditors equitably and reflects the future expected outcome.
- Review the various benchmarks produced and, on a sample basis including all material items, the allocation of Projected Claims to individual policies to ensure that this is consistent with the overall best estimate reserve study.
- Consider the application of any estimated gross outstanding claims and Projected Claims to the outward reinsurance programme to ensure this is done in a valid and consistent manner.
- When a Scheme Creditor challenges the application of the Estimation Methodology by the Scheme Actuary, adjudicate as to whether the Scheme Actuary has applied the Estimation Methodology in an appropriate manner with regard to that Scheme Creditor.

18. Definitions

- 18.1 For the purposes of this Estimation Methodology, Projected Claims are defined to include estimates of the cost of each of the following:
- future development of known claims

- future development of claims that are recorded as settled but are subsequently reopened
- claims that have been reported but not yet processed
- claims that have been incurred but not yet reported.

18.2 The only exception to this is that the Projected Claims exclude any allowance for asbestos defendants who have yet to receive asbestos filings at the Bar Date.

19. **Assumptions**

19.1 No allowance for projection of future exchange rates will be made, nor any specific adjustments for changes in future legal, economic, or social conditions other than those already manifest in the historic data.

19.2 The upper bound and best estimate reserving studies will not include the projection of any indirect or internal claims handling expenses.

APPENDIX G
CURRENCY AND EXCHANGE RATE TABLE

The exchange rates listed below are the "Scheme Rates" which will be used pursuant to the Scheme.

They are the rates prevailing on 17 October 1984 (the Petition Date).

CODE	NAME	EXCHANGE RATE TO SETTLEMENT CURRENCY
		1 GBP =
AFA	Afghanistan Afghani	60.74
ALL	Albania Lek	10.05
DZD	Algeria Dinar	6.05
AOK	Angola Adjusted Kwanza	35.91
ARP	Argentina Peso	125.65
AWG	Aruba Florin	2.14
AUD	Australia Dollar	1.45
ATS	Austria Schilling	26.31
BSD	Bahamas Dollar	1.20
BHD	Bahrain Dinar	0.45
BDT	Bangladesh Taka	29.17
BBD	Barbados Dollar	2.40
BYB	Belarus Ruble	5.70
BEF	Belgium Franc	75.63
BZD	Belize Dollar	2.40
BMD	Bermuda Dollar	1.20
BTN	Bhutan Ngultrum	14.27
BOP	Bolivia Boliviano	6056.02
BRC	Brazil Real	2925.37
BND	Brunei Darussalem Ringgit	2.60
BGL	Bulgaria New Lev	1.27
BIF	Burundi Franc	147.49
KHR	Cambodia Riel	4.80
CAD	Canadian Dollar	1.60
CVE	Cape Verde Escudo	107.15
CYD	Cayman Islands Dollar	1.00
XOF	CFA Franc BCEAO	573.64
XAF	CFA Franc BEAC	573.64
CLP	Chilean Peso	139.71
CNY	China Yuan Renminbi	3.26
COP	Colombian Peso	129.80
KMF	Comores Franc	573.64
CDF	Congo Democratic Republic Franc	46.31

CODE	NAME	EXCHANGE RATE TO SETTLEMENT CURRENCY
CRC	Costa Rican Colon	53.72
HRK	Croatia Kuna	217.94
CUP	Cuba Peso	1.07
CYP	Cyprus Pound	0.76
CZK	Czech Republic Koruna	8.75
DKK	Denmark Krone	13.53
DJF	Djibouti Franc	213.34
DOP	Dominican Republic Peso	3.42
ECD	East Caribbean Dollar	3.24
ECS	Ecuador Sucre	79.93
EGP	Egyptian Pound	1.46
SVC	El Salvador Colon	3.00
ERN	Eritrea Nakfa	2.52
EEK	Estonia Kroon	0.90
ETB	Ethiopia Birr	2.52
EUR	Euro	1.55
FIM	Finnish Markka	7.73
FRF	French Franc	11.47
XPF	French Pacific Territories Franc	208.60
GMD	Gambia Dalasi	4.98
DEM	Deutsche Mark	3.75
GHC	Ghana New Cedi	45.80
GRD	Greek Drachma	153.65
GTQ	Guatemalan Quetzal	1.20
GNF	Guinea Franc	300.03
GYD	Guyana Dollar	4.50
HTG	Haiti Gourde	6.00
HNL	Honduran Lempira	2.40
HKD	Hong Kong Dollar	9.39
HUF	Hungary Forint	60.60
ISK	Iceland Krona	40.77
INR	India Rupee	14.54
IDR	Indonesia Rupiah	1274.82
IRR	Iran Rial	112.18
IQD	Iraq Dinar	0.37
IEP	Irish Punt	1.21
NSH	New Israeli Shekel	547.67
ITL	Italian Lira	2307.17
JMD	Jamaica Dollar	5.14
JPY	Japanese Yen	299.02
JOD	Jordanian Dollar	0.49
KZT	Kazakhstan Tenge	0.90

CODE	NAME	EXCHANGE RATE TO SETTLEMENT CURRENCY
KES	Kenyan Shilling	17.97
KWD	Kuwait Dinar	0.36
KGS	Kyrgyzstan Som	0.90
LAK	Laos Kip	129.64
LVL	Latvia Lat	0.90
LBP	Lebanese Pound	9.72
LSL	Lesotho Loti	2.15
LRD	Liberia Dollar	1.20
LYD	Libyan Dinar	0.36
LTL	Lithuania Lita	0.90
LUF	Luxembourg Franc	75.63
MOP	Macau Pataca	9.68
MGA	Madagascar Ariary	796.23
MWK	Malawi Kwacha	1.82
MYR	Malaysian Ringgit	2.90
MVR	Maldives Islands Rufiyaa	8.46
MTP	Malta Lira	0.59
MRO	Mauritania Ougiyaa	81.20
MUR	Mauritius Rupee	17.70
MXP	Mexico New Peso	241.52
MDL	Moldova'Leu	5.70
MNT	Mongolia Tugrik	4.55
MAD	Moroccan Dirham	11.06
MZM	Mozambique Metical	53.43
MMK	Myanmar (Burma) Kyat	9.41
NAD	Namibia Dollar	2.15
NPR	Nepal Rupee	19.91
ANG	Netherlands Antilles Gulden	2.14
NLG	Dutch Guilder	4.22
NZD	New Zealand Dollar	2.49
NIC	Nicaraguan Cordoba	396.13
NGN	Nigerian Naira	0.98
NOK	Norwegian Krone	10.80
OMR	Omani Rial	0.41
PKR	Pakistani Rupee	17.50
PAB	Panama Balboa	1.20
PEN	Peru New Sol	5149.72
PHP	Philippines Peso	22.05
PLZ	Poland Zloty	150.11
PTE	Portuguese Escudo	196.87
QAR	Qatari Riyal	4.37
KPW	Republic of Korea Won	985.05

CODE	NAME	EXCHANGE RATE TO SETTLEMENT CURRENCY
RON	Romania New Leu	28.33
RUR	Russia Ruble	0.90
RWF	Rwanda Franc	123.29
STD	Sao Tome and Principe Dobra	55.00
SAR	Saudi Riyal	4.32
SCR	Seychelles Rupee	8.79
SLL	Sierra Leone Leone	3.01
SGD	Singapore Dollar	2.60
SKK	Slovakia Korun	8.75
SIT	Slovenia Tolar	21794.46
SOS	Somalia Shilling	21.08
ZAR	South Africa Rand	2.15
ESP	Spanish Peseta	209.65
XDR	Special Drawing Rights	1.22
LKR	Sri Lanka Rupee	31.18
SDP	Sudnese Pound	1.56
SRD	Suriname Dollar	2.14
SZL	Swaziland Lilangeni	2.15
SEK	Swedish Krona	10.55
CHF	Switzerland Franc	3.07
SYP	Syria Pound	4.71
TWD	Taiwan Dollar	47.08
TJS	Tajikistan Somoni	5.70
TZS	Tanzania Shilling	21.49
THB	Thai Baht	27.63
TTD	Trinidad and Tobago Dollar	2.88
TND	Tunisian Dinar	0.99
TRL	Turkish Lira	505.45
TMM	Turkmenistan Manat	5.70
UGS	Uganda Shilling	484.96
UAH	Ukraine Hryvnia	0.90
AED	United Arab Emirates Dirham	4.41
USD	United States Dollar	1.20
UYN	Uruguay Peso	71.12
VUV	Vanuatu Vatu	121.01
VEB	Venezuela Bolivar Fuerte	13.97
VND	Viet Nam Dong	12.77
YDD	Yemen Dinar	0.41
YER	Yemen Rial	7.02
ZMK	Zambia Kwacha	2.35
ZWD	Zimbabwe Dollar	1.70

APPENDIX H

CURRICULA VITAE OF SCHEME ACTUARY AND ACTUARIAL ADJUDICATOR

Simon Sheaf - Scheme Actuary

Simon is a director in the actuarial practice of Grant Thornton's Financial Markets Group. Simon has worked in, and consulted to, the general insurance industry for 17 years. He specialises in advising clients in the general insurance industry; his clients have included insurance companies, reinsurance companies, Lloyd's of London, Lloyd's managing agencies, insurance industry bodies, and other commercial organisations.

Simon obtained an MA in mathematics from Oxford University in 1990, and became a Fellow of the Institute of Actuaries in 1993.

Prior to joining Grant Thornton in 2006, Simon was Head of the Actuarial Department at St Paul Travelers Insurance Company Limited. Before that he was a senior consultant in the general insurance division of Tillinghast - Towers Perrin.

His extensive experience includes valuations of insurance liabilities (including those in respect of long tail, asbestos, pollution and health hazard exposures), due diligence exercises for mergers and acquisitions, design and construction of complex financial models including modelling the results of insurance companies and capital assessment models, risk identification and quantification, strategic reviews of insurance operations, provision of strategic advice to senior management, design and implementation of management information systems, application of business planning processes, rating of portfolios of insurance risks, reviews of rating adequacy, design and construction of pricing models, pricing of individual insurance risks, review and design of reinsurance programmes, independent expert assignments, and valuation of capital projects.

Steve Matthews - Actuarial Adjudicator

Steve Matthews is an Actuary and Director at EMB Consultancy LLP. To date, his career has been exclusively in non-life insurance with particular specialisation in the London Insurance Market.

Steve graduated from Bristol University in 1993 and attained the Fellowship of the Institute of Actuaries in 1999.

Steve has extensive experience of valuating and commuting long tail and latent clients in the London insurance and reinsurance market and has assisted UK industrial companies to value their liabilities in respect of future asbestos related liabilities.

Steve has provided advice to insolvent industrial companies and insurance companies in relation to US and UK asbestos issues and has developed a sophisticated model to project future asbestos claims under the UK Employers' Liabilities policies. He has also provided reserving and commutation advice in relation to ART disputes and the Accident and Health market of the late 1990s.

Steve provides reserving, ICA and strategic advice to a number of Lloyd's Syndicates and London Market companies and is a holder of the Lloyd's Syndicates Practising Certificate. He also provides pricing advice to a number of London Market entities and is a member of the London Market Actuaries Group.

Other work that Steve has performed includes:

- Special reserving projects for London Market companies
- Allocation of IBNR to inward policies
- Analysis of asbestos, pollution and health hazard liabilities
- Reinsurance recovery simulations for IBNR
- Analysis of reinsurance bad debt

Steve has spoken at seminars and conferences on insurance topics, has written articles for the insurance press and has served on Institute of Actuaries working parties.

APPENDIX I
DOCUMENTS AVAILABLE FOR INSPECTION

The documents listed below are available for inspection during normal business hours at the locations listed below:

1. Memorandum and Articles of Association of the Company.
2. Petition for the winding up of the Company dated 17 October 1984.
3. Order appointing Ipe Jacob as Liquidator dated 8 July 2003 and Order appointing Richard Graham White as Liquidator dated 31 July 2003.
4. Practice Statement Letter dated 29 October 2007.

Locations at which the above documents are available for inspection:

Grant Thornton UK LLP

30 Finsbury Square
London
EC2P 2YU

Contact name: Edward Walker or Christopher Farmer

APPENDIX J

GLOSSARY

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

"Actuarial Adjudicator" Steve Mathews of EMB Consultancy LLP as the initial Actuarial Adjudicator and such other person or persons as may be appointed as a successor or an alternate to an Actuarial Adjudicator pursuant to Part 7;

"Admissible Interest" any interest for which a Scheme Creditor is entitled to prove in the liquidation of the Company under the Applicable Insolvency Law;

"Agreed Liability" any Scheme Claim where liability and quantum had been agreed by or on behalf of the Liquidators prior to the Effective Date but which, for whatever reason including, but not limited to, the lack of complete details of the name and address of the Scheme Creditor concerned or the absence of any agreement in relation to set-off under Clause 2.5 has not, as at the Effective Date, been formally admitted to proof in the liquidation of the Company;

"Applicable Insolvency Law" the law relating to the winding-up of insolvent companies in the Companies Act 1948 of England and Wales and the rules made thereunder;

"Bar Date" 11.59 pm (Greenwich Mean Time) on 31 December 2008 or, if that day is less than 130 Business Days after the Effective Date, 11.59 pm (Greenwich Mean Time) on the day falling 130 Business Days after the Effective Date. Notwithstanding that if the relevant date falls on a weekend or public holiday in England or the United States of America, the Bar Date shall be 11.59 pm (Greenwich Mean Time) on the first common working day thereafter;

"Business Day" a day (other than a Saturday or Sunday) on which the relevant financial markets are open for dealings between banks in London;

"Claim Form" a claim form as is referred to in Clause 7.5.5 and in substantively the same form as appears in Appendix E to the Scheme, which will be sent or made available to Scheme Creditors by the Effective Date;

"Claim Form Guidance Notes" the guidance notes accompanying the Claim Form in substantially the same form as appears in Appendix E to the Scheme;

"Companies Act" the Companies Act 1985 of England and Wales;

"Company" Pacific & General Insurance Company Limited (in Liquidation) (incorporated in England and Wales under the Companies Act 1948 and 1976 with registered number 00843018);

"Committee of Inspection" the members from time to time of the Committee of Inspection appointed pursuant to the Applicable Insolvency Law;

"Court" the High Court of Justice in England;

"Delegate" any person to whom the Liquidators may delegate any of their functions and powers under Clause 5.2.2(j);

"Effective Date" the date on which an office copy of the order sanctioning the Scheme shall have been delivered to the registrar of companies in England and Wales for registration in accordance with Clause 9.1;

"Employee" any partner in the same firm as a Liquidator, or any individual employed, whether under a contract of service or a contract for services, by that firm or by any company owned by that firm, who is employed by the Liquidators in accordance with Clause 5.2.2(g) in connection with the conduct of their functions and powers under the Scheme;

"Equitas Premium Indication" the notification received by a Lloyd's Syndicate of premium payable by year of account of a Lloyd's Syndicate for the reinsurance by Equitas Reinsurance Limited of all liabilities of that year of account or any year of account reinsured into that year of account under contracts of insurance and reinsurance allocated to the 1992 and prior years of account of Lloyd's Syndicates (other than life business);

"Established Scheme Liability" a liability of the Company which has become an Established Scheme Liability under Part 7 of this Scheme;

"Estimation Methodology" the methodology set out at Appendix F to the Scheme and applied in accordance with Part 7. For the avoidance of doubt, the provisions of this Scheme shall prevail in the event of any conflict between such provisions and Appendix F;

"Explanatory Statement" the statement dated 25 March 2008 (and the appendices thereto) explaining the effect of the Scheme, in compliance with section 426 of the Companies Act;

"Final Substantive Closure Distribution" the final substantive closure Payment Percentage payable to any Scheme Creditor with an Established Liability under the Scheme which is likely to be paid when all Scheme Claims, other than those which are Suspended Scheme Liabilities, have been determined by agreement or, if necessary, adjudication under Part 7 of the Scheme so as to become Established Scheme Liabilities.

"Final Substantive Closure Distribution Date" means the date upon which the Final Substantive Closure Distribution is paid to Scheme Creditors;

"FSCS" the Financial Services Compensation Scheme Limited (company number 03943048), established pursuant to Part XV of the Financial Services and Markets Act 2000 (being the current statutory successor to the Policyholders Protection Board) and to include any statutory successor of it;

"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 or which would be inadmissible in a liquidation of the Company; and, for the avoidance of doubt, the Company

will not have a liability for the purposes of the Scheme in respect of a claim under a contract or policy where such contract or policy is void or, being voidable, has been duly avoided;

"Liquidation Expenses" all such costs, charges, expenses, disbursements and remuneration as are referred to in Clause 9.2.1;

"Liquidators" in the first instance, Ipe Jacob and Richard Graham White, or such other person as may be appointed as a Liquidator of the Company from time to time;

"Lloyd's" the society incorporated by Lloyd's Act 1871 by the name of Lloyd's of 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, including where a Lloyd's Syndicate has received for a year or years of account an Equitas Premium Indication and, in respect of such a group of underwriting members of Lloyd's, where an Equitas Premium Indication was received in respect of one or more years of account the year or years of account which received an Equitas Premium Indication shall be treated as one Lloyd's Syndicate;

"Non Insurance/Reinsurance Scheme Claim" a Scheme Claim which arises otherwise than under a contract of insurance, reinsurance, retrocession or, for the avoidance of doubt, any claim for brokerage;

"Notified Scheme Claim" a Scheme Claim, except a Projected Claim, contained on a Claim Form duly submitted by a Scheme Creditor to the Liquidators in accordance with Clause 7.5.7 or, contained on a Voting Form submitted by a Scheme Creditor pursuant to Clause 7.5.9;

"Offset Scheme Creditor" any person whose overall Established Scheme Liability calculated under Clauses 7.5.48 to 7.5.55 shows under Clause 7.5.48(f) a sum which is or which falls to be treated as nil;

"Outstanding Losses" any liability which is a Scheme Claim and which, at the Effective Date, has been notified by a Scheme Creditor to the Liquidators but which has not, at that date, become an Agreed Liability;

"Outwards Outstanding Losses" any liability of a Scheme Creditor (as reinsurer or retrocessionaire) to the Company under a contract of reinsurance or retrocession which, at the Effective Date has been notified by the Company or the Liquidators under the terms of the relevant agreement but which has not, at that date, become an Outwards Unpaid Losses;

"Outwards Unpaid Losses" any liability of a Scheme Creditor (as reinsurer or retrocessionaire) to the Company under a contract of reinsurance or retrocession, the obligation in respect of which was in existence at the Petition Date which, as at the Effective Date has been notified by the Company or the Liquidators under the terms of the relevant agreement as due but in respect of which liability and/or quantum has not at that time been paid by the Scheme Creditor, together with any interest thereon as may be allowed by law whensoever arising;

"Outwards Projected Claim" any liability of a Scheme Creditor (as reinsurer or retrocessionaire) to the Company under a contract of reinsurance or retrocession which has been incurred but which has not been reported by the Company;

"Payment Percentage" in relation to an Established Scheme Liability, the percentage of such Established Scheme Liability which is payable by the Company from time to time under the Scheme, as the same is from time to time set under Clause 3.1;

"Petition Date" 17 October 1984, being the date on which the winding-up petition was presented in respect of the Company;

"Policyholders Protection Act" (without prejudice to references to the Policyholders Protection Act as then or from time to time or at any time in force), the Policyholders Protection Act 1975 of the United Kingdom as amended and in force on the Petition 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);

"Preferential Claim" any claim against the Company which is a preferential claim under the Applicable Insolvency Law;

"Proceeding" any action or proceeding including any judicial action, suit, demand, arbitration, alternative dispute resolution, adjudication, mediation, seizure, distraint, forfeiture, re-entry, execution or enforcement or judgment or any step taken for the purpose of creating or enforcing a lien;

"Projected Claim" a Scheme Claim in respect of a liability which has been incurred but which has not been reported by the relevant Scheme Creditor;

"Protected Liability" any liability of the Company in respect of which and to the extent to which the FSCS owes a duty under sections 6 to 8 of the Policyholders Protection Act;

"Protected Policyholder" in relation to a Protected Liability, any Creditor to whom the Company owes that Protected Liability and who, in addition, is eligible for protection under section 16(9) of the Policyholders Protection Act.

"Review Date" the date upon which the Liquidators determine to set or to revise the Payment Percentage hereunder from time to time, in consultation with the Committee of Inspection;

"Scheme" this scheme of arrangement in its present form subject to any modification, term or condition which the Court may think fit to approve or impose in accordance with Clause 9.3;

"Scheme Actuary" Simon H Sheaf of Grant Thornton UK LLP as the initial Scheme Actuary and such other person or persons as may be appointed as a successor or an alternate to a Scheme Actuary pursuant to Part 7;

"Scheme Adjudicator" any such person as may be appointed as a Scheme Adjudicator pursuant to Part 7;

"Scheme Claim" any claim against the Company in respect of a liability to which the Company was subject at the Petition Date or to which the Company became subject after the Petition Date by reason of an obligation incurred before that date and which is admissible to proof in the winding-up of the Company but not including a Preferential Claim or a Protected Liability save to the extent that the FSCS is entitled to a payment in respect of a Protected Liability pursuant to Part 4;

"Scheme Conflicts Administrator" such person as may be appointed as a Scheme Conflicts Administrator in accordance with the provisions of the Scheme;

"Scheme Creditor" a creditor of the Company in respect of a Scheme Claim including any Offset Scheme Creditors, any assignee or other person entitled to claim in succession to or in substitution for any such Scheme Creditor in respect of the same Scheme Claim excluding, for the avoidance of doubt, any Protected Policyholder but including, for the avoidance of doubt, the FSCS in respect of the payments to be made pursuant to Part 4;

"Scheme Rate" the closing mid-market rate of exchange for the relevant currency in respect of the Sterling as quoted by the Financial Times on the Petition Date, details of which are given in the table at Appendix G to the Scheme;

"Sterling" the pound sterling in the lawful currency of the United Kingdom for the time being, provided that in the event that any other unit of currency shall from time to time be the lawful currency of the United Kingdom, references in the Scheme to and to payments being made under the Scheme in **"Sterling"**, **"Pound Sterling"**, **"GBP"**, and **"£"** shall be deemed to refer to that currency at such rate of exchange from the Pound Sterling as may be specified in the legislation introducing the new unit of currency;

"Submit" means duly to complete and submit a Claim Form (in accordance with the instructions thereon) whether by facsimile, by electronic mail, or by post, and **"Submitted"** and **"Submitting"** shall be construed accordingly;

"Supporting Information" all relevant information and documentation (including the identity of the Scheme Creditor concerned and, in the Case of Notified Scheme Claims, the Scheme Creditor's own specific estimates of any liabilities) to be supplied to the Liquidators in accordance with Part 7 in support of Notified Scheme Claims and/or Projected Claims, as required by the Claim Form and the Claim Form Guidance Notes;

"Suspended Scheme Liability" any Notified Scheme Claim which, pursuant to Clause 7.5.39 (and subject to Clauses 7.5.40 to 7.5.46), the Liquidators have suspended from the procedure for determining and quantifying Notified Scheme Claims as provided for in Part 7;

"Ultimate Sweep Up Distribution" a final Payment Percentage which the Liquidators may in their discretion declare and pay to Scheme Creditors, in the event that outstanding matters remain to be resolved following the payment of the Final Substantive Closure Distribution;

"Valuation Date" 17 October 1984;

"Voting Form" a form and form of proxy substantially in the same form as appears in Appendix D to the Scheme which will be sent or made available to Scheme Creditors for the purpose of voting at the Scheme Meeting; and

"Website" the website at www.gt-pandg.com.

ANNEX 2**PACIFIC AND GENERAL INSURANCE COMPANY LIMITED - IN LIQUIDATION (P&G)****CONSERVATION AGREEMENT ANALYSIS****Scenario 1**

Funds held in Conservation are returned for benefit of Scheme creditors

		\$
ASSETS	P&G Funds in hand	6,419,605
	New York Liquidation Bureau - P&G in Conservation	2,521,363
	Less estimated liquidation costs under the scheme	(1,610,360)
	Total P&G Assets	<u>7,330,608</u>
LIABILITIES	Scheme Total Agreed Unpaid and Outstanding liabilities	55,543,532
	Scheme Total Agreed IBNR liabilities	24,061,125
	Non insurance liabilities	50,442
	Net Present Value Discount	(50,215,723)
	Total discounted Scheme liabilities	<u>29,439,375</u>
DIVIDEND	Dividend payable to all scheme creditors	<u><u>\$0.25</u></u>

PACIFIC AND GENERAL INSURANCE COMPANY LIMITED - IN LIQUIDATION (P&G)

CONSERVATION AGREEMENT ANALYSIS

Scenario 2

New York Liquidation Bureau (NYLB) retains the funds in Conservation for the benefit of US creditors

		\$
US ASSETS	New York Liquidation Bureau - P&G in Conservation	2,521,383
	Less additional cost of creditors proving	(161,036)
	Less estimated liquidation costs under the scheme	(32,207)
	Additional court applications - linked to application of Hotchpot	(80,518)
	New York Liquidation Bureau distribution costs	(402,590)
	Total US assets available for distribution to US creditors	<u>1,845,012</u>
OTHER ASSETS	P&G Funds in hand	6,419,605
	Joint Liquidators' costs for additional 24-month period required to pay final dividend as result of NYLB retaining funds	(386,486)
	Joint Liquidators' fees incurred in dealing with individual creditors to update on latest position	(526,588)
	Additional costs incurred in dealing with the Creditors Committee	(32,207)
	Additional court applications - linked to application of Hotchpot	(112,725)
	Additional costs incurred in staying the liquidation	(402,590)
	Contingency	(645,439)
	Total other assets available for distribution to all creditors	<u>4,113,570</u>
LIABILITIES	Scheme Total Agreed Unpaid and Outstanding liabilities	55,543,532
	Scheme Total Agreed IBNR liabilities	24,061,125
	Non insurance liabilities	50,442
	Net Present Value Discount	(50,215,723)
	Total discounted Scheme liabilities	<u>29,439,375</u>
SPLIT OF US vs NON US LIABILITIES	Total Non US liabilities	6,408,674
	Non US liabilities as a % of total liabilities	21.77%
	Total US liabilities	23,030,702
	US liabilities as a % of total liabilities	78.23%
	Total discounted Scheme liabilities	<u>29,439,375</u>
HOTPOTCH OF ASSETS	Total other assets available for distribution to all Non US creditors	895,485
	Total other assets available for distribution to all US creditors	3,218,084
	Total other assets available for distribution to all creditors	<u>4,113,570</u>
	Advance received by US creditors from NYLB	1,845,012
	Total assets available for distribution to all creditors	<u>5,958,581</u>
DIVIDEND - NON US CREDITORS	Total assets available for distribution to Non US creditors	<u>1,297,122</u>
	Dividend to Non US creditors	<u>\$0.20</u>
DIVIDEND - US CREDITORS	Total assets available for distribution to US creditors	4,661,455
	Less - amounts made available to US creditors from NYLB	(1,845,012)
	Adjusted total assets available for distribution to US creditors	<u>2,816,443</u>
	Dividend to US creditors	<u>\$0.20</u>

EXHIBIT “B”

At the Trial Part 31 of the Supreme Court of the State of New York, County of New York, at the Courthouse, 60 Centre Street, in the Borough of Manhattan, City and State of New York, on the 27th day of September, 1988.

P R E S E N T :

HON. ALFRED M. ASCIONE

JUSTICE.

-----X

In the Matter of
the Application of

Index No: 41406/1988
ORDER OF CONSERVATION

JAMES P. CORCORAN, as Superintendent
of Insurance of the State of New York,
for an order to take possession of the
property and to conserve the assets of

PACIFIC AND GENERAL INSURANCE COMPANY
LIMITED

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The petitioner, JAMES P. CORCORAN, Superintendent of Insurance of the State of New York, having moved this Court for an order to take possession of and conserve the Trust Fund of PACIFIC AND GENERAL INSURANCE COMPANY LIMITED ("PACIFIC"), in the State of New York and such motion having come on before this Court on the 19th day of September, 1988;

NOW, upon reading and filing the Order to Show Cause made on the 21st day of April, 1988 by Mr. Justice ALFRED M. ASCIONE, one of the Justices of the Supreme Court of the State of New York in the First Judicial District, and the petition of

JAMES P. CORCORAN, Superintendent of Insurance of the State of New York, verified the 18th day of April, 1988 with exhibits thereto, and proof of service thereof by Registered Mail Return Receipt Requested on PACIFIC AND GENERAL INSURANCE COMPANY LTD., Maurice Charles Whitall, Esq., Liquidator of PACIFIC, by affidavit of BURTON GARRICK sworn to the 25th day of April, 1988, and due proof of service upon Miller, Singer, Raives & Brandes, P.C. Attorneys for the Liquidator by affidavit of BURTON GARRICK sworn to the 25th day of April, 1988, and due proof of service upon BANKERS TRUST COMPANY by affidavit of ~~BURTON GARRICK~~ ~~BARRY LESSER~~ sworn to the 25th day of April, 1988, in support thereof and it appearing to my satisfaction that PACIFIC, is a corporation organized and existing under the Laws of the United Kingdom and licensed in the United Kingdom to conduct the business of insurance; that it was not licensed to conduct such business in the State of New York; that PACIFIC issued insurance policies on an excess and surplus lines basis to citizens of New York State and has funds on deposit in New York State in a Trust Fund with BANKERS TRUST COMPANY as Trustee, for the benefit of policyholders and others in the United States; that said Trust Fund in the State of New York is subject to the jurisdiction of this Court pursuant to article 74 of the Insurance Law of the State of New York; that said corporation is unable to meet its insurance obligations in the State of New York and that it is to the best interests of all persons concerned that the Superintendent of Insurance of the

State of New York be directed to take possession of the Trust Fund of said corporation deposited with BANKERS TRUST COMPANY within the State of New York and to conserve said trust to protect United States policyholders, beneficiaries thereof and claimants against policyholders involving policies written in States where PACIFIC did business as unauthorized insurer subject to the further direction of this Court under and pursuant to the provisions of the Insurance Law of the State of New York and after hearing the Hon. ROBERT ABRAMS, Attorney General of the State of New York in support of said motion and the Liquidator of PACIFIC AND GENERAL INSURANCE COMPANY LIMITED, United Kingdom having appeared by the law firm of Miller, Singer, Raives & Brandes, but not in opposition thereto and due deliberation having been had thereon and upon the decision of this Court;

NOW, on motion of Hon. ROBERT ABRAMS, Attorney General of the State of New York, it is

ORDERED, that the petition of JAMES P. CORCORAN, as Superintendent of Insurance of the State of New York and his successors in office, as Superintendent of Insurance of the State of New York, is hereby granted and he is and they are hereby authorized forthwith to take possession of and to conserve the Trust Fund deposited by PACIFIC, held by BANKERS TRUST COMPANY, and to retain such possession and to conserve said Trust Fund until the further order of this Court; and it is further

ORDERED, that PACIFIC, hereby transfers to the Superintendent of Insurance of the State of New York the Trust Fund now in possession of BANKERS TRUST COMPANY, to be held in trust by the Superintendent of Insurance of the State of New York, until such time that the Liquidator adjudicate all claims in the States where PACIFIC did business as an unauthorized insurer and forward a certified list of said claimants whose claims have been allowed in the liquidation proceeding at which time the Superintendent of Insurance will make a distribution of the corpus to said claimants pursuant to Article 74 of the Insurance Law of the State of New York subject to the further order of this Court; and it is further

ORDERED, that the administration of the Trust Fund on deposit with BANKERS TRUST COMPANY shall be governed by the Agreement dated September 9, 1988 duly filed, between the Liquidator and the Superintendent of Insurance of the State of New York; and it is further

ORDERED, that formal notice of the making and entry of this Order be given by the Superintendent of Insurance, as Conservator, by mail to the Commissioners, Superintendents, or Directors of Insurance of each State, District of Columbia and Puerto Rico, and BANKERS TRUST COMPANY, as Trustee; and it is further

ORDERED, that since the Liquidator is to notify all policyholders and claimants of PACIFIC of the order of insolvency and direct all persons having claims against

respondent to file proof of claims with the Liquidator, the Conservator is relieved of notifying all claimants and policyholders of this Order; and it is further

ORDERED, that the notice hereinabove prescribed is sufficient notice to all person interested in the Trust Fund deposited with BANKERS TRUST COMPANY by PACIFIC; and it is further

ORDERED, that all persons who are United States policyholders, beneficiaries and claimants against policyholders involving policies written in States where PACIFIC did business as an unauthorized insurer who have claims against PACIFIC to present proof of claims with the Liquidator in charge of the liquidation proceeding at a place specified in liquidator's notice, and such filing shall be deemed a timely proof of claim in the conservation proceeding; and it is further

ORDERED, that PACIFIC, its officers, directors, stockholders, depositories, trustees, attorneys, managers, agents, servants, employees, policyholders and creditors, and all other persons having in the State of New York any property or records belonging to said PACIFIC pertaining to the Trust Fund on deposit with BANKERS TRUST COMPANY, as Trustee, are hereby directed to assign, transfer and deliver to the Superintendent of Insurance, as Conservator, and his successors in office, all of such property in whosoever name the same may be, and that any persons, firms or corporations having any books, papers or

records relating to the said Trust Fund shall preserve the same and submit them to the Superintendent of Insurance as Conservator, or his agents, for examination at all reasonable times; and it is further

ORDERED, that PACIFIC, its officers, directors, stockholders, depositories, trustees, attorneys, managers, agents, servants, employees, policyholders and creditors, and all other persons, be and they are hereby restrained from the further transaction of business on behalf of said corporation within the State of New York or from dealing with or disposing of the Trust Fund on deposit with BANKERS TRUST COMPANY within the State of New York, or from doing or permitting to be done any act or thing which might waste the trust or allow or suffer the obtaining of preferences, judgments, attachments, garnishments or other liens, or the making of any levy against said trust while in the possession or control of the Superintendent of Insurance, as Conservator; and it is further

ORDERED, that the officers, directors, stockholders, depositories, trustees, attorneys, managers, agents, servants, employees, policyholders and creditors of said PACIFIC, and all other persons be and they hereby are enjoined and restrained from bringing or further prosecuting in the State of New York any action at law, suit in equity, special or other proceedings, against its depositories, trustees or the Trust Fund on deposit with BANKERS TRUST COMPANY in the State of New York or the Superintendent of Insurance of the State of New York,

individually or as Conservator, or from making or executing any levy or legal process within the State of New York upon said trust or from in any way interfering with the Superintendent of Insurance of the State of New York or his successors in office in his or their possession, control, conservation and management of the Trust Fund held by BANKERS TRUST COMPANY, or in the discharge of the Insurance Law of the State of New York and any other provision of the Insurance Law of the State of New York; and it is further

ORDERED, that JAMES P. CORCORAN, Superintendent of Insurance of the State of New York, as Conservator, and his successors in office as Superintendents of Insurance of the State of New York, be and he is and they are hereby authorized, permitted and allowed to sell, assign and transfer any and all of the stocks, bonds and securities in his possession or which may hereafter come into his possession belonging to PACIFIC, in conservation, at market price or better, or when there is no market price, at the best price obtainable, at private sale and at such times and upon such terms and conditions as in his discretion he deems for the best interest of the policyholders, and creditors of PACIFIC, in conservation, and in furtherance of the conservation of the Trust Fund on deposit with BANKERS TRUST COMPANY and that he be authorized, permitted and allowed to take such steps and to make and execute such agreements and other papers as may be necessary to effect and carry out such sales, transfers and assignments; and it is further

ORDERED, that all further papers in this proceeding shall bear the caption and be entitled:

"SUPREME COURT OF THE STATE OF NEW YORK
COUNTY OF NEW YORK

In the Matter of

the Conservation of
the Assets in the State of New York of

PACIFIC AND GENERAL INSURANCE COMPANY LIMITED"

in place and stead of the caption as heretofore used; and it is further

ORDERED, that the Superintendent of Insurance, as Conservator, may at any time make further application at the foot of this Order for such further and different relief as he may deem fit.

ENTERED


S/A.M.A.

J. S. C.

ALFRED M. ASCIONE

The undersigned hereby waives notice of settlement and consents to the entry of the foregoing order.

MILLER, SINGER, BAIVES & BRAUNES, P.C.
Attorneys for the Liquidator of PACIFIC
AND GENERAL INSURANCE COMPANY LIMITED
(United Kingdom)

By: 
STEVEN S. HONIGMAN, ESQ.

Filed
10/3/88
N.Y. Co.

Sir: Please take notice that the within is a true copy of
duly filed and entered in the office of the Clerk
of the County, on
day of
19

Yours, etc.,
ROBERT ABRAMS,
Attorney General,

Attorney For
Office and Post Office Address
120 Broadway, New York, N.Y. 10271
To
Esq.

Attorney for

Sir: Please take notice that the within

will be presented for settlement and signature herein
to the Hon.
one of the judges of the within named Court, at

in the Borough of
City of New York, on the
19, at M.
day of
19

Dated, N.Y.,
Yours, etc.
ROBERT ABRAMS,
Attorney General,

Attorney For
Office and Post Office Address
120 Broadway, New York, N.Y. 10271
To
Esq.

Attorney for

SUPREME COURT : NEW YORK COUNTY

In the Matter of
the Application of

JAMES P. CORCORAN, as Superin-
tendent of Insurance of the
State of New York, for an order
to take possession of the
property and to conserve the
assets of

**PACIFIC AND GENERAL INSURANCE
COMPANY LIMITED**

ORDER OF CONSERVATION

ROBERT ABRAMS,
Attorney General

Attorney for **Superintendent of
Insurance**

Office and Post Office Address
120 Broadway, New York, N.Y. 10271
Tel. (212) 341-6400

Personal service of a copy of

within.....

is admitted this..... day of

..... 19

EXHIBIT “C”

Part A Explanatory Statement

(in compliance with Section 426 of the Companies Act 1985)

in relation to a

SCHEME OF ARRANGEMENT

between

PACIFIC & GENERAL INSURANCE COMPANY LIMITED (IN
LIQUIDATION)

and its

SCHEME CREDITORS

(as defined in the Scheme of Arrangement)



25 March 2008

To: The Creditors of
Pacific and General Insurance Company Limited (in Liquidation)

Dear Sirs

Pacific and General Insurance Company Limited (in Liquidation) ("P&G")

This document contains information about a proposal for a scheme of arrangement ("the Scheme") between P&G and its creditors.

The Company is an insurance company incorporated in England. We believe that you may be a creditor of P&G and so may be entitled to vote on the Scheme. However, receipt of this document does not necessarily mean that you are owed, or ever will be owed, anything by P&G.

The purpose of this Explanatory Statement is to explain the effect of the Scheme, for which we propose to seek the sanction of the High Court of Justice of England and Wales (the "Court") subject to the necessary majorities of votes in favour of the Scheme having been obtained at a meeting of creditors convened to consider the Scheme. Creditors should read the whole of this document before deciding what action to take. Certain expressions used in this Explanatory Statement are set out in the glossary to the Scheme on pages 98 to 103 of this document.

1. Background

- 1.1 The Company was incorporated in England and Wales on 26 March 1965 as a private limited company and underwrote insurance and reinsurance business in the London Market until October 1984. It remained dormant until July 1978 when it was granted authorisation to trade as an insurance company by the Department of Trade and Industry (the "DTI"). The Company was authorised to carry on general insurance business, with the exception of motor business, in the United Kingdom.
- 1.2 The present authorised share capital of P&G is £3,225,000 divided into 3,225,000 ordinary shares of £1 each, of which 1,567,341 are issued and fully paid up. The Company's largest shareholder, with a holding of 76.7% of the shares in P&G, was Pacific American Insurance Company, a company incorporated and registered in Delaware, USA; its affairs have been closed by the Delaware Rehabilitation & Liquidation Bureau and it has since been dissolved. The other shareholders are United

Friendly Insurance Limited with a holding of 5.7%, and various individuals (with a holding of 17.56%), including R.D. Turney with a holding of 6.1%.

- 1.3 P&G commenced underwriting in 1978 and wrote lines on approximately 4,500 slips from November 1978 to October 1984. The principal types of business underwritten by P&G in that time were direct insurance, facultative and treaty reinsurance for casualty, property and professional indemnity risks mainly from the UK and North America.
 - 1.4 On 17 October 1984, the DTI presented a winding up petition in respect of P&G and the Official Receiver was appointed provisional liquidator of P&G. Despite attempts to save the business, P&G was placed into compulsory liquidation on 15 November 1985.
 - 1.5 By order of the Court made on 29 January 1986, Maurice Withall of Grant Thornton UK LLP ("**Grant Thornton**") was appointed liquidator of P&G and, following Maurice Withall's retirement from practice, Michael Jervis also of Grant Thornton was appointed liquidator on 5 February 1999. Beth Rees of Grant Thornton was later appointed as joint liquidator on 27 July 2001 and she was subsequently replaced by Ipe Jacob who was appointed on 8 July 2003. On 31 July 2003, Richard Graham White was appointed as joint liquidator in place of Michael Jervis.
 - 1.6 On the basis of the information currently available, we consider that P&G's assets are insufficient to meet all of its liabilities, including future and contingent amounts, so that P&G is insolvent. On present information, we consider any dividend would be in the region of 10 per cent.
2. **What is a scheme of arrangement?**
 - 2.1 Under English law, a scheme of arrangement of the kind proposed by us is a compromise or arrangement provided for by Section 425 of the Companies Act 1985, to take effect between a company and its creditors (or any class of them), which becomes legally binding on all the creditors to whom it is intended to apply if:
 - the necessary majority in number, representing three-fourths in value of the creditors (or class of creditors), present and voting in person or by proxy, vote in favour of it at a meeting convened with the permission of the Court; and
 - the Court subsequently sanctions the compromise or arrangement and a copy of the order of the Court to that effect is delivered to the Registrar of Companies for registration.
3. **Why a scheme of arrangement?**
 - 3.1 Under the Scheme, instead of creditors being required to submit proofs of debt for valuation under the Applicable Insolvency Law, the claims of Scheme Creditors will be established under the provisions of the Scheme and distributions made in respect of such established claims.
 - 3.2 We believe that such a Scheme between P&G and its creditors is preferable to the proof of debt procedure applicable in a conventional liquidation and has significant advantages for

the Scheme Creditors. The Scheme is proposed in order to create provisions that would not ordinarily apply in a conventional liquidation, thereby allowing creditors to benefit from the advantages that arise as a result.

4. Why the proposed Scheme?

4.1 The cut-off or 'estimation' procedure which we are proposing in the Scheme will:

- accelerate the establishment of P&G's liabilities by enabling unliquidated claims to be quantified by the imposition of a Bar Date for the submission of claims and an estimation process to value unliquidated claims;
- enable ultimate distributions to be declared and paid by P&G to all Scheme Creditors significantly earlier and in higher amounts than would be the case if the run-off of P&G were to continue; and
- allow the completion of the winding-up of P&G at a lower cost and in a reduced timescale.

5. What are the advantages and disadvantages of the proposed Scheme?

5.1 We consider that the Scheme is advantageous to Scheme Creditors for the following reasons:

(a) Payment happens earlier

The determination of all Scheme Claims will lead to the assets of P&G being paid out to Scheme Creditors significantly earlier than would be the case if claims were adjudicated on in liquidation or if the business was allowed to continue in run off.

(b) Reduction in run-off costs

Costs, including our costs and those of our legal and actuarial advisers will be substantially reduced. In the short term, it is expected that there will be an increase in costs as a result, inter alia, of increased claims processing. Thereafter, however, costs will reduce as the period of the liquidation and run-off is truncated.

(c) Simplified claims valuation process

The Scheme will provide a practical and cost-effective process for agreeing all present and future Scheme Claims including by use of a transparent Estimation Methodology. The Estimation Methodology is set out in Appendix F of the Scheme on pages 81 to 90. The Estimation Methodology, which has been developed by the Scheme Actuary, provides Scheme Creditors with detailed guidance on how Projected Claims shall be calculated and supported for many specific classes of business.

(d) **Efficient adjudication process**

In the event that agreement cannot be reached in relation to a Scheme Claim, the Scheme provides for the final and binding determination of that Scheme Claim in a fair and efficient manner.

5.2 Scheme Creditors should also be aware of the following potential disadvantages in considering the Scheme:

(a) **Claims emerging post Bar Date**

Earlier closure may work to the disadvantage of certain Scheme Creditors who, whilst having no valid claim currently, may, through a change in circumstances, legislation or information, have a claim which emerges post Bar Date. It is, however, open for any Scheme Creditor in this situation to request that the Scheme Actuary value its Projected Claim prior to the Bar Date. It is relevant to note that the last policies were written in 1984.

(b) **Losses of privilege**

Earlier closure and the requirement to submit a claim before the Bar Date may also be to the disadvantage of potential Scheme Creditors engaged in third party litigation who believe the position they are sustaining in that litigation may be undermined by them submitting a claim in the Scheme, given that the amount of such claim may be discoverable by the third party in the litigation.

(c) **Estimation**

The Scheme has been designed to deal with Scheme Claims as accurately and fairly as possible. However, the process will result in certain Scheme Claims being estimated, which creates the risk that Scheme Creditors may receive a different amount (either more or less) in respect of their Scheme Claims than would have been the case had P&G's business been run off in the traditional way.

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

5.4 Under the terms of the Scheme, Scheme Claims will be discounted to 17 October 1984 to reflect the time value of money. This will result in the value of some Scheme Creditors' claims being greater or less than they may be expecting. Whilst discounting could substantially reduce the gross volume of claims that have developed since 17 October 1984, the outcome for creditors will be to maintain equity between them on dividend. Notwithstanding that the valuation process under the Scheme is necessarily an inexact science, which will result in some Scheme Creditors receiving greater and some less than

what they would have received had the normal run-off continued, we consider that the advantages referred to above significantly outweigh these disadvantages.

6. Are you affected?

- 6.1 The Scheme is proposed between P&G and its Scheme Creditors, being creditors in respect of any claim arising out of a liability to which P&G was subject on the Petition Date or to which it became subject thereafter by reason of an obligation incurred before the Petition Date, except any claim which is a Preferential Claim, a Liquidation Expense, or the claims of Protected Policyholders.

7. What is the position of Protected Policyholders?

- 7.1 Protected Policyholders have been excluded from the Scheme on the basis that Protected Policyholders are entitled, by virtue of P&G being in liquidation, to protection under the Policyholders Protection Act in respect of Protected Liabilities owed by P&G to such Protected Policyholders.
- 7.2 Whether or not you are entitled to protection under the Policyholders Protection Act is ultimately between you and the FSCS and nothing in this document is to be taken as an acceptance or admission by the FSCS that you are entitled to protection under that Act.
- 7.3 Definitions of "Protected Policyholder" and "Scheme Creditor" are set out in the glossary to the Scheme on pages 101 and 102 of this document. If you are in any doubt whether you are a Scheme Creditor or a Protected Policyholder, you should consult your own legal adviser without delay.

8. Whom does the Scheme bind?

- 8.1 Once the Scheme becomes effective, it will bind P&G and its respective Scheme Creditors (including the FSCS). The Scheme will not bind Protected Policyholders.

9. When does the Scheme become effective?

- 9.1 The Scheme will become effective only if the requisite statutory majorities are obtained at the meeting of Scheme Creditors of P&G summoned to consider the Scheme and the necessary court order is obtained and delivered for registration to the Registrar of Companies. Filing of the relevant documents will be carried out as soon as practicable after the Court hearing.

10. What happens after the Scheme becomes Effective?

- 10.1 Once the Scheme becomes effective, we will give notice to each Scheme Creditor at its last known address in writing and by advertisement that the Scheme has become effective, stating the Bar Date and calling for all Scheme Creditors to complete and return their Claim Forms prior to the Bar Date. We will have sent Claim Forms to Scheme Creditors for whom we have verified contact details a CD containing their Claim Form and Claim Form Guidance Notes prior to the Effective Date.

- 10.2 The Claim Form, when sent to a Scheme Creditor by us, will contain, to the extent ascertainable from P&G's records a summary of that Scheme Creditors' policies, Agreed Liabilities, Outwards Unpaid Losses and Outwards Outstanding Losses. The Claim Form will not include any information about a Scheme Creditor's Projected Claims or Outstanding Losses. However a Scheme Creditor who wishes to assert a Projected Claim should indicate in the relevant section of the Claim Form that it wishes the Scheme Actuary to value its Projected Claim. Scheme Creditors who do not have any Agreed Liabilities, any Outwards Unpaid Losses, or any Outwards Outstanding Losses, will be sent a CD containing a blank Claim Form to complete.
- 10.3 The deadline for submitting Claim Forms and Supporting Information is the Bar Date. Scheme Creditors must submit a Claim Form and full Supporting Information to us so as to be received by them before the Bar Date in order for their Scheme Claims which are not, at the Effective Date, Agreed Liabilities to qualify for payments under the Scheme. Scheme Creditors who fail to do so will only receive distributions under the Scheme to the extent the records of P&G show that such Scheme Creditor has Agreed Liabilities (net of set-off) which are set out on the Claim Form made available or sent to them by us. In the event of a failure to submit a properly completed and supported Claim Form and Supporting Information by the Bar Date, the value attributable to such Scheme Creditors' other Scheme Claims, including Outstanding Losses and Projected Claims, shall be nil, unless the Scheme Creditor has elected to use its Voting Form as its Claim Form as described in paragraph 10.4 below.
- 10.4 Except in relation to Projected Claims, a Scheme Creditor can elect to use its Voting Form as its Claim Form thus avoiding the necessity of completing a separate Claim Form. Scheme Creditors wishing to assert Projected Claims must submit a Claim Form with Supporting Information to us by the Bar Date.
- 10.5 On receipt of a Scheme Creditor's submitted Claim Form(s) and Supporting Information, we will endeavour to agree that Scheme Creditor's Notified Scheme Claim with that Scheme Creditor. The process of establishing the value of a claim under the Scheme will include an assessment by the Scheme Actuary of the element of discounting to be applied to the claim in order to reflect the time value of money.
- 10.6 Any Notified Scheme Claim (except a Projected Claim) which is not agreed between the Scheme Creditor and P&G within the timescales set out in the Scheme will be referred to a Scheme Adjudicator as a Disputed Matter. The Scheme Adjudicator will make a final determination in respect of each Disputed Matter referred to him in accordance with the dispute resolution procedure set out in the Scheme. The Scheme Adjudicator's decision will be final and binding on P&G in so far as the law allows and the Scheme Creditor and there will be no right of appeal.
- 10.7 Projected Claims will be determined by application of the Estimation Methodology contained in the Scheme. Disputes in relation to the Scheme Actuary's application of the Estimation Methodology not resolved within the timescales set out in the Scheme shall be referred to the Actuarial Adjudicator, who shall determine whether the Scheme Actuary correctly applied the Estimation Methodology. The Actuarial Adjudicator's decision will

be final and binding on P&G and the Scheme Creditor and there will be no right of appeal.

- 10.8 Once the amount (discounted, where appropriate) of a Scheme Creditors' Notified Scheme Claim has been determined, we will inform that Scheme Creditor in writing of the amount of his overall Established Scheme Liability.
 - 10.9 On receipt of this written notification, a Scheme Creditor may serve notice of objection on the grounds of mathematical or other manifest error only. In the event that agreement cannot be reached within the timescales set out in the Scheme, the dispute will be referred to a Scheme Adjudicator.
 - 10.10 When all, or virtually all, Scheme Claims have been determined, following their agreement or adjudication, we will announce and pay to Scheme Creditors with Established Scheme Liabilities at the relevant date, a Final Substantive Closure Distribution.
 - 10.11 If, at the date of the payment of the Final Substantive Closure Distribution, there remain issues outstanding, we may in our discretion announce and pay an Ultimate Sweep Up Distribution.
- 11. What are Scheme Creditors required to do?**
- 11.1 We applied to the Court for an order directing us to convene a single meeting of Scheme Creditors in respect of P&G to consider and, if thought fit, approve the Scheme.
 - 11.2 In accordance with the relevant Court Practice Statement (Companies' Schemes of Arrangement) [2002] 1 WLR at 1345, Scheme Creditors were given advance notice of the relevant directions hearing before the Court on 17 January 2008, either in writing by a letter dated 29 October 2007, or by advertisements being placed in the Financial Times (United Kingdom and international edition); Insurance Day; the Wall Street Journal and Business Insurance. By order of Mr Justice Peter Smith, the Court directed that such meeting be convened.
 - 11.3 If you are a Scheme Creditor, you are entitled to vote at the meeting of creditors convened with leave of the Court (the "**Creditors' Meeting**") for the purpose of considering and, if thought fit, approving the Scheme.
 - 11.4 The notice of the Creditors' Meeting to be held on 9 June 2008 at 10 a.m. (London time) at Chartered Insurance Institute, 20 Aldermanbury London EC2V 9HY, United Kingdom is at Appendix A to the Scheme, which is at pages 66 to 67 of this document. The chairman of the Creditors' Meeting (the "**Chairman**") will address all Scheme Creditors generally on the Scheme, including the provisions of the Scheme and on the issues relevant to voting at the commencement of the meeting at 12 noon (London time). You may attend the meeting in person (or, if a corporation, by a duly authorised representative) or you may vote by proxy. Voting will be by way of a poll.
 - 11.5 There is enclosed with this document a Voting Form and Form of Proxy to be used for voting at the Creditors' Meeting. Whether or not you intend to be physically present at

the meeting you are requested to complete, sign and return the Voting Form enclosed with this document in accordance with the accompanying guidance notes by 5 p.m. (London time) on 6 June 2008 to us at the address stated at page iii of this document. Returning the Voting Form or Form of Proxy will not prevent a Scheme Creditor from attending and voting in person should he wish to do so. However, a proxy will not be able to vote if the relevant Scheme Creditor attends and votes in person.

- 11.6 Please note that faxed and emailed Voting Forms will only be accepted if they are legible and if the original is received no later than 7 days after the Creditors' Meeting.
- 11.7 The Voting Form requires an estimate of the amount of the Scheme Creditors' present and future claims against P&G in order to determine the value of each Scheme Creditor's vote at the meeting. The value to be attributed to each Scheme Creditor's claim for voting purposes will comprise the actual amounts of that Scheme Creditor's Agreed Liabilities, Outwards Unpaid Losses, Outwards Outstanding Losses and estimates of Outstanding Losses and Projected Claims.
- 11.8 The value of any estimated claims will be determined by the Chairman on the basis of (i) the information provided by the Scheme Creditor; (ii) the information available to us from the existing records of P&G; (iii) advice from the Scheme Actuary applying the principles described in the Estimation Methodology. The Chairman has the power to reject a claim, in whole or in part, for voting purposes only if he considers that it does not represent a reasonable assessment of the sum due from P&G. The decision of the Chairman as to the value to be placed on a claim for voting purposes is final and binding and, where possible, will be notified to the relevant Scheme Creditor before the meeting and, in any event, afterwards but before the sanction hearing.
- 11.9 Estimates of Projected Claims will not be taken into account in calculating payments under the Scheme; they will be used for voting purposes only. The amount of a claim admitted for voting purposes will not constitute an admission of the existence or amount of any liability of P&G to the Scheme Creditor and will not bind the Scheme Creditor, P&G, us, or any other party.
- 11.10 For the purposes of voting at the Creditors' Meeting, Scheme Creditors' claims will be converted into Sterling at the Scheme Rate.
- 11.11 We have been advised that particulars as to estimates of the amount of any future claims furnished by a Scheme Creditor for voting purposes may not be protected by privilege under English law and may be discoverable by a third party with a claim against the Scheme Creditor in any action or proceedings to which the Scheme Creditor may be a party. You should, however, consult your own legal adviser as to the consequences for you of furnishing such particulars in the light of any litigation in which you may be or are involved.
- 11.12 An Independent Assessor shall be appointed to review all valuations made by the Chairman in order to ensure that the estimated elements of Scheme Creditors' claims have been valued on a consistent and fair basis. The Independent Assessor will be a fellow of an actuarial body which is affiliated to the International Actuarial Association and who has

at least two years continuous experience of general insurance actuarial work. The Independent Assessor shall not be a Scheme Creditor, shareholder or director of P&G. His remuneration, costs and expenses will be payable as a Liquidation Expense but shall not be dependent upon the level at which claims are agreed under the Scheme.

- 11.13 The Independent Assessor shall be present at the Creditors' Meeting in order to assess the consistency and fairness of the process of valuing the estimated elements of Scheme Creditors' claims. Once the Independent Assessor has reviewed the Chairman's valuations of the estimated elements of Scheme Creditors' claims, he shall report his findings in writing to the Chairman. The Independent Assessor's report will be made available at the sanction hearing.
- 11.14 After the Creditors' Meeting, the votes must be checked and verified. Once the outcome of the vote has been determined notification will be published on the website at www.gt-pandg.com.
- 11.15 If you are a direct insured (as opposed to a reinsured) and are bankrupt or (being a company) in liquidation, or are subject to any similar insolvency proceedings, a third party with a claim against you in respect of which you are insured under the policy issued by P&G may have rights under the Third Parties (Rights Against Insurers) Act 1930 which result in such third party being a Scheme Creditor and accordingly entitled to attend and vote at one or more of the meetings.
- 11.16 You are requested to notify us if you are bankrupt, in liquidation or subject to any similar insolvency proceedings and to provide the name of any such third party. You should also inform any such third party of the Scheme. We will send a copy of this document to each such third party notified to them.
- 11.17 If you are unclear or have any questions concerning the action you are required to take, please contact us at the address given on page ii.

12. Court hearings

- 12.1 Before the Scheme can become effective and binding the Court must also sanction the Scheme after it has been approved by the requisite majority of Scheme Creditors and the necessary court order must be delivered to the Registrar of Companies in England and Wales for registration.

13. Effective Date of the Scheme

- 13.1 It is expected that, if the Scheme is sanctioned by the Court and the necessary Court order is delivered for registration, the Scheme will become effective on 30 June 2008.

14. Recommendation

- 14.1 The Committee of Inspection have informed us that, on the basis of the information contained in this document, they support the Scheme.

14.2 We believe that the Scheme is in the best interests of the Scheme Creditors and accordingly recommend that creditors who are entitled to do so vote in favour of the Scheme.

Yours faithfully
for and on behalf of
Pacific & General Insurance Company Limited (In Liquidation)

Ipe Jacob and Richard Graham White
Joint Liquidators

Part B Scheme of Arrangement

No 9163 of 2007

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

PACIFIC & GENERAL INSURANCE COMPANY LIMITED
(IN LIQUIDATION)

and

IN THE MATTER OF THE COMPANIES ACT 1985

SCHEME OF ARRANGEMENT

(pursuant to section 425 of the Companies Act 1985)

between

PACIFIC & GENERAL
INSURANCE COMPANY LIMITED
(IN LIQUIDATION)

and its

SCHEME CREDITORS

(as defined in the scheme of arrangement)

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PART I - PRELIMINARY

1.1 Definitions

- 1.1.1 In the Scheme, unless the context otherwise requires or otherwise expressly provides, defined terms shall bear the meanings set out in the glossary which is at Appendix J to the Scheme.
- 1.1.2 Clause and part headings and the index to the Scheme are inserted for convenience of reference only and shall be ignored in the interpretation of the Scheme.
- 1.1.3 In the Scheme, unless the context otherwise requires or otherwise expressly provided for:
 - (a) references to Clauses and parts are to be construed as references to the Clauses and the parts respectively of the Scheme;
 - (b) references to (or to any specified provision of) the Scheme shall be construed as references to the Scheme (or that provision) as in force for the time being and as modified in accordance with the terms of the Scheme;
 - (c) words importing the plural shall include the singular and vice versa and words importing one gender shall include all genders;
 - (d) except in relation to the definitions of "Protected Liability" and "Protected Policyholder", references to a person shall be construed as including references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or any state agency;
 - (e) references to or to any provision of the Policyholders Protection Act "as then in force" or "as in force at the time" or "as from time to time in force" are references to that Act or provision as then or at any time or from time to time (as the case may be) in force in relation to the Company (whether or not it is also in force in relation to other companies) and include references to that Act or provision as re-enacted (with or without modification) in or replaced by (or in or by any provision, including any rule or rules, made by virtue of) any statute or statutory instrument then or at any time or from time to time (as the case may be) in force and applying to the Company; and
 - (f) subject to (e) above (and without prejudice to the definition of the Policyholders Protection Act) references to any enactment shall be deemed to include references to such enactment as re-enacted, amended or extended.

1.2 The Company

The Company was incorporated in England on 26 March 1965. Its authorised share capital is £3,225,000, divided into 3,225,000 ordinary shares of £1 each, of which 1,567,341 are issued and are fully paid up.

1.3 Purpose of the Scheme

1.3.1 The purpose of the Scheme is:

- (a) to enable the liabilities of the Company in respect of Scheme Claims to be established and ascertained;
- (b) to provide for the payment of dividends by the Company to those of its creditors whose Scheme Claims have from time to time become established and to those of its creditors whose Scheme Claims will become established at a later date and to provide for payments to be made to the FSCS; and
- (c) to provide a mechanism for closure of the Scheme by utilisation of a Bar Date for submission of claims together with an actuarial based estimation methodology, where appropriate, to evaluate and quantify liabilities notified under the Scheme owed by and to the Company in order to effect a Final Substantive Closure Distribution.

1.3.2 The Scheme does not affect or purport to compromise the rights of Protected Policyholders or of creditors in respect of Preferential Claims.

PART 2 - THE SCHEME

2.1 Application of the Scheme

The Scheme shall apply to all liabilities of the Company in respect of Scheme Claims.

2.2 Stay of Proceedings

Without prejudice to any rights under Clauses 2.4 and 2.5, no Scheme Creditor shall institute or continue any Proceedings or other judicial, quasi-judicial, administrative or regulatory process whatsoever against or in respect of the Company or its assets or property in any jurisdiction for the purpose of establishing the existence, priority and/or amount of a Scheme Claim or for the purpose of obtaining and/or securing payment of any such Scheme Claim and/or any part thereof, except as expressly provided herein.

2.3 Enforcement of Scheme Claims

2.3.1 Except to the extent that the Company has failed to perform any obligation to make a payment to a Scheme Creditor under the provisions of the Scheme and subject to the rights of Scheme Creditors under Clauses 2.2, 2.4 and 2.5, no Scheme Creditor shall institute or continue any Proceedings or other judicial, quasi-judicial, administrative or regulatory process whatsoever against the Company or its assets or property in any jurisdiction for the purpose of enforcing payment of any Scheme Claim or any part thereof.

2.3.2 If any Scheme Creditor takes any such action as is prohibited by Clause 2.3.1 after the Effective Date it shall be treated as having received, on account of its Scheme Claim, an advance payment under Clause 3.2 equal to the amount or gross value of any money, property, benefit or advantage obtained by it at the expense of the Company as the result of such action; and the extent, if any, to which it is entitled to any payment under Clauses 3.2.1(a) or 3.2.1(b) shall be reduced accordingly. For this purpose, the gross value of any such property, benefit or advantage shall in so far as the law allows be conclusively determined by the Liquidators and, without limitation, may include such amount as the Liquidators may consider to be appropriate by way of interest or costs, charges or expenses incurred by the Company as a consequence thereof.

2.4 Security, letters of credit and trusts

2.4.1 Nothing in the Scheme shall affect the right of any person to take any appropriate action to enforce:

- (a) any security over the property of the Company which could have been lawfully enforced subsequent to the Petition Date; or
- (b) any letter of credit issued or trust created (expressly, by implication or by operation of law) in respect of the Company and of which he is a

beneficiary, if such letter of credit or trust was issued or created before the Petition Date.

- 2.4.2 Nothing in the Scheme shall affect the right of the Company against any person in respect of any wrongful drawdown or enforcement of any security, letter of credit issued or trust created in respect of the Company.

2.5 Set-off

- 2.5.1 The Company may, in relation to a Scheme Claim, rely on any right of set-off or cross claim upon which it could have relied in the liquidation of the Company prior to the Effective Date.
- 2.5.2 Without prejudice to the generality of Clause 2.5.1, when calculating the value of a Scheme Creditor's Established Scheme Liability, such calculation shall take into account any right of set-off or cross claim in respect of any contingent and/or prospective liabilities of the Scheme Creditor to the Company arising out of claims agreed and/or determined in accordance with Part 7.
- 2.5.3 For the avoidance of doubt, a Scheme Creditor which is under a liability to the Company may rely on any set-off or cross claim upon which it could have relied in the liquidation of the Company prior to the Effective Date.

2.6 Established Scheme Liabilities

- 2.6.1 Subject to Clauses 2.3, 2.6.2, 2.7 and 2.10.1(b), a liability of the Company in respect of a Scheme Claim shall be an "Established Scheme Liability" when a Scheme Creditors' Established Scheme Liability has been calculated in accordance with Part 7, after account has been taken of:
- (a) any security over the property of the Company which the Scheme Creditor is entitled (or claims to be entitled) to enforce in accordance with Clause 2.4.1(a);
 - (b) any letter of credit issued or trust created in respect of the Company which the Scheme Creditor is entitled (or claims to be entitled) to enforce in accordance with Clause 2.4.1(b); and
 - (c) any set-off or cross claim which may be taken into account from time to time in accordance with Clause 2.5.
- 2.6.2 For the purposes of the Scheme, the amount of an Established Scheme Liability shall be the amount at which it was so established, notwithstanding any payment which has been made (or is treated as having been made) under the Scheme.

2.7 Interest

For the purpose of paying or providing for payments under the Scheme, there shall not be included as part of an Established Scheme Liability any interest liability of the Company except interest for which a Scheme Creditor is entitled to prove in the liquidation of the Company under the Applicable Insolvency law ("Admissible Interest"). No payment shall be made under the Scheme in respect of any part of a Scheme Claim which represents interest which is not Admissible Interest. For the avoidance of doubt, this Clause does not affect a Scheme Creditor's entitlement (if any) to assert a Scheme Claim in respect of that Scheme Creditor's liability in interest to a third party.

2.8 Currency of payment

- 2.8.1 Any amount payable to a Scheme Creditor under the Scheme in respect of an Established Scheme Liability owed to a Scheme Creditor shall be paid in Sterling.
- 2.8.2 In determining any set-off or cross claim in relation to a Scheme Claim, where the set-off or cross claim is expressed in a currency other than Sterling, the set-off or cross claim shall be converted into Sterling at the Scheme Rate.

2.9 Method of payment

- 2.9.1 Payments to a Scheme Creditor under the Scheme may be made, in the absolute discretion of the Liquidators:
- (a) by cheque in favour of the Scheme Creditor concerned or as such Scheme Creditor may direct and sent through the post at the risk of such Scheme Creditor to the last known address of such Scheme Creditor or to such other address as such Scheme Creditor may from time to time notify to the Company;
 - (b) by telegraphic transfer to such bank account as the Scheme Creditor concerned may from time to time notify to the Company; or
 - (c) in such other manner or in favour of such other person (including any third party) as the Liquidators may from time to time determine. The cost of using any such payment method in a particular case shall be an expense of the Scheme Creditor concerned.
- 2.9.2 Payment under or pursuant to the Scheme shall be deemed to have been made on the day that the cheque is posted or telegraphic transfer instruction given to the relevant bank (as the case may be). Payment of any such cheque by the banker on whom it is drawn shall be satisfaction of the monies in respect of which it was drawn; and receipt of the amount of such telegraphic transfer into such account shall be satisfaction of the monies in respect of which it was paid.

2.9.3 Without prejudice to Clause 2.9.2, payment by the Company, as the case may be, of the payments to be made herein in respect of an Established Scheme Liability:

- (a) to a Scheme Creditor; or
- (b) where two or more persons comprise a Scheme Creditor to any one such person;
- (c) to any person acting on behalf of a Scheme Creditor (whether actually or ostensibly); or
- (d) otherwise pursuant to Clause 2.9.1,

shall for all purposes constitute a valid discharge of the Company in respect of such Established Scheme Liability.

2.10 Commutations, settlements and other agreements

2.10.1 If the Liquidators consider that to do so would be in the best interests of the Scheme Creditors (excluding the Scheme Creditor with whom such contractual arrangements are made), the Company may enter into contractual arrangements with a Scheme Creditor under which:

- (a) all or part of the liability (which may include, without limitation, a liability to provide or fund the costs of that Scheme Creditor's defence) of the Company to that Scheme Creditor is discharged in full in consideration of payment made by the Company; or
- (b) all or part of the liability of the Company to that Scheme Creditor becomes an Established Scheme Liability otherwise than as a result of an obligation to pay an ascertained sum of money being established in accordance with Clause 2.6.1; or
- (c) all or part of the liability of the Company to that Scheme Creditor is valued and converted into a liability subordinated to Established Scheme Liabilities on any terms (including the payment of an amount higher than the current Payment Percentage, calculated as if that subordinated liability were an Established Scheme Liability) that the Liquidators think fit.

PART 3 - PAYMENTS TO SCHEME CREDITORS

3.1 Computation of the Payment Percentage

3.1.1 Subject as hereinafter provided in this part 3, the Liquidators shall from time to time:

- (a) set the Payment Percentage; and
- (b) revise a Payment Percentage previously set by setting a new Payment Percentage of a greater or lesser amount.

3.1.2 The Liquidators shall not set a Payment Percentage unless they consider, on the basis of the information and advice referred to in Clause 3.1.5, that after:

- (a) the Company has (by reference to the then current Payment Percentage) complied with the provisions of Clause 3.2 in relation to all Established Scheme Liabilities owed by it as at the Review Date concerned; and
- (b) such reserves have been created by the Company as they consider to be prudent to enable the Company to meet its liabilities for Preferential Claims and for Liquidation Expenses as and when they fall due,

the Company will retain Scheme assets of an amount which the Liquidators consider sufficient to enable the Company to comply with the provisions of Clause 3.2 (by reference to a Payment Percentage at that rate) in relation to all liabilities of the Company in respect of Scheme Claims which have become, or which the Liquidators consider may become, Established Scheme Liabilities after the Review Date concerned.

3.1.3 The Payment Percentage, as and when set, in relation to the Company shall be set at, or increased to, such rate as the Liquidators consider will ensure that all the assets of the Company remaining after:

- (a) the Company has retained assets of an amount which the Liquidators consider sufficient to enable it to comply with the provisions of Clause 3.2 (by reference to a Payment Percentage at that rate) in relation to all liabilities of the Company in respect of Scheme Claims which have become, or which the Liquidators consider may become, Established Scheme Liabilities after the Review Date concerned; and
- (b) the creation of the reserves referred to in Clause 3.1.2(b),

are distributed proportionately in respect of all the Established Scheme Liabilities owed by the Company as at the Review Date concerned.

3.1.4 If on considering the current Payment Percentage the Liquidators consider that there are not sufficient assets for such Payment Percentage to be set at that level and for the provisions of Clause 3.1.2 to be complied with, they shall reduce such Payment Percentage to such level as they consider appropriate.

- 3.1.5 For the purpose of setting the Payment Percentage as at a particular Review Date, the Liquidators shall obtain and consider such financial and/or actuarial information and advice as the Liquidators, following consultation with the Committee of Inspection, shall consider appropriate.

3.2 Payments to Scheme Creditors

- 3.2.1 In respect of an Established Scheme Liability, the Company shall, subject to Clauses 2.3.2, and 7.1:

- (a) as soon as reasonably practicable but, in any event, within 40 Business Days following the date on which it becomes an Established Scheme Liability or on which the initial Payment Percentage has been set (whichever is the later), pay to the Scheme Creditor concerned an amount equal to the then current Payment Percentage of such Established Scheme Liability; and
- (b) as soon as reasonably practicable, but in any event within 40 Business Days following an increase in the Payment Percentage under Clause 3.1, pay to the Scheme Creditor concerned (whether or not the same person who received payment under Clause 3.2.1(a)), a further amount equal to the difference between (A) the Payment Percentage (as increased) of such Established Scheme Liability and (B) the amount of such Established Scheme Liability which has previously been discharged by the Company or is treated as having been discharged under Clause 2.3.2.

- 3.2.2 The Liquidators shall suspend payments under Clause 3.2.1 for such period (not exceeding 130 Business days) as they consider appropriate if information becomes available to them concerning the financial position of the Company as a result of which they require 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 Liquidators 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.

PART 4 - PAYMENTS TO THE FSCS

4.1 Payments to the FSCS

4.1.1 Where the FSCS has made or is required to make a payment in respect of a Protected Liability as required pursuant to the Policyholders Protection Act the FSCS shall have a right to payment by the Company, in accordance with the terms of the Scheme, of all sums due or payable by the Company in respect of the Protected Liability to which the payment made or required to be made by the FSCS relates, and accordingly:

- (a) the Company shall treat the FSCS as a Scheme Creditor in respect of the Protected Liability (being the person to whom that liability is owed) to the exclusion of any other person to the extent of the payment made or required to be made; and
- (b) the receipt of the FSCS of payment by the Company of all sums due or payable by the Company in respect of the Protected Liability to which the payment made by the FSCS relates, shall constitute a valid discharge of the Company in respect of such sums;

and so that the Company shall not remain under or incur any liability with respect to any Protected Policyholder by reason of having paid any such sums to the FSCS.

4.2 Information to be provided to the FSCS

4.2.1 Before the termination of the Scheme and until the Company is dissolved, the Company and the Liquidators shall, insofar as they are reasonably able so to do, promptly provide the FSCS with all such information in their respective possession or under their respective control or the control of their respective agents as the FSCS may from time to time request in order to establish whether (or the extent to which) any Established Scheme Liability is a Protected Liability or whether (or the extent to which) a creditor of the Company is a Protected Policyholder or otherwise for the purpose of enabling or assisting the FSCS to 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 (and where the FSCS requests copies of documents it shall pay the reasonable photocopying costs of providing them). The Company, or as the case may be, the Liquidators shall, so far as it or they are able, authorise and instruct any third party with any such information to disclose it to the FSCS. The Company's and the Liquidators' obligations set out in this clause 4.2.1 shall not extend to any information which the Company, or as the case may be, the Liquidators are under a legal duty not to disclose, but neither the Company nor the Liquidators 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 4.2.1.

4.2.2 Subject to receiving reasonable notice in any case, the Company shall, for the purpose referred to in clause 4.2.1, permit (and, so far as it is able, authorise and instruct its agents to permit) any person authorised by the FSCS to have access to, and (subject to the FSCS agreeing to pay the reasonable costs thereof) to be provided with copies of, all or any of the books and records of the Company and, in so far as they relate to the Company, of such agents, during normal business hours. Such obligation shall not extend to any such information which the Company or any such agent is under a legal duty not to disclose.

4.3 **The FSCS's rights against the Company in respect of any assignment to it of the rights of a Protected Policyholder**

For the avoidance of doubt and without prejudice to clauses 4.1 to 4.3, the Company agrees with the FSCS that any assignment to the FSCS of all or any rights whatsoever of a Protected Policyholder against the Company shall be valid and binding on the Company, and that the FSCS may, subject to the terms of the Scheme, take actions and proceedings in the name of such Protected Policyholder and exercise all his rights against the Company, including without limitation his rights, prior to such assignment, against the Company.

PART 5 - THE LIQUIDATORS

5.1 Power to act jointly or severally

The functions and powers of the Liquidators under the Scheme may be performed and exercised jointly or severally and any act required to be done by the Liquidators pursuant to the Scheme may be done by all or any one or more of them.

5.2 Functions and powers

5.2.1 The Liquidators shall:

- (a) manage the run-off and closure of the Company's business;
- (b) realise the assets of the Company and apply them for the benefit of Scheme Creditors in accordance with the Scheme; and
- (c) supervise and ensure the carrying out of the Scheme, and for these purposes shall:
 - (i) have power in the name and on behalf of the Company to manage the affairs, business and property of the Company; and
 - (ii) without prejudice to the generality of the foregoing, have the powers specified in Clauses 5.2.2, 5.2.3 and 5.2.4.

5.2.2 Without prejudice to the generality of Clause 5.2.1, in carrying out their functions and powers under the Scheme, the Liquidators shall be entitled:

- (a) to agree claims and process reinsurance recoveries as part of the run-off of the Company's business;
- (b) to take possession of, collect and get in all the property and assets (of whatever nature) to which the Company is or appears to be entitled and to do all such things as may be necessary for the realisation of any such property or assets;
- (c) to have full access at all times to all books, papers and other documents of the Company, to receive all such information as they may require in relation to its affairs;
- (d) to do all things which may be necessary or expedient for the protection of the Company's assets or of any assets that appear to belong to the Company;
- (e) to bring or defend any action or other legal proceedings in the name and on behalf of the Company or otherwise;
- (f) to be remunerated for the carrying out of such functions and powers and to be reimbursed for all expenses properly incurred by them in connection therewith;

- (g) to employ and remunerate accountants, actuaries, lawyers and other professional advisers or agents whether in England and Wales or in other jurisdictions in connection with the conduct of their functions and powers under the Scheme;
- (h) to do all acts and to execute in the name and on behalf of the Company any deed, receipt or other document and to use the Company's seal;
- (i) to borrow and to make any payment which is necessary or incidental to the performance of their functions and to give a valid discharge for amounts received by the Company;
- (j) to delegate to any person (being, other than in the case of delegation to the Scheme Conflicts Administrator, a partner in the same firm as the Liquidators) qualified to act as an insolvency practitioner within the meaning of section 390 of the Insolvency Act 1986 of England and Wales and approved for the time being by the Committee of Inspection for the purposes of this Clause 5.2.2(j) (a "Delegate"), all or any of the functions, powers, rights, authorities and discretions conferred upon the Liquidators under the Scheme and from time to time to revoke any such delegation (other than in the case of delegation to the Scheme Conflicts Administrator which shall be, subject to the provisions of any such agreement as is referred to in Clause 5.4, irrevocable), provided that (other than in the case of delegation to the Scheme Conflicts Administrator) the Liquidators shall be personally responsible for any act or omission of any such Delegate to the same extent as if they had expressly authorised it;
- (k) to do all other things incidental to the exercise of the functions and powers referred to in this Clause 5.2.2 and in Clauses 5.2.1, 5.2.3 and 5.2.4.

5.2.3 The Company shall be entitled to enter into contractual arrangements with Scheme Creditors (known as "commutations") under which the total liability of the Company to the relevant Scheme Creditor in relation to some or all of the contracts of insurance, reinsurance or retrocession between the Company and the Scheme Creditor shall:

- (a) be discharged in full in consideration for a cash payment by the Company; or
- (b) become an Established Scheme Liability otherwise than in the normal course and on the basis that no further claims may be made under the relevant insurance, reinsurance or retrocession contracts.

No such arrangement shall be entered into unless the Liquidators are satisfied that it is likely to increase payments to the Scheme Creditors as

a whole. The Liquidators shall be entitled to agree commutations on behalf of the Company.

- 5.2.4 In respect of Lloyd's Syndicates, the Liquidators shall have the power to treat all the members of a Lloyd's Syndicate which has a Scheme Claim as if they were a single Scheme Creditor of the Company in respect of that Scheme Claim and the members of a Lloyd's Syndicate which owes money to the Company shall be treated as a single debtor of the Company in respect of the sum due, in each case on the basis that the effect of closing a year of account (Year A) by means of reinsurance to close into a later year (Year B) is that the rights of the members of the syndicate in Year A become instead the rights and liabilities of the members of the successor syndicate or syndicates in Year B.
- 5.2.5 In carrying out their functions and exercising their powers under the Scheme, the Liquidators shall consult with, and take account of the views expressed by, the Committee of Inspection on any matter material to the Scheme, which for the avoidance of doubt shall include, without limitation, the setting of and revisions to a Payment Percentage pursuant to Clause 3.1.

5.3 Responsibility and indemnity

- 5.3.1 In carrying out their functions and exercising their powers under the Scheme, the Liquidators shall act bona fide and with due care and diligence in the interests of Scheme Creditors as a whole and shall use their powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms.
- 5.3.2 In so far as the law allows, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by the Liquidators in accordance with, and to implement the provisions of, the Scheme or the exercise by the Liquidators in good faith and with due care of any power conferred upon them for the purposes of the Scheme if exercised in accordance with, and to implement the provisions of, the Scheme and the Liquidators shall not be liable for any loss unless such loss is attributable to their own negligence, default, breach of duty, breach of trust, fraud or dishonesty (or to that of any Employee or Delegate other than the Scheme Conflicts Administrator).
- 5.3.3 In so far as the law allows, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by any Employee in accordance with and to implement the provisions of the Scheme if exercised in accordance with and to implement the provisions of the Scheme and no Employee shall be liable for any loss unless such loss is attributable to his own negligence, default, breach of duty, breach of trust, fraud or dishonesty.

5.3.4 In so far as the law allows, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by any Delegate in accordance with and to implement the provisions of the Scheme or the exercise by such Delegate in good faith and with due care of any power conferred upon the Liquidators for the purposes of the Scheme if exercised in accordance with and to implement the provisions of the Scheme and no Delegate shall be liable for any loss unless such loss is attributable to his own negligence, default, breach of duty, breach of trust, fraud or dishonesty (or to that of any Employee).

5.3.5 Subject to the Companies Act, each Liquidator (in his capacity as such) (and each Employee and Delegate) shall be entitled to an indemnity out of the assets of the Company against:

- (a) all actions, claims, proceedings and demands brought or made against such Liquidator (or Employee or Delegate) in respect of any act done or omitted to be done by such Liquidator (or Employee or Delegate) in good faith without negligence, default, breach of duty, breach of trust, fraud or dishonesty in the course of implementing the Scheme in accordance with its terms; and
- (b) all expenses and liabilities properly incurred by such Liquidator (or Employee or Delegate) in carrying out his functions and powers (or the functions for which such Employee is employed by the Liquidators or any Delegate) in the course of implementing the Scheme in accordance with its terms.

5.3.6 Without prejudice to the generality of Clause 5.3.5, each such person as is expressed to be entitled to an indemnity in accordance with that Clause (in the capacity in which he is entitled to such an indemnity) shall be entitled to an indemnity out of the assets of the Company:

- (a) against any liability incurred by him in defending any proceedings, whether civil or criminal, in respect of any negligence, default, breach of duty, breach of trust, fraud or dishonesty in which judgment is given in his favour or in which he is acquitted; or
- (b) in connection with any application in any such proceedings in which relief is granted to him by a court from liability for negligence, default, breach of duty, breach of trust, fraud or dishonesty in relation to the affairs of the Company.

5.3.7 The Company may, with the approval of the Committee of Inspection (such approval not to be unreasonably withheld or delayed):

- (a) purchase and maintain for any such person as is referred to in Clause 5.3.5 insurance against any liability in respect of which the Company

would be obliged to indemnify that person in accordance with Clauses 5.3.5 and 5.3.6; and

- (h) pay costs incurred by any such person as is referred to in Clause 5.3.6 in defending proceedings of the nature described in Clause 5.3.6 provided that the Company obtains from a Liquidator an obligation to reimburse the Company (with interest) in respect of any sum which would not, in the event, have been payable by the Company under Clause 5.3.6.

5.4 Procedure for the resolution of conflicts

The Company and the Liquidators may from time to time, and after consultation with the Committee of Inspection, enter into such agreement as they consider appropriate to deal with disputes or conflicts that arise or may arise during the course of the Scheme, whether between the Company and the Liquidators or between the Liquidators themselves (in their professional capacity, whether as insolvency practitioners or otherwise, or because a resolution concerning the Liquidators is to be put before a meeting of the Committee of Inspection), which agreement may provide for the delegation in relation to a particular dispute or conflict of the Liquidators' functions, powers, rights, authorities and discretion pursuant to Clause 5.2.2(j) to a Scheme Conflicts Administrator to represent one or more of the parties to the dispute or conflict in question.

PART 6 - THE COMMITTEE OF INSPECTION

6.1 Functions

- 6.1.1 Without prejudice to the specific provisions of this Clause 6.1 the Committee of Inspection shall monitor the carrying out of the Scheme and supervise the Liquidators in the exercise of their functions under the Scheme.
- 6.1.2 The Committee of Inspection may from time to time resolve what information it is desirable to seek from the Liquidators concerning the affairs of the Company or the operation of the Scheme, and may authorise any one member of the Committee of Inspection to apply in writing to and receive from the Liquidators all such information. The Liquidators shall promptly give to the Committee of Inspection all such information concerning the affairs of the Company or the operation of the Scheme as the Committee of Inspection shall from time to time resolve to seek and in respect of which a written request shall have been received by the Liquidators. Each member of the Committee of Inspection shall be entitled at any time to raise questions or to request a meeting with the Liquidators in connection with the performance of his responsibilities as a member of the Committee of Inspection and, subject to their duties under the Scheme, the Liquidators shall use reasonable endeavours to respond to such questions or to comply with any such request for a meeting. Notwithstanding the preceding provisions of this Clause 6.1, the Liquidators shall not be obliged to disclose any confidential information of the Company to a member of the Committee of Inspection if the information relates to any matter where such member (and, where such member is a Designated Representative, its appointors) has an interest in conflict with the Company (other than a general conflict arising as a result of the status of the members of the Committee of Inspection (or appointors) as creditors of the Company).

6.2 Duties

Each member of the Committee of Inspection shall, in performing their functions as such in relation to the Scheme, act bona fide in the interests of the Scheme Creditors as a whole.

6.3 Responsibilities and indemnity

- 6.3.1 In so far as the law allows, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by any member of the Committee of Inspection in accordance with and to implement the provisions of the Scheme or the exercise by any such person in good faith and with due care of any power conferred upon it or him for the purposes of the Scheme if exercised in accordance with and to implement the provisions of the Scheme and no such person shall be liable for any loss unless such loss is attributable to its or his own wilful default, fraud, dishonesty or wilful breach of duty or trust.

6.3.2 Subject to the Companies Act, each member of the Committee of Inspection shall be entitled to an indemnity out of the assets of the Company against all actions, claims, proceedings and demands brought or made against him in respect of any act done or omitted to be done in relation to the Company in good faith and with due care by such person in the course of implementing the Scheme in accordance with its terms.

6.3.3 Without prejudice to the generality of Clause 6.3.2, each such person as is expressed to be entitled to an indemnity in accordance with that Clause (in the capacity in which he is entitled to such an indemnity) shall be entitled to an indemnity out of the assets of the Company:

- (a) against any liability incurred by it or him in defending any proceedings, whether civil or criminal, in respect of any wilful default, fraud, dishonesty or wilful breach of duty or trust in relation to the Company in which judgment is given in his favour or in which he is acquitted; or
- (b) in connection with any application in any such proceedings in which relief is granted to him by a court from liability for wilful default, fraud, dishonesty or wilful breach of duty or trust in relation to the affairs of the Company.

6.3.4 The Company may, with the approval of the Committee of Inspection (such approval not to be unreasonably withheld or delayed):

- (a) purchase and maintain for any such person as is referred to in Clause 6.3.2 insurance against any liability in respect of which the Company would be obliged to indemnify that person in accordance with Clauses 6.3.2 and 6.3.3; and
- (b) pay costs incurred by any such person as is referred to in Clause 6.3.2 in defending any actions, claims, proceedings and demands of the nature described in Clauses 6.3.2 and 6.3.3 which relate to the Company provided that the Company obtains from such person an obligation to reimburse the Company (with interest) in respect of any sum which would not, in the event, have been payable by the Company under those Clauses.

6.4 Validation of acts

All acts done by the Committee of Inspection or any meeting of the Committee of Inspection or any person acting as a member of the Committee of Inspection shall, notwithstanding that it is afterwards discovered that there was some defect in the appointment of a member of the Committee of Inspection, or that any of them were disqualified, be valid as if every such person had been duly appointed and qualified.

6.5 No Committee of Inspection

If at any time there are less than two members of the Committee of Inspection, the requirements for obtaining the consent, approval or agreement of and for consulting with or notifying the Committee of Inspection contained in Clauses 1.1.1, 2.3.1, 3.1.2, 3.1.5, 5.2.2(j), 5.2.5, 5.3.7, 5.4, 6.3.4, 7.2.3(b), 7.7.2, 7.8.7, 8.1.1(a) and 8.1.1(b) shall be suspended.

PART 7 - CLOSURE PROVISIONS

7.1 The Bar Date

- 7.1.1 With effect from the Effective Date and without prejudice to the following provisions of this Part 7, no Scheme Creditor shall be entitled to receive any payments under the Scheme in respect of any Scheme Claim (but in all other respects any such Scheme Creditor shall be bound by the Scheme) unless, before the Bar Date, the Liquidators shall have received from or on behalf of such Scheme Creditor a Claim Form (or a Voting Form submitted pursuant to Clause 7.5.9) and all Supporting Information in respect of such Scheme Claim in accordance with Clause 7.8. For the avoidance of doubt, from the Effective Date, the entitlement of Scheme Creditors to file proofs of debt in the liquidation of the Company and to receive dividends in accordance with Applicable Insolvency Law shall be replaced by their entitlement to lodge claims and receive payments under this Scheme.
- 7.1.2 Without prejudice to the generality of Clause 7.1.1 and the following provisions of this Part 7, Scheme Creditors shall not be entitled to receive any payments under the Scheme in respect of any Agreed Liability (where the reason for it being an Agreed Liability is that the Liquidators do not have the name and address of the relevant Scheme Creditor) unless and until the Liquidators have received notification of the name and address of the Scheme Creditor concerned prior to the Final Substantive Closure Distribution Date.
- 7.1.3 No Scheme Creditor shall have any right after the Bar Date to revise or provide further Supporting Information in respect of any Scheme Claim (including any amount of such liabilities) except in response to a specific request for such further information by the Liquidators or a Scheme Adjudicator under this Part 7. Accordingly, subject to such exceptions, for the purposes of seeking to agree or adjudicating a Notified Scheme Claim, neither the Liquidators nor a Scheme Adjudicator shall be obliged to take into account any Supporting Information which has not been supplied to the Liquidators before the Bar Date and, where appropriate, shall be entitled to treat such Notified Scheme Claim in accordance with Clause 7.5.8. For the purposes of seeking such agreement or adjudication, the Liquidators and a Scheme Adjudicator may, at any time, take into account any market information and/or market development.

7.2 Appointment of a Scheme Adjudicator

- 7.2.1 In the event that a dispute between the Company and a Scheme Creditor falls to be referred to a Scheme Adjudicator under Clause 7.5, the Scheme Adjudicator shall be appointed according to the procedure described in that Clause. Such individual(s) appointed to act as Scheme Adjudicator shall have the powers, rights, duties and functions conferred upon him by this Part.

- 7.2.2 A Scheme Adjudicator shall be an individual who is qualified to discharge that function and has consented in writing to act as Scheme Adjudicator.
- 7.2.3 A Scheme Adjudicator shall cease to hold that office upon the occurrence of any of the following events:
- (a) if he dies or becomes bankrupt or mentally disordered or becomes disqualified by any professional body of which he is a member;
 - (b) if he resigns his appointment at any time by giving not less than 40 Business Days' notice in writing (or less in the Liquidators' discretion) to the Liquidators and the Committee of Inspection;
 - (c) if he is convicted of an indictable offence;
 - (d) if he is disqualified from acting as a director of a company under the Company Directors Disqualification Act 1986; or
 - (e) if he is removed for good cause by the Liquidators.
- 7.2.4 In the event that a Scheme Adjudicator shall become aware that he has a conflict of interest in relation to a matter referred to him under this Part 7, he shall inform the Liquidators and the Scheme Creditor concerned of such conflict forthwith. In the event of such notification by a Scheme Adjudicator or notification by the Scheme Creditor pursuant to Clause 7.6.2(e), or in the event that the Liquidators in their reasonable opinion consider that a Scheme Adjudicator would have such a conflict of interest, the Liquidators shall, as soon as is reasonably practicable, request that the President of the Law Society nominate a replacement Scheme Adjudicator in relation to the relevant matter and the Scheme Creditor concerned shall be notified of such request.
- 7.2.5 Without prejudice to the generality of Clause 7.6 and as more particularly provided in Clauses 7.5.44 and 7.6.3, a Scheme Adjudicator shall be responsible for the adjudication of:
- (a) any issues of fact or law directly or indirectly necessary to adjudicate on any Disputed Matters (as defined in Clause 7.5.21) but, for the avoidance of doubt, not (i) the principles, policies or assumptions comprised within the Estimation Methodology; or (ii) the application of the principles, policies or assumptions comprised within the Estimation Methodology;
 - (b) the amount of any Notified Scheme Claim;
 - (c) whether a Notified Scheme Claim should have been designated as a Suspended Scheme Liability by the Liquidators pursuant to Clauses 7.5.39 and 7.5.43;

- (d) any disputes relating to the calculation of the overall Established Scheme Liability pursuant to Clause 7.5.53; and
- 7.2.6 any disputes relating to the provision of Supporting Information.
- 7.2.7 Subject to any directions which may be given by a Scheme Adjudicator in accordance with Clauses 7.6.6 and 7.6.8, the Company shall pay such reasonable remuneration to the Scheme Adjudicator for the exercise and performance of his powers, duties and functions under the Scheme as may be agreed between the Liquidators and Scheme Adjudicator and the Liquidators shall pay all such amounts in full out of the assets of the Company as Liquidation Expenses. Subject to Clauses 7.6.6 and 7.6.8, the Company shall pay all costs, charges and expenses reasonably incurred by the Scheme Adjudicator including, subject to the prior agreement of the Liquidators and Clause 7.6.2(c), the cost of any retained legal advisers or experts in the course of exercising and performing his powers, duties and functions under the Scheme.
- 7.2.8 In carrying out his functions and exercising his powers under the Scheme, a Scheme Adjudicator shall act bona fide and with due care and diligence and shall use his powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms. The provisions of Clauses 6.3.1 to 6.3.4 (both inclusive), in particular the protections, indemnities and provision for insurance referred to therein, shall apply with all necessary changes to a Scheme Adjudicator.

7.3 Appointment of the Scheme Actuary

- 7.3.1 There shall be one Scheme Actuary appointed for the purposes of and having the powers, rights, duties and functions conferred upon him by this Part. The Scheme Actuary shall be an individual who is a member of an actuarial body affiliated to the International Actuarial Association and who has a suitable number of years of continuous experience of relevant actuarial work. The initial Scheme Actuary shall be Mr Simon H. Sheaf.
- 7.3.2 The Scheme Actuary shall cease to hold that office upon the occurrence of any of the following events:
 - (a) if he dies or becomes bankrupt or mentally disordered or ceases to be a member of an actuarial body which is affiliated to the International Actuarial Association;
 - (b) if he resigns his appointment at any time by giving not less than 40 Business Days' notice in writing (or less in the Liquidators' discretion) to the Liquidators and the Committee of Inspection;
 - (c) if he is convicted of an indictable offence;

- (d) if he is disqualified from acting as a director of a company under the Company Directors Disqualification Act 1986; or
 - (e) if he is removed for good cause by the Liquidators.
- 7.3.3 In the event that there is a vacancy in the office of the Scheme Actuary the Liquidators may fill the vacancy by appointing another person as Scheme Actuary.
- 7.3.4 In the event that the Scheme Actuary shall become aware that he has a conflict of interest in relation to any matters referred to him under this Part 7, he shall inform the Liquidators of such conflict forthwith, and the Liquidators may, at their discretion, appoint an alternate Scheme Actuary, for the purpose of fulfilling the relevant functions in relation to the relevant matter only. For the avoidance of doubt, the Scheme Actuary's appointment shall, subject to Clause 7.3.2, continue during the appointment of the alternate, and he shall continue to fulfil the relevant functions in relation to all other matters referred to him under this Part 7, unless a conflict shall arise in respect of any of those matters, in which case this Clause 7.3.4 shall apply.
- 7.3.5 The Scheme Actuary shall perform the functions referred to in this Part 7 for which purposes the Liquidators shall provide the Scheme Actuary with access to all books and records and work product available to the Company and the Liquidators. In particular,
- (a) the Scheme Actuary must, if so required by the Liquidators, assist the Liquidators in considering amounts and information supplied to the Liquidators on Claim Forms and/or Supporting Information relating to Notified Scheme Claims and Projected Claims (but not Non Insurance/Reinsurance Scheme Claims) supplied before the Bar date in accordance with Clauses 7.5.7 and 7.5.20; and
 - (b) the Scheme Actuary shall assist a Scheme Adjudicator if the Scheme Adjudicator thinks appropriate, in adjudicating Disputed Matters (except in connection with Non Insurance/Reinsurance Scheme Claims) and disputes concerning the designation of Suspended Scheme Liabilities under this Part 7.
- 7.3.6 Subject to any directions which may be given by a Scheme Adjudicator in accordance with Clauses 7.6.7 and 7.6.8, the Company shall pay such reasonable remuneration to the Scheme Actuary for the exercise and performance of his powers, duties and functions under the Scheme as may be agreed between the Scheme Actuary and the Liquidators and the Liquidators shall pay all such amounts in full out of the assets of the relevant Scheme Company as Liquidation Expenses.
- 7.3.7 In carrying out his functions and exercising his powers under the Scheme in relation to the Company, the Scheme Actuary shall act bona fide and with due

care and diligence in the interests of the Company's Scheme Creditors as a whole and shall use his powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms. The provisions of Clauses 5.3.3 to 5.3.7 (both exclusive), in particular the protections, indemnities and provision for insurance referred to therein, shall apply with all necessary changes in respect of any Scheme Actuary.

7.4 Appointment of the Actuarial Adjudicator

- 7.4.1 There shall be an Actuarial Adjudicator appointed for the purposes of and having the powers, duties, functions and rights conferred upon him by this Part. The Actuarial Adjudicator shall be an individual who is a member of an actuarial body affiliated to the International Actuarial Association and who has a suitable number of years of continuous experience of relevant actuarial work. The initial Actuarial Adjudicator shall be Steve Mathews of EMB Consultancy LLP.
- 7.4.2 The Actuarial Adjudicator shall be an individual qualified to act as the Scheme Actuary, save that the same individual shall not hold both positions.
- 7.4.3 In the event that there is a vacancy in the office of the Actuarial Adjudicator, the Liquidators may fill the vacancy by appointing another person as Actuarial Adjudicator.
- 7.4.4 The Actuarial Adjudicator shall cease to hold that office upon the occurrence of any of the following events:
 - (a) if he dies or becomes bankrupt or mentally disordered or ceases to be a member of an actuarial body which is affiliated to the International Actuarial Association;
 - (b) if he resigns his appointment at any time by giving not less than 40 Business Days' notice in writing (or less in the Liquidators' discretion) to the Liquidators and the Committee of Inspection;
 - (c) if he is convicted of an indictable offence;
 - (d) if he is disqualified from acting as a director of a company under the Company Directors Disqualification Act 1986; or
 - (e) if he is removed for good cause by the Liquidators.
- 7.4.5 The Actuarial Adjudicator shall be responsible for the adjudication of all matters submitted to him in accordance with the provisions of this Part 7.
- 7.4.6 Subject to any directions which may be given by a Scheme Adjudicator in accordance with Clauses 7.6.6 and 7.6.8, the Company shall pay such reasonable remuneration to the Actuarial Adjudicator for the exercise and performance of his powers, duties and functions under the Scheme as may be

agreed between the Liquidators and Actuarial Adjudicator and the Liquidators shall pay all such amounts in full out of the assets of the Company as Liquidation Expenses. Subject to Clauses 7.6.6 and 7.6.8, the Company shall pay all costs, charges and expenses reasonably incurred by the Actuarial Adjudicator including, subject to the prior agreement of the Liquidators and Clause 7.6.2(c), the cost of any retained legal advisers or experts in the course of exercising and performing his powers, duties and functions under the Scheme.

7.4.7 In the event that the Actuarial Adjudicator shall become aware that he has a conflict of interest in relation to any matter referred to him under this Part 7, he shall inform the Liquidators of such conflict forthwith, and the Liquidators may, at their discretion, appoint an alternate Actuarial Adjudicator, for the purpose of fulfilling the relevant functions in relation to the relevant matter only. For the avoidance of doubt, the Actuarial Adjudicator's appointment shall, subject to Clause 7.4.4, continue during the appointment of the alternate, and he shall continue to fulfil the relevant functions in relation to all other matters referred to him under this Part 7, unless a conflict shall arise in respect of any of those matters, in which case this Clause 7.4.7 shall apply.

7.4.8 In carrying out his functions and exercising his powers under the Scheme, the Actuarial Adjudicator shall act bona fide and with due care and diligence and shall use his powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms. The provisions of Clauses 6.3.1 to 6.3.4 (both inclusive), in particular the protections, indemnities and provision for insurance referred to therein, shall apply with all necessary changes to the Actuarial Adjudicator.

7.5 Determination of Notified Scheme Claims by the Liquidators

Accessing Claim Forms and Release Agreement by Scheme Creditors

7.5.1 The Liquidators shall, by the Effective Date:

- (a) make available on the Website the full text of the Explanatory Statement, the Scheme, the Claim Form, the Claim Form Guidance Notes and all other documents referred to in the Explanatory Statement and the Scheme; and
- (b) send to any such Scheme Creditor or person as is referred to in Clauses 7.5.2(a)(i) and 7.5.2(a)(ii) below for whom, at the date of sending, the Liquidators possess verified contact details, a CD containing a Voting Form, a Claim Form, the Claim Form Guidance Notes, the full text of the Explanatory Statement, the Scheme, and all other documents referred to in the Explanatory Statement and the Scheme.

7.5.2 As soon as is reasonably practical after the Effective Date, the Liquidators shall by post in accordance with Clause 7.8:

(a) give notice to:

- (i) every Scheme Creditor to whom written notice was given of the meeting of Scheme Creditors convened by the Court for the purpose of considering the Scheme under Section 425 of the Companies Act ("Scheme Meeting"); and
- (ii) any other person whom the Liquidators believe to be a Scheme Creditor;

stating that the Scheme has become effective, the Effective Date and the Bar Date and calling for Scheme Creditors to complete and return their Claim Forms; and

- (h) send to any broker or other person known by the Liquidators to be duly authorised to accept service on behalf of such a Scheme Creditor as is referred to in Clause 7.5.2(a)(i) and in respect of which the Liquidators have verified contact details, a copy of the notice referred to in Clause 7.5.2(a)(i) together with a request that such broker or other person pass the same onto the Scheme Creditor.

7.5.3 As soon as is reasonably practical after the Effective Date, the Liquidators shall also cause to be published once in each of the same newspapers and publications in which the Scheme Meeting was advertised, an advertisement stating those matters in Clause 7.5.2(a) and calling for:

- (a) any person believing himself to be a Scheme Creditor and who has not received any of the notices or details referred to in Clause 7.5.2 to request a CD or paper copies; and
- (b) Scheme Creditors to complete and return their Claim Form and Supporting Information to the Liquidators before the Bar Date in accordance with Clause 7.8.

7.5.4 The Liquidators shall send a CD or a paper copy of the Claim Form and the Claim Form Guidance Notes by post to any Scheme Creditor who requests the same (provided they give full reasons for doing so) as soon as reasonably practicable after receipt of such request.

7.5.5 The Claim Forms and Claim Form Guidance Notes made available to Scheme Creditors under Clause 7.5.2 shall be in substantially the form set out at Appendix E. Any Claim Form so made available or sent out to Scheme Creditors shall contain such statements as to quantum as are known by the Liquidators, based on the information in the Company's books and records, at the Effective Date in respect of any:

- (a) Agreed Liabilities;
- (b) Outwards Unpaid Losses;

- (c) Outwards Outstanding Losses; and
 - (d) any security, letters of credit, trust, set-off or cross claims under Clauses 2.6.1(a), 2.6.1(b) and 2.6.1(c) in respect of the relevant Scheme Creditor.
- 7.5.6 Notwithstanding anything in this Clause 7.5, where a Scheme Creditor does not, to the knowledge of the Liquidators, have any Agreed Liabilities, the Claim Form made available to such Scheme Creditor under Clause 7.5.2 shall not contain any statements as to quantum of Agreed Liabilities.

The Requirement to Submit Claim Forms Before the Bar Date

- 7.5.7 At any time before (but not after) the Bar Date, a Scheme Creditor may complete, amend, and return the Claim Form made available or sent to them under Clause 7.5.2 in accordance with the Claim Form Guidance Notes, provided that they shall Submit the Claim Form together with all Supporting Information to the Liquidators in accordance with Clause 7.8 so as to be received by them before the Bar Date. Any such amendment, addition or alteration to the Claim Form may relate to:
- (i) any dispute as to the accuracy or completeness of the Liquidators' statement as to quantum of the Agreed Liability element of a Scheme Claim shown on such Claim Form;
 - (ii) any dispute as to the accuracy or completeness of the Liquidators' statement as to quantum of that Scheme Creditor's Outwards Unpaid Losses and Outwards Outstanding Losses shown on such Claim Form;
 - (iii) any dispute as to the accuracy or completeness of the Liquidators' statement as to quantum of any security, letters of credit, trust, set-off or cross claim under Clause 2.6.1(a), 2.6.1(b) and 2.6.1(c) shown on such Claim Form;
 - (iv) any Outstanding Losses claimed by the Scheme Creditor, valued as at the Valuation Date; and/or
 - (v) any Projected Claim claimed by the Scheme Creditor. A Scheme Creditor wishing to assert that it has a Projected Claim shall indicate in the relevant section of its Claim Form that it wishes the Scheme Actuary to value its Projected Claims in accordance with the Estimation Methodology.

Any claim contained on a Claim Form duly Submitted in accordance with this clause or, a Voting Form submitted pursuant to Clause 7.5.9, with the exception of Projected Claims, shall be referred to in this Part 7 as the Scheme Creditor's "Notified Scheme Claim".

7.5.8 For the avoidance of doubt, any such Claim Form Submitted to the Liquidators under Clause 7.5.7 must be accompanied by the Supporting Information by reference to which the claim can be substantiated including the specific amounts that the Scheme Creditor seeks to claim for in respect of any Notified Scheme Claim and/or, if applicable, Supporting Information for the purpose of valuing its Projected Claim. To the extent that the Liquidators reasonably determine that a Scheme Creditor has not so included such Supporting Information, the Liquidators shall, in accordance with Clause 7.8, request that the Scheme Creditor concerned provide such Supporting Information. If the Scheme Creditor concerned does not provide such Supporting Documentation to the Liquidators' within 20 Business Days of deemed receipt of the Liquidators' request, such Scheme Creditor shall be deemed (in the case where the Supporting Information which the Liquidators have requested relates to a Notified Scheme Claim) not to have notified any such Notified Scheme Claim and/or, if applicable, (in the case where the Supporting Information which the Liquidators have requested relates to a Projected Claim) not to have provided Supporting Information for the purpose of valuing its Projected Claims before the Bar Date.

7.5.9 A Scheme Creditor may, by placing a tick in the relevant box on its Voting Form and then submitting that Voting Form, elect to treat the Voting Form as its Claim Form for the purposes of the Scheme. For the avoidance of doubt:

- (a) a Scheme Creditor who makes such election as provided for in this Clause will not be required to submit a Claim Form in respect of any such claims and any such Voting Form shall be deemed to be a Claim Form which has been submitted in accordance with Clause 7.5.7 above;
- (b) a Scheme Creditor may not, in any event, by making such election as provided for in this Clause, incorporate into its Claim Form any estimates of its Projected Claim which it may have provided in its Voting Form;
- (c) if a Scheme Creditor wishes to assert a Projected Claim it must submit a Claim Form and Supporting Information for the purpose of valuing its Projected Claim in accordance with Clauses 7.5.7 and 7.5.8 above; and
- (d) the provisions of this Clause 7.5.9 are without prejudice to the Scheme Creditor's rights under Clause 7.5.7. However, to the extent a Scheme Creditor who has elected as provided in this Clause 7.5.9 subsequently Submits a further Claim Form under the Scheme which is inconsistent with the information provided by the Scheme Creditor (in so far as such information related to the Scheme Creditor's Notified Scheme Claim), the Liquidators shall treat such Claim Form as having superseded and replaced the Voting Form for the purposes of this Part 7.

- 7.5.10 Each Scheme Creditor shall be deemed to have warranted to the Company and the Liquidators that the information contained in any Claim Form and Supporting Information sent by it or on its behalf to the Liquidators, or, as the case may be, a Scheme Adjudicator or Scheme Actuary, is, to the best of its knowledge and belief, fair and correct.
- 7.5.11 If the Liquidators have not received a completed Claim Form from a Scheme Creditor before the Bar Date, they may, in their absolute discretion, treat the information (except in relation to the Scheme Creditor's estimate of its Projected Claim) provided by the Scheme Creditor in the Voting Form which he submitted for the purpose of voting at the Scheme Meeting as having been a Submitted Claim Form.

Agreeing Claim Forms Made Available by the Liquidators

- 7.5.12 A Scheme Creditor shall be deemed to have agreed as accurate and complete such amounts or information as appears on any Claim Form sent or made available to them under Clause 7.5.2 and Submitted by the Scheme Creditor unless that Scheme Creditor amends, alters and/or adds to the relevant Claim Form and provides Supporting Information to the Liquidators in accordance with Clauses 7.5.7 and 7.5.8. Such amounts and information contained in the Claim Form shall thereafter be binding on the Scheme Creditor for the purposes of the following provisions of this Part 7.
- 7.5.13 For the avoidance of doubt and without prejudice to the other provisions of this Part 7, the Claim Form shall not be deemed to have been Submitted to the Liquidators in accordance with Clauses 7.5.7 and 7.5.8 before the Bar Date unless the Claim Form includes the relevant details of the identity and contact details for the Scheme Creditor concerned to the reasonable satisfaction of the Liquidators or unless the Liquidators shall otherwise be in possession of such information.
- 7.5.14 If any Scheme Creditor:
- (a) wishes to agree the information and amounts in respect of Agreed Liabilities, Outwards Unpaid Losses and Outwards Outstanding Losses contained on the Claim Form made available or sent by the Liquidators under Clause 7.5.2, and
 - (b) either (i) does not have or (ii) does not wish to make any amendment, alterations or additions to the Claim Form whether in respect of Outstanding Losses, Projected Claims or otherwise,

such Scheme Creditor shall notify the Liquidators before the Bar Date of this fact in accordance with Clause 7.8 without making any amendment to it; whereupon such information and amounts contained in the Claim Form shall thereafter be binding on the Scheme Creditor for the purposes of the following provisions of this Part 7.

- 7.5.15 Notwithstanding Clause 7.1.1, where the Agreed Liability element of a Scheme Claim has been included on a Claim Form prepared by the Liquidators, but not Submitted by the Scheme Creditor to the Liquidators by the Bar Date, it shall be deemed to be on a Claim Form Submitted before the Bar Date to which Clause 7.5.14 applies.

Agreeing Notified Scheme Claims and Projected Claims with Scheme Creditors

- 7.5.16 The Liquidators will consider the information concerning each Scheme Creditor's claims contained in the Claim Form and Supporting Information, including, but not limited to, consideration of whether any submissions are accurate or adequately supported with relevant documentation, and whether any estimates in respect of Notified Scheme Claims are reasonable, and whether there is any applicable set-off.
- 7.5.17 Subject to Clauses 7.5.11, 7.5.14, 7.5.16, and 7.5.48 to 7.5.55, the Liquidators shall as soon as reasonably possible after the receipt by them of a Claim Form and Supporting Information, use their reasonable endeavours to reach agreement with the Scheme Creditor concerned with regard to the information and amounts contained in such Claim Forms and Supporting Information in relation to each Notified Scheme Claim and Projected Claim of a Scheme Creditor (which agreement in the case of any Outstanding Losses and Projected Claims will be as to both undiscounted amounts and such amounts discounted to net present value as referred to in the Estimation Methodology).
- 7.5.18 Whether before or after the Bar Date, the Liquidators shall be entitled, upon request made in accordance with Clause 7.8, to seek from the Scheme Creditor concerned (and the Scheme Creditor shall be obliged to provide in the same manner within a reasonable period) such further information or require the production to them of such documentary or other evidence relating to any such Notified Scheme Claim and Projected Claim as they consider necessary for the purpose of reaching such agreement as is referred to in Clause 7.5.17. In default of such Scheme Creditor providing such information and/or documentary or other evidence so requested within a reasonable period (which, subject to Clause 7.8.8(a), shall in no case be later than 40 Business Days after such request) the Liquidators shall be entitled to seek agreement in accordance with Clause 7.5.17. In the absence of agreement the Liquidators shall be entitled to refer for adjudication, in accordance with Clauses 7.5.21 to 7.5.26, such Notified Scheme Claim in respect of which the information and/or documentary or other evidence was so requested, without taking into account such information.
- 7.5.19 In considering the information concerning each Scheme Creditor's Notified Scheme Claims and, if applicable, Projected Claim contained in the Claim Form and Supporting Information, the Liquidators shall have regard to the

following, where applicable, and any other factors which they consider material:

- (a) any relevant information contained in the Company's records;
- (b) the current and anticipated trends in loss settlement values and legal arguments in respect of similar claims; and
- (c) current agreements and practices in the London insurance and reinsurance markets.

7.5.20 In the event that (as anticipated in Clause 7.5.17) the Liquidators, having where they consider it appropriate to do so, consulted with the Scheme Actuary, agree with the amounts and/or information contained in a Claim Form and/or Supporting Information returned by the Scheme Creditor, in accordance with Clause 7.5.7 (and Clause 7.5.18, if appropriate), in respect of the whole or part of any Scheme Claim, they shall, as soon as reasonably practicable, notify the relevant Scheme Creditor, in accordance with Clause 7.8, of such agreement. For the avoidance of doubt, such agreement shall in the case of any Outstanding Losses and Projected Claims include both undiscounted and discounted net present value amounts. The Company, the Liquidators and the Scheme Creditor will thereafter treat such amounts and/or information as valid and binding as to such matters and/or amounts.

Disputed Notified Scheme Claims

7.5.21 In the event that the Liquidators, having, where considered appropriate, consulted with the Scheme Actuary, have been unable to reach agreement with a particular Scheme Creditor pursuant to Clause 7.5.17 in respect of the whole or part of the amounts and/or information contained in a Claim Form and/or Supporting Information returned by a Scheme Creditor in accordance with Clause 7.5.7 (except in relation to Projected Claims) the Liquidators shall in accordance with Clause 7.8 notify the relevant Scheme Creditor of the matters which are not agreed and the reasons for the failure to agree, within 40 Business Days of the Bar Date. The Liquidators and the relevant Scheme Creditor shall thereupon endeavour to resolve and agree on the disputed matters (the matters and/or amounts in dispute under this Clause 7.5.21 being referred to as that Scheme Creditor's "Disputed Matters"), in any event no later than 260 Business Days after the Bar Date. In the event that the Disputed Matters are resolved and agreed, the Claim Form so agreed shall, except in relation to a Projected Claim, be binding on the Company and the relevant Scheme Creditor for the purposes of the Scheme.

7.5.22 In the event that such resolution or agreement on the Disputed Matters shall not have been reached within 40 Business Days of deemed receipt of such notice as is referred to in Clause 7.5.21, the Liquidators shall be entitled to send a notice in accordance with Clause 7.8 to the relevant Scheme Creditor to

the effect that the Disputed Matters shall be referred to a Scheme Adjudicator for adjudication, and the nature of the Disputed Matters. Such notice will include the details of the Liquidators' proposed choice of Scheme Adjudicator. If the Scheme Creditor concerned does not give a notice of objection in accordance with Clause 7.8 within 20 Business Days of deemed receipt of the Liquidator's notice referred to in this Clause 7.5.22, the Liquidators' proposed choice of Scheme Adjudicator shall be binding on the relevant Scheme Creditor.

- 7.5.23 The relevant Scheme Creditor may within 20 Business Days of deemed receipt of the notice referred to in Clause 7.5.22 object to the Liquidators' proposed choice of Scheme Adjudicator by delivering a notice of objection pursuant to Clause 7.8 containing full reasons for their objection and identifying their preferred choice of Scheme Adjudicator. If an agreement as to the identity of a Scheme Adjudicator cannot be reached between the Scheme Creditor and the Liquidators within 20 Business Days of receipt of such notice of objection by the Liquidators, the Liquidators shall request that the President of the Law Society from time to time appoint a Scheme Adjudicator.
- 7.5.24 In the event that a Scheme Creditor's Disputed Matters shall not have been agreed or resolved within 260 Business Days of the Bar Date, the Liquidators shall, save to the extent that an agreement to the contrary has been reached between the Liquidator and Scheme Creditor concerned, refer the Disputed Matters to a Scheme Adjudicator appointed in accordance with the procedure described in Clauses 7.5.22 and 7.5.23. No Scheme Creditor may submit a Claim Form directly to a Scheme Adjudicator for adjudication of the Disputed Matters.
- 7.5.25 In no circumstances shall any amounts comprised in the Disputed Matters referred to a Scheme Adjudicator in accordance with Clauses 7.5.22 to 7.5.23 exceed, in respect of any Notified Scheme Claim, the relevant amounts notified by the Scheme Creditor in a Claim Form under Clause 7.5.7 and 7.5.18.
- 7.5.26 The fact that there are, in respect of a Claim Form and/or Supporting Information, Disputed Matters which have been submitted to a Scheme Adjudicator under Clauses 7.5.22 to 7.5.23 (and Clause 7.5.24 if appropriate), shall not prevent other information and/or amounts in the Claim Form and/or Supporting Information which have been agreed or deemed to have been agreed between the Liquidators and the Scheme Creditor under Clause 7.5.17 from being binding on the Scheme Creditor and the Company as to such amounts and/or information. The value of a Scheme Creditor's overall Established Scheme Liability shall not be calculated under Clause 7.5.48 until all Disputed Matters and/or Actuarial Disputes in respect of that Scheme Creditor have been adjudicated upon in accordance with Clause 7.6.4 and/or, as the case may be, Clause 7.5.35 and Suspended Scheme Liabilities

with that Scheme Creditor have been agreed or, if necessary, adjudicated upon in accordance with that Clause 7.6.4.

Estimation Methodology

- 7.5.27 All Scheme Creditors shall be bound by the principles, policies and assumptions comprised within the Estimation Methodology for the purposes of calculating Projected Claims. For the avoidance of doubt, the Estimation Methodology shall have no relevance to the valuation of any Non Insurance/Reinsurance Scheme Claim.
- 7.5.28 Where a Scheme Creditor has indicated pursuant to Clause 7.5.7(v) that it wishes the Scheme Actuary to value its Projected Claim or where an amendment to information originally set out pursuant to Clause 7.5.7(ii) is not agreed to by the Liquidators pursuant to Clause 7.5.20, the Liquidators shall request the Scheme Actuary to value that Scheme Creditor's Projected Claim and, if applicable, that Scheme Creditor's Outwards Projected Claim, Outwards Unpaid Losses and Outwards Outstanding Losses in accordance with the Estimation Methodology.
- 7.5.29 Following such a request and once the other information on a Claim Form has become binding for the purposes of the Scheme pursuant to Clause 7.5.20 or Clause 7.5.21, the Scheme Actuary shall apply the Estimation Methodology to that information where relevant and to any relevant Supporting Information provided by the Scheme Creditor and the information in the Company's records.
- 7.5.30 The Scheme Actuary shall be entitled to request further information and documentation from a Scheme Creditor, in which event the provisions of Clause 7.5.18 shall apply as if the request had been made by the Liquidators, provided that any further information or documentation received pursuant to this Clause shall not result in the amendment of any amount determined pursuant to Clause 7.5.20 or Clause 7.5.21.
- 7.5.31 Following the valuation of all Scheme Claims contained in a Claim Form Submitted by a Scheme Creditor under Clause 7.5.7, the Scheme Actuary shall as soon as reasonably practicable apply the principles, policies and assumptions comprised within the Estimation Methodology to the information on the Claim Forms and any Supporting Information supplied by the Scheme Creditor to the Liquidators under Clause 7.5.7.
- 7.5.32 As soon as reasonably practicable after completing the application of the principles, policies and assumptions comprised within the Estimation Methodology the Scheme Actuary shall send to the Scheme Creditor a statement setting out the values resulting from his application of the Estimation Methodology.

- 7.5.33 If the Scheme Creditor objects to any aspect of the statement referred to in Clause 7.5.32 (such disputes under this Clause 7.5.33 being referred to as that Scheme Creditor's "Actuarial Dispute"), it shall notify the Scheme Actuary within 20 Business Days of the date of deemed receipt of such statement setting out the reasons for its objection. The Scheme Actuary and the Scheme Creditor concerned shall thereupon endeavour to resolve and agree, as soon as is reasonably practical but in any event within 40 Business Days. In the event that the Actuarial Dispute is resolved and agreed between the Scheme Actuary and the Scheme Creditor concerned, the agreed valuation shall be binding upon the company and the relevant Scheme Creditor. If the Actuarial Dispute is not resolved and agreed within 40 Business Days, the Liquidators shall refer the Actuarial Dispute to the Actuarial Adjudicator.
- 7.5.34 Subject to Clause 7.8.8(c), the Actuarial Adjudicator shall, before the expiration of 40 Business Days from the date on which such Actuarial Dispute was referred to him pursuant to Clause 7.5.33, certify in writing to the Liquidators, the Scheme Actuary and to the Scheme Creditor concerned pursuant to Clause 7.8 his determination in respect of the Actuarial Dispute. The Actuarial Adjudicator shall only determine whether the Estimation Methodology was correctly applied in accordance with its terms in relation to the Actuarial Dispute and, if he determines it has not been, he shall determine the value which would have resulted from a correct application of the Estimation Methodology.
- 7.5.35 In determining Actuarial Disputes an Actuarial Adjudicator shall act as expert and not as arbitrator. A certificate given by an Actuarial Adjudicator in relation to an Actuarial Dispute shall be final and binding on the Company, the Liquidators, the Scheme Actuary, the relevant Scheme Creditor and all Scheme Creditors in so far as the law allows. Except as required by law or in the case of any mathematical or other manifest error, no Scheme Creditor, the Scheme Actuary, nor the Liquidators shall have any right to appeal there from or any claim against the Actuarial Adjudicator in respect thereof. Once such certificate has been given the provisions of Clauses 7.5.48 to 7.5.50 shall then apply. The value of a Scheme Creditor's overall Established Scheme Liability shall not be calculated under Clauses 7.5.48 to 7.5.50 until all Actuarial Disputes in respect of that Scheme Creditor have been adjudicated upon by the Actuarial Adjudicator.
- 7.5.36 At the time of the giving of any such certificate as is referred to in Clause 7.5.34 above in relation to an Actuarial Dispute, an Actuarial Adjudicator may make such directions in respect of his reasonable remuneration and in respect of the costs, charges and expenses reasonably incurred by him, by the Liquidators, the Scheme Actuary, or by the Scheme Creditor or Scheme Creditors concerned, as he shall think just.

- 7.5.37 If an Actuarial Adjudicator shall direct that any such reasonable remuneration, costs, charges and expenses be paid by the Liquidators the same shall forthwith be paid in full by the Liquidators out of the assets of the Company as Liquidation Expenses.
- 7.5.38 If an Actuarial Adjudicator shall direct that any such reasonable remuneration, costs, charges and expenses be payable by a Scheme Creditor and the Scheme Creditor does not pay the same in full within 20 Business Days after such directions the Company shall pay any unpaid balance thereof in full out of its assets. In any such case, for the purposes of determining whether such Scheme Creditor is entitled to receive any payments pursuant to Clause 3.1 of the Scheme from the Company, they shall be treated as having received on account of all Established Scheme Liabilities in respect of which they are so entitled an amount equal to the unpaid balance so paid by the Company and the extent, if any, to which they are entitled to any payment pursuant to Clause 3.1 of the Scheme shall be reduced accordingly. Where the Scheme Creditor is not entitled to receive a payment pursuant to the Scheme or the amount of such remuneration, costs and expenses exceeds their entitlement to a payment under the Scheme, such amount or such excess shall be treated as a debt owed by the Scheme Creditor or Offset Scheme Creditors (as the case may be) to the Company.

Suspended Scheme Liabilities

- 7.5.39 Where it appears to the Liquidators, in their discretion, that the amount of a Notified Scheme Claim may be materially affected by any Proceedings, they may suspend the operation of the process of determining the amount due in accordance with Clauses 7.5.11 to 7.5.20 above in relation to that Notified Scheme Claim for such period as the Liquidators, in their discretion, reasonably deem appropriate. Such Notified Scheme Claim shall, thereupon, become a Suspended Scheme Liability.
- 7.5.40 In the event that the Liquidators designate a Notified Scheme Claim as a Suspended Scheme Liability, the Liquidators shall, as soon as reasonably practicable after such designation, send to the relevant Scheme Creditor a notice in the manner provided for in Clause 7.8. That notice shall state that the relevant Notified Scheme Claim has become a Suspended Scheme Liability and the reasons for such designation.
- 7.5.41 The relevant Scheme Creditor may within 20 Business Days of receiving the notice referred to in Clause 7.5.40 object to the Liquidators' designation by delivering a notice of objection pursuant to Clause 7.8 containing full reasons for their objection. If within a further reasonable period (to be determined by the Liquidators in their discretion) from receipt of such notice of objection by the Liquidators, the Scheme Creditor and the Liquidators have not reached agreement as to the treatment of the Suspended Scheme Liability, the matter

shall be referred to a Scheme Adjudicator and the Liquidators shall notify the Scheme Creditor of their proposed choice of Scheme Adjudicator.

- 7.5.42 The relevant Scheme Creditor may within 20 Business Days of deemed receipt of the notice referred to in Clause 7.5.41 object to the Liquidators' proposed choice of Scheme Adjudicator by delivering a notice of objection pursuant to Clause 7.8 containing full reasons for their objection and identifying their preferred choice of Scheme Adjudicator. If an agreement as to the identity of a Scheme Adjudicator cannot be reached between the Scheme Creditor and the Liquidators within 20 Business Days of receipt of such notice of objection by the Liquidators, the Liquidators shall request that the President of the Law Society from time to time appoint a Scheme Adjudicator. For the avoidance of doubt, if the Scheme Creditor concerned does not give a notice of objection within 20 Business Days of deemed receipt of the notice from the Liquidators under Clause 7.5.41, the Liquidators' proposed choice of Scheme Adjudicator shall be binding on the relevant Scheme Creditor.
- 7.5.43 The Liquidators will provide the individual appointed as Scheme Adjudicator with a copy of the notices of designation and objection referred to in Clauses 7.5.40 and 7.5.41 and, to the extent the Liquidators deem relevant, the relevant Claim Forms and Supporting Information and a copy of any other notice, statement and correspondence relating to the Suspended Scheme Liability.
- 7.5.44 In adjudicating whether the Suspended Scheme Liability should continue to be treated as such by the Liquidators, the provisions of Clause 7.6 shall apply with all necessary changes save that:
- (a) a Scheme Adjudicator shall only be concerned with the issue of whether the Liquidators properly designated the Scheme Creditor's Notified Scheme Claim as a Suspended Scheme Liability; and
 - (b) a Scheme Adjudicator shall make his determination within 40 Business Days of the matter being referred to him.
- 7.5.45 If a Scheme Adjudicator determines that the Liquidators were justified in making such designation, the Suspended Scheme Liability shall continue to be governed by Clause 7.5.39.
- 7.5.46 If a Scheme Adjudicator determines that the Liquidators were not justified in making such designation or, if at any time, the Liquidators determine that it is appropriate to revoke such designation the Liquidators will seek to agree or, if necessary, refer for adjudication such Suspended Scheme Liabilities in the same way as Notified Scheme Claims in accordance with Clauses 7.4 and 7.6. In such case any relevant time periods after the Bar Date shall commence from the date of such determination.

- 7.5.47 At the request of the relevant Scheme Creditor, and in addition to the provision at Clause 7.5.41, the Liquidators will review the designation, or re-designation under this Clause, of a Notified Scheme Claim as a Suspended Scheme Liability. Such a request for review cannot be made earlier than 130 Business Days after the claim was last designated by the Liquidators or, if later, last determined by a Scheme Adjudicator to be so designated. The Liquidators shall thereafter notify the Scheme Creditor of the result of their review whereupon the provisions of Clauses 7.5.39 to 7.5.46 (inclusive) shall apply with all necessary changes.

Set off and calculation of overall Established Scheme Liabilities

- 7.5.48 The Liquidators shall, as soon as practicable following the determination, whether by agreement or adjudication of the amounts (discounted, where appropriate) of all Scheme Claims due to any particular Scheme Creditor in accordance with this Part 7, calculate that Scheme Creditor's overall Established Scheme Liability, (which for the avoidance of doubt may be nil as a result of the calculation carried out under this Clause), and shall notify such Scheme Creditor in writing of the result of their calculation.

- 7.5.49 The value of a Scheme Creditor's overall Established Scheme Liability shall be calculated with regard to:

- (a) Agreed Liabilities, at the value agreed or adjudicated upon under Part 7;
- (b) Outstanding Losses, at the value agreed or adjudicated upon under Part 7;
- (c) Projected Claims, at the value agreed or adjudicated under Part 7;
- (d) Outwards Projected Claims, Outwards Unpaid Losses and Outwards Outstanding Losses, at the value agreed or adjudicated upon Part 7 and the amount of any other set-off or cross claim which may be taken into account from time to time in accordance with Clause 2.5;

(the claims under (a), (b), (c) and (d) being, where relevant, discounted to net present value by the Scheme Actuary in accordance with the Estimation Methodology);

- (e) Amount of any security which has been or may be deducted from the sum due from the Company to the Scheme Creditor and/or the effect of any of the other matters referred to in Clause 2.4, in each case as agreed or adjudicated upon under Part 7; and
- (f) the amount, if any, resulting from the subtraction of the total of (d) and (e) from the total of (a), (b) and (c) in respect of such Scheme Creditor, provided that if such subtraction gives rise to a negative amount, the

figure shall be treated as nil for the purpose of calculating the overall Established Scheme Liability under Part 7.

The amount that the Liquidators so calculate as being due by the Company to the Scheme Creditor concerned in accordance with this Clause 7.5.49 (and for the avoidance of doubt after effecting set off under Clause 2.5 and subject to Clauses 7.5.50 to 7.5.55) shall be the Scheme Creditor's overall Established Scheme Liability (if any). Subject to Clauses 7.5.50 to 7.5.55, a Scheme Creditor shall become an Offset Scheme Creditor if the Liquidators determine that no overall Established Scheme Liability is due to such person by the Company under this Clause 7.5.48 or, if relevant, the Scheme Adjudicator makes a determination to that effect under Clause 7.5.53.

7.5.50 For the avoidance of doubt, in calculating a Scheme Creditor's overall Established Scheme Liability in accordance with Clause 7.5.48, the Liquidators shall be entitled to take into account, for the purpose of effecting the set off referred to in that Clause, any reinsurance claims which the Company may have against a Scheme Creditor in respect of the Agreed Liabilities (if appropriate), Outstanding Losses and Projected Claims in the amounts calculated under this Part 7 (including, in particular, by the application of the principles, policies and assumptions comprised within the Estimation Methodology).

7.5.51 Each Scheme Creditor may, by notice in writing under Clause 7.8 to be received by the Liquidators within 20 Business Days after deemed receipt by the Scheme Creditor of the written notice sent to them, object to the amount calculated in accordance with Clause 7.5.48. In so far as the law allows, such objection may only (save in the case of the purported offset by the Liquidators, pursuant to Clause 7.5.50, of an alleged reinsurance claim by the Company as described in that Clause) be on the grounds of mathematical or other manifest error. The Scheme Creditor shall give full reasons for such objection. Such Scheme Creditor shall not object to the principles, policies or assumptions comprised within the Estimation Methodology or its application to its Scheme Claim. If no objection has been received by the Liquidators from the relevant Scheme Creditor within the above 40 Business Day period, the amount notified to such Scheme Creditor in accordance with Clause 7.5.48 shall be fixed as the Scheme Creditor's overall Established Scheme Liability.

7.5.52 In the event that the Liquidators agree with the objections of a Scheme Creditor received within the period referred to in Clause 7.5.51, the Liquidators shall provide the relevant Scheme Creditor with written confirmation of the agreed valuation of his overall Established Scheme Liability and such valuation shall constitute the Scheme Creditor's Established Scheme Liability for the purposes of the Scheme.

7.5.53 In the event that the Liquidators do not agree with the objections of the Scheme Creditor received within the period allowed by Clause 7.5.51, and

agreement cannot be reached between the Liquidators and the Scheme Creditor within 40 Business Days of the receipt of the objection under Clause 7.5.51, the disputed matter (which shall be limited to a dispute on the grounds of arithmetical or other manifest error) and all relevant information and documents shall be referred to a Scheme Adjudicator to be adjudicated upon in accordance with Clause 7.6 and the Liquidators shall notify the Scheme Creditor of their proposed choice of Scheme Adjudicator.

7.5.54 The relevant Scheme Creditor may within 20 Business Days of deemed receipt of the notice referred to in Clause 7.5.52 object to the Liquidators' proposed choice of Scheme Adjudicator by delivering a notice of objection pursuant to Clause 7.8 containing full reasons for their objection and identifying their preferred choice of Scheme Adjudicator. If an agreement as to the identity of a Scheme Adjudicator cannot be reached between the Scheme Creditor and the Liquidators within 20 Business Days of receipt of such notice of objection by the Liquidators, the Liquidators shall request that the President of the Law Society from time to time appoint a Scheme Adjudicator. For the avoidance of doubt, if the Scheme Creditor concerned does not give a notice of objection within 20 Business Days of deemed receipt of the notice from the Liquidators under Clause 7.5.52, the Liquidators' proposed choice of Scheme Adjudicator shall be binding on the relevant Scheme Creditor.

7.5.55 The amount determined by the adjudication of the Scheme Adjudicator under Clause 7.5.53 shall be binding upon the Company, the Liquidators, the relevant Scheme Creditor and all Scheme Creditors and shall be that Scheme Creditor's overall Established Scheme Liability.

7.5.56 Upon determination under this Part 7 of all of a Scheme Creditor's Established Scheme Liabilities, those Established Scheme Liabilities shall constitute the Company's total aggregate liability to the Scheme Creditor concerned.

7.6 Determination of Disputed Matters and Suspended Scheme Liabilities by a Scheme Adjudicator

7.6.1 Without prejudice to the generality of the foregoing, in referring:

- (a) any Disputed Matter to a Scheme Adjudicator in accordance with Clause 7.5.53; or
- (b) any dispute as to the Liquidators' designation of a Notified Scheme Claim as a Suspended Scheme Liability under Clause 7.5.41 (but only in this latter case to the extent the Liquidators deem appropriate).

the Liquidators will provide to a Scheme Adjudicator a copy of the relevant Claim Forms and Supporting Information and a copy of any other notice, statement or correspondence relating to the Disputed Matters or Suspended Scheme Liability (as the case may be). A Scheme Adjudicator shall have full and unrestricted access to all of the Company's and Liquidators' records and

information and work product in the possession or under the control of the Liquidators which such Scheme Adjudicator considers is needed in order to resolve the Disputed Matters or the matters in dispute as to the designation of the Suspended Scheme Liability (as the case may be).

7.6.2 In relation to any matter which is referred to a Scheme Adjudicator:

- (a) a Scheme Adjudicator shall consider the papers and documents before him and shall, within 40 Business Days of receipt of the records and information referred to in Clause 7.6.1, send a notice in accordance with Clause 7.8 to the person concerned stating whether he requires further written explanations, documents, data or information from the Scheme Creditor, the Liquidators or the Company, in which case the relevant person or persons shall, within 40 Business Days after receipt of such request, provide such Scheme Adjudicator with the required written explanation, documents or data or information. In no circumstances whatsoever shall the Scheme Creditor (or their duly authorised representative) be entitled to appear before and address such Scheme Adjudicator on any matter and any submissions which the Scheme Creditor or the Liquidators (or their duly authorised representatives) shall be entitled under the terms of this Clause 7.6 to make shall be made solely in writing;
- (b) a Scheme Adjudicator shall be entitled to prescribe and lay down such procedures or provisions as he in his discretion deems appropriate for the purposes of assisting him in reaching his decision and shall be entitled to call upon any party to the adjudication for such written explanation, evidence, documents, data and information as he may require. In no circumstances shall such Scheme Adjudicator request submissions to be made by the Liquidators, a Scheme Creditor (or their duly appointed representative) otherwise than in writing;
- (c) Without prejudice to the generality of Clause 7.2.5: (i) in relation to adjudicating upon Disputed Matters and disputes concerning the designation of Suspended Scheme Liabilities under this Part 7, a Scheme Adjudicator shall, if appropriate, consult with such advisers, including US coverage attorneys, other legal advisers and experts as he may deem appropriate, including for the purpose of obtaining legal advice or legal opinion in connection with any Disputed Matters or matters in dispute regarding the designation of Suspended Scheme Liabilities;
- (d) if, after the expiry of 40 Business Days from the deemed receipt of the request for further information pursuant to Clause 7.6.2(a), some or all of the requested information has not been provided then a Scheme Adjudicator shall make such determination as he sees fit on the basis of the information then available to him; and

- (e) in the event that the Scheme Creditor concerned considers that a Scheme Adjudicator has a conflict of interest in relation to any matter referred to him under this Part 7, the Scheme Creditor shall within 20 Business Days of deemed receipt of a notice of referral in accordance with Clause 7.5.21 notify the Liquidators of such conflict and its nature whereupon the provisions of Clause 7.2.4 shall apply.

7.6.3 A Scheme Adjudicator's powers under this Clause 7.6.3 shall:

- (a) be to determine any issues of fact or law directly or indirectly necessary to adjudicate on any Disputed Matters and the designation of Suspended Scheme liabilities (to the extent the Scheme Adjudicator has been unsuccessful in obtaining any agreement in respect of the same between the Liquidators and the relevant Scheme Creditor); and
- (b) not include adjudicating upon any disputes as to (i) the principles, policies or assumptions comprised within the Estimation Methodology or the application of such principles, policies or assumptions to the Disputed Matters and (ii) any amounts of Notified Scheme Claims, except as a consequential result of his adjudication of matters of fact and law referred to in Clause 7.6.3(a) (with the exception of any Non Insurance/reinsurance Scheme Claim, the amount in respect of which the Scheme Adjudicator shall be entitled to determine upon having adjudicated any Disputed Matters relating to such Scheme Claim).

7.6.4 Subject to Clause 7.8.8, the Scheme Adjudicator shall, before the expiration of 40 Business Days from the date on which he receives the records and information and work product referred to in Clause 7.6.1, certify in writing to the Liquidators and to the Scheme Creditor concerned pursuant to Clause 7.8 his determination in respect of the Disputed Matters concerning the Notified Scheme Claim. In no circumstances shall the amounts (discounted, where appropriate) of such adjudicated liabilities as are referred to in this Clause 7.6.4 exceed the relevant amounts notified by the Scheme Creditor in their Claim Form and Supporting Information pursuant to Clauses 7.5.7 and (if appropriate) 7.5.18.

7.6.5 In determining the Disputed Matters in relation to a Notified Scheme Claim, or the matters in respect of which the Liquidators designated such Notified Scheme Claim as a Suspended Scheme Liability, a Scheme Adjudicator shall act as expert and not as arbitrator. A certificate given by a Scheme Adjudicator in relation to a Notified Scheme Claim or a Suspended Scheme Liability under Clause 7.6.4 shall be final and binding on the Company, the Liquidators, the relevant Scheme Creditor and all Scheme Creditors in so far as the law allows. Except as required by law or in the case of any mathematical or other manifest error, no Scheme Creditor nor the Liquidators shall have any right to appeal therefrom or any claim against the Scheme

Adjudicator in respect thereof. Once such certificate has been given the provisions of Clauses 7.5.53 to 7.5.55 shall then apply.

- 7.6.6 At the time of the giving of any such certificate as is referred to in Clause 7.6.4 above in relation to a Notified Scheme Claim or Suspended Scheme Liability, a Scheme Adjudicator may make such directions in respect of his reasonable remuneration and in respect of the costs, charges and expenses reasonably incurred by him, by the Liquidators, or by the Scheme Creditor or Scheme Creditors concerned, as he shall think just.
- 7.6.7 If a Scheme Adjudicator shall direct that any such reasonable remuneration, costs, charges and expenses be paid by the Liquidators the same shall forthwith be paid in full by the Liquidators out of the assets of the Company as Liquidation Expenses.
- 7.6.8 If a Scheme Adjudicator shall direct that any such reasonable remuneration, costs, charges and expenses be payable by a Scheme Creditor and the Scheme Creditor does not pay the same in full within 20 Business Days after such directions the Company shall pay any unpaid balance thereof in full out of its assets. In any such case, for the purposes of determining whether such Scheme Creditor is entitled to receive any payments pursuant to Clause 3.1 of the Scheme from the Company, they shall be treated as having received on account of all Established Scheme Liabilities in respect of which they are so entitled an amount equal to the unpaid balance so paid by the Company and the extent, if any, to which they are entitled to any payment pursuant to Clause 3.1 of the Scheme shall be reduced accordingly. Where the Scheme Creditor is not entitled to receive a payment pursuant to the Scheme or the amount of such remuneration, costs and expenses exceeds their entitlement to a payment under the Scheme, such amount or such excess shall be treated as a debt owed by the Scheme Creditor or Offset Scheme Creditors (as the case may be) to the Company.

7.7 Payment to Scheme Creditors

- 7.7.1 For the avoidance of doubt, any Scheme Creditors' Established Scheme Liability determined under this Part 7 shall be an Established Scheme Liability within the meaning of Clause 2.6 and shall be treated as such for all purposes of the Scheme, including the setting and receiving of Payment Percentages under Parts 2 and 3.
- 7.7.2 When the value of all, or virtually all, Scheme Claims has been determined following their agreement or, if necessary, adjudication (and subject to any claims in suspension), the Liquidators shall, as soon as reasonably possible thereafter, determine, with the consent of the Committee of Inspection, the date (the "**Final Substantive Closure Distribution Date**") on which the Company intends to pay (and subsequently does pay), subject to Clause 7.6.8, a final substantive closure distribution to Scheme Creditors with Established Scheme Liabilities at the Final Substantive Closure Distribution Date. The final substantive closure distribution in respect of each Scheme Creditor will be comprised of a payment in respect of a final substantive closure Payment Percentage under Clause 3.2.1(b) (at a rate determined with the consent of the Committee of Inspection) (such amount being referred to in this Clause 7.7 as the "**Final Substantive Closure Distribution**").
- 7.7.3 The Liquidators may also, in their discretion, determine such date or dates ("**Ultimate Sweep Up Distribution Date**") on which the Company shall, if the Liquidators deem it necessary and subject to Clause 7.6.8, pay an amount by way of secondary distribution to all Scheme Creditors with Established Scheme Liabilities being an amount ("**Ultimate Sweep Up Distribution**") equal to the final Payment Percentage (under Clause 3.2.1(b)), which calculation of the Payment Percentage shall take into account, for the avoidance of doubt, any sums accruing from the settlement of any Suspended Scheme Liabilities, Unclaimed Distributions and any assets received after the Final Substantive Closure Distribution Date and after reserving for all Liquidation Expenses involved in making a Ultimate Sweep Up Distribution and all closing costs of the Scheme and the dissolution of the Company and amounts required to be put aside or placed in trust in accordance with Clause 8.2.2 and for satisfying all continuing obligations of the Company and Liquidators under the Scheme (notwithstanding the termination of the Scheme) which the Liquidators consider it is prudent to make.
- 7.7.4 For the avoidance of doubt, in declaring and paying any Final Substantive Closure Distribution and/or Ultimate Sweep Up Distribution, the Liquidators shall be entitled to make such reserves for present and future Liquidation Expenses as they see fit.
- 7.7.5 The Payment Percentage of the Final Substantive Closure Distribution and Final Substantive Closure Distribution Date shall be notified to the Scheme Creditors once by advertisement in each of those newspapers and publications

in which notice of the Scheme Meeting was advertised. Such Final Substantive Closure Distribution Date shall be no earlier than 40 Business Days after the Final Substantive Closure Distribution Date was so advertised in the last such newspaper or journal.

7.7.6 If a Scheme Creditor to whom a cheque for distribution has been dispatched in accordance with Clause 2.9, in respect of a Final Substantive Closure Distribution and/or Ultimate Sweep Up Distribution, has not presented it for payment within 130 Business Days from the date the cheque is issued then the sums representing such unclaimed distributions ("**Unclaimed Distributions**") shall in the absolute discretion of the Liquidators and at such time as they deem appropriate, either be repaid into the assets of the Company to be made available to its Scheme Creditors (subject to the provisions of Clause 7.8.5) or be donated to The Insurance Charities (registered charity number 206860 and Company Registration Number 74461) (or to their order) and the Scheme Creditor concerned shall be deemed to have waived its right to the Unclaimed Distribution. The Liquidators may do any act or thing or enter any arrangements to give effect to this Clause 7.7.6.

7.7.7 This Clause 7.7.7 applies for the purpose of determining the relevant date for currency conversion in relation to set-off or cross claims for all purposes relating to the calculations of the Liquidators under this Part 7. For such purpose, in determining the value of any set-off or cross-claim that is expressed in a currency other than the relevant Scheme Claim the currency of payment provision at Clause 2.8.2 shall apply with the following modification. The relevant date for the Liquidators' acceptance or other determination that set-off or cross-claim is available (being the date on which the appropriate rate of exchange shall be selected) shall, in the absence of agreement or contractual provision as referred to in Clause 2.8.2, be the Valuation Date.

7.7.8 If any currency in which a Scheme Claim is denominated has ceased to be legal tender at the date of any payment to a Scheme Creditor or set-off under the Scheme, then, subject to the Scheme Creditor's right to make an election under Clause 2.8.1, the following provisions shall apply. In the case of any such liability being denominated in a currency which has been superseded by the Euro, the amount of such liability (and any amount payable under the Scheme in relation to such liability) will be calculated in accordance with the relevant measures of the European Council relating to the change-over operation of a single European currency. The conversion rate to be applied to determine any other such liability or payment shall be at the Liquidators' reasonable discretion.

7.8 Communications under this Part 7 and extension of time limits

7.8.1 Notwithstanding any provision in the Scheme (but subject to the provisions of Clause 7.8.6) for the purposes of this Part 7, any information, forms, statements, documents, notices or other written communications required to be

or capable of being given or sent under this Part 7 (including any Claim Form and Supporting Information) to individual Scheme Creditors, the Company, the Liquidators, the Actuarial Adjudicator, or a Scheme Adjudicator (as the case may be) may be given either:

- (a) by delivering the same by hand (including by courier); or
 - (b) by posting the same by first class post or airmail, as appropriate,
- in each case
- (i) in the case of the Scheme Creditors, to such Scheme Creditor's last known address of which the Liquidators are aware;
 - (ii) in the case of the Company or the Liquidators, to:

The Liquidators
Pacific & General Company Limited (in Liquidation)
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU
United Kingdom;

or such other address as the Liquidators may notify to Scheme Creditors for the purpose of this Clause 7.8;
 - (iii) in the case of the Scheme Adjudicator, to the address of the relevant Scheme Adjudicator appointed in accordance with the relevant provisions of this Part 7;
 - (iv) in the case of the Scheme Actuary, to Grant Thornton UK LLP
30 Finsbury Square, London EC2P 2YU, United Kingdom marked for the attention of Simon H Sheaf; and
 - (v) in the case of the Actuarial Adjudicator, to EMB Consultancy LLP
Saddlers Court, 64-74 East Street, Epsom, Surrey KT17 1HB,
United Kingdom marked for the attention of Steve Mathews.

7.8.2 Any notice (except such notice as is referred to in Clause 7.5.2(a)) to be given under or in relation to this Part to Scheme Creditors generally will be deemed to have been duly given to Scheme Creditors if it is advertised once in each of those newspapers and other publications in which the notice of the Scheme Meetings was advertised.

7.8.3 Any such information, forms, statements, documentation, notices or other communication referred to in Clause 7.8.1 to be given under this Part shall be deemed to have been served and received;

- (a) if delivered by hand or by courier pursuant to Clause 7.8.1(a), at the time of such delivery;
 - (b) if sent by post pursuant to Clause 7.8.1(b), on the second Business Day after posting if the recipient is in the country of dispatch, otherwise on the seventh Business Day after posting; and
 - (c) if advertised, when advertised in accordance with 7.8.2.
- 7.8.4 Subject to Clause 7.8.5, in proving service by post the party seeking to rely upon such effective service must supply reasonable proof of having placed into the post a properly stamped and addressed envelope containing the relevant notice, statement, documentation, information, form or other written communication.
- 7.8.5 The accidental omission by the Liquidators to send or make available any notice, written communication or other document in accordance with this Part 7 (including the notice referred to in Clause 7.5.2 and Claim Form), or the non receipt of the same by any Scheme Creditor shall not affect the provisions or operation of the Scheme either generally or with regard to the particular Scheme Creditor and where such accidental omission results in a Scheme Creditor being disqualified from receiving any payments in respect of the whole or any part of their Scheme Claim under the Scheme, such Scheme Creditor although bound by the terms of the Scheme shall not be entitled to participate in any distributions that may be paid to Scheme Creditors in respect of that Scheme Claim.
- 7.8.6 For communication purposes only, the Liquidators may, at their discretion, treat those acting on behalf of Scheme Creditors in the ordinary course (including, but not limited to professional advisers, managing general agents, the managers of underwriting pools, the holders of line slips or binding authorities or similar representative bodies ("**Representatives**") on the basis that those Representatives are fully authorised to represent the Scheme Creditor concerned. Further, the Liquidators may in their absolute discretion treat those Representatives as if they were a single Scheme Creditor or, as the case may be, Offset Scheme Creditor in place of their principal or principals.
- 7.8.7 Where under this Part 7, the consent or agreement of the Committee of Inspection is required, such consent or agreement shall be deemed to have been given if a majority in number of the Committee of Inspection so consent.
- 7.8.8 Except in relation to the Bar Date, the Liquidators may, in their absolute discretion, at the request of a Scheme Creditor or otherwise, either generally or in respect of any particular Notified Scheme Claim, Projected Claim or Suspended Scheme Liability, extend any time period referred to in Part 7:
- (a) Within which the Liquidators are required to refer Disputed Matters in relation to a Notified Scheme Claim or the designation of Suspended

Scheme Liabilities to the Scheme Adjudicator pursuant to Clauses 7.5.22, 7.5.23, 7.5.39, 7.5.40 and 7.5.46 (as the case may be);

- (b) Within which the Scheme Adjudicator is to provide his certificate pursuant to Clause 7.6.4; and
- (c) Within which the Actuarial Adjudicator is to provide his certificate pursuant to Clause 7.5.34.

7.8.9 If at any time before the Bar Date, there has been a substantive failure of the Website and/or a major disruption of the postal service, in the reasonable opinion of the Liquidators, then they may in their absolute discretion extend the Bar Date to such date as they deem appropriate. The Liquidators shall notify all Scheme Creditors of the date of the extended Bar Date by advertising once in those newspapers and journals in which notice of the Scheme Meetings was given.

PART 8 - DURATION OF THE SCHEME

8.1 Termination events

8.1.1 The Scheme shall terminate if:

- (a) all the liabilities of the Company have been discharged in full; or
- (b) the Liquidators, after consulting with the Committee of Inspection, give notice in writing to the Company at its registered office that, after due enquiry, they have concluded that the Scheme is no longer in the interests of the Scheme Creditors.

8.1.2 Upon termination of the Scheme 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 any right to an indemnity out of the assets of the Company 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
- (b) as soon as practicable following termination, the Liquidators shall cause notices stating that the Scheme has terminated to be placed in such newspaper as the Liquidators consider appropriate for one day a week for three consecutive weeks following such termination.

8.1.3 In the event of a conflict or inconsistency between the provisions of the Scheme and the Applicable Insolvency Law as it applies to the Company, for the purposes of the Scheme the provisions of the Scheme shall, in so far as the law allows, prevail.

8.2 Releases

- 8.2.1 Subject to Clause 8.2.5, with effect from the Final Substantive Closure Distribution Date, any then existing or former Liquidators, the Scheme Actuary, a Scheme Adjudicator, the Actuarial Adjudicator, members of the Committee of Inspection, Employees and Delegates, the Superintendent of Insurance for the State of New York, and any person who may be held liable in law for the actions or omissions of such persons in each case in their capacity as such (collectively referred to as the "**Released Parties**") shall be released absolutely and unconditionally from any claims by any Scheme Creditor howsoever relating to the Released Parties, save those notified in writing to the Liquidators (who shall act as agent for service in respect of claims against third parties (but without attracting any liability in so doing)) by that date, in respect of any loss or liability relating to or arising out of any act done or omitted to be done in the course of or in connection with the

preparation, implementation, administration and operation of the Scheme, or the exercise by any of the Released Parties of any power, right, duty or obligation conferred upon it or him thereunder howsoever or wheresoever caused and whether any such claims are attributable to his or her negligence, default, breach of duty or breach of trust (but not fraud or dishonesty). For the avoidance of doubt, in this Clause 8.2 Scheme Creditors includes Offset Scheme Creditor.

- 8.2.2 In relation to any claim or potential claim against any of the Released Parties whether or not notified prior to the Final Substantive Closure Distribution Date under Clause 8.2.1, the Company will (in consultation with the Committee of Inspection) set aside or place in trust, at such time as they see fit, such sums by way of reserves as are deemed appropriate to meet any obligation that it may at some future date have to pay. Any amounts so set aside or placed in trust which, in the Liquidators' opinion, are not required to meet any such obligation, shall be available for distribution to Scheme Creditors pursuant to the Scheme. The Company may, with the approval of the Committee of Inspection (such approval not to be unreasonably withheld or delayed) purchase and maintain for the benefit of the Released Parties insurance against any liability, which it might incur notwithstanding the release in Clause 8.2.1 above or any liability that they might incur in relation to fulfilling its functions under the Scheme howsoever arising, save in respect of any such Released Parties' 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.
- 8.2.3 Subject to Clause 8.2.5, each of the Scheme Creditors and Offset Scheme Creditors hereby authorises any one of the Liquidators (acting alone) to enter into, execute and deliver as a deed on behalf of each such Scheme Creditor the Deed of Release in substantially the form at Appendix B between the Scheme Creditors and Offset Scheme Creditors and the Liquidators on the one hand and each of the Released Parties on the other.
- 8.2.4 Subject to Clause 8.2.5, on the Final Substantive Closure Distribution Date (or as soon as practicable thereafter), the Liquidators shall cause one of their number to enter into and deliver the Deed of Release on behalf of all Scheme Creditors and Offset Scheme Creditors pursuant to the authority conferred by Clause 8.2.3.
- 8.2.5 For the purposes of Clauses 8.2.1, 8.2.3 and 8.2.4, Released Parties shall include any third party retained to assist or advise in relation to those matters referred to in Clause 8.2.1 and to the extent only of such advice or assistance. For the avoidance of doubt, such third party shall not have the benefit of Clause 8.2.2, any indemnification under the Scheme nor shall they be released from any claim the Company may have.

PART 9 - GENERAL SCHEME PROVISIONS

9.1 Effective Date

- 9.1.1 The Scheme shall become effective as soon as a copy of the order of the Court sanctioning the Scheme shall have been delivered for registration to the Registrar of Companies in England and Wales as required by section 425(3) of the Companies Act (the "Effective Date").

9.2 Liquidation Expenses

- 9.2.1 There shall be paid in full out of the assets of the Company (and notwithstanding the termination of the Scheme):
- (a) all outstanding costs, charges, expenses and disbursements reasonably incurred by the Company on or after the Petition Date, but prior to the Effective Date, in connection with the liquidation of the Company generally, as well as in connection with the negotiation, preparation and implementation of the Scheme, including the costs of holding the meeting of its Scheme Creditors convened to consider the Scheme and the costs of obtaining the sanction of the Court;
 - (b) all costs, charges, expenses and disbursements incurred by the Company in the course of carrying out the Scheme and of complying with the provisions of the Companies Act (including convening the Scheme Meeting);
 - (c) insofar as they do not fall within Clause 9.2.1(a) and (b), and all costs, charges, expenses, and disbursements incurred by, and the remuneration of, the Liquidators and/or any similar officeholder appointed to the Company, to the extent that such costs, charges, expenses, disbursements and remuneration are referable to the affairs of the Company; and
 - (d) insofar as it does not fall within Clauses 9.2.1(a) or (c), any sum which the Company is obliged to pay by reason of the obligations imposed on it by Clauses 5.3.5, 5.3.6, 5.3.7, 6.3.2, 6.3.3 and 6.3.4 and Part 7; and
 - (e) the costs of placing the notices required by Clause 8.1.2(b).

9.3 Modification of the Scheme

- 9.3.1 The Company may, at any hearing to sanction the Scheme, consent on behalf of all those concerned to any modification of the Scheme or any terms or conditions which the Court may think fit to approve or impose and which would not directly or indirectly have a materially adverse effect on the interests of any Scheme Creditor under the Scheme.

9.4 Notice

Save as provided for in Clause 7.8, any notice to be given to the Company under or in relation to this Scheme shall be given in writing and shall be deemed to have been duly given if it is delivered by hand or sent by pre-paid first class post, and by air mail where it is addressed to a different country from that in which it is posted, to:

The Liquidators
Pacific & General Insurance Company Limited (in Liquidation)
Grant Thornton UK LLP
30 Finsbury Square
London EC2P 2YU
United Kingdom;

(or at such other address as the Liquidators may notify to Scheme Creditors for the purpose of this Clause 9.4 in such newspaper as the Liquidators consider appropriate for one day a week for three consecutive weeks), and any notice posted as aforesaid shall be given also by telefax to the Company at such address and shall be deemed to have been given on the second (or, if by airmail, the seventh) Business Day following the date on which it is posted.

9.5 Governing law and jurisdiction

The Scheme shall be governed by, and construed in accordance with, English law and the Scheme Creditors hereby agree that the Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which may arise out of the Explanatory Statement or any provision of the Scheme, or 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 provided, however, that nothing in this Clause 9.5 shall affect the validity of other provisions determining governing law and jurisdiction as between the Company and any of the Scheme Creditors, whether contained in any contract or otherwise.

9.6 Third Party Rights

Without prejudice to the terms of the Deed of Release, nothing in the Scheme, or the Explanatory Statement gives any person any right to enforce any terms of the Scheme other than as provided for by the Contracts (Rights of Third Parties) Act 1999.

Dated 25 March 2008

APPENDIX A
NOTICE OF MEETING OF SCHEME CREDITORS

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

No. 9163 of 2007

IN THE MATTER OF PACIFIC & GENERAL INSURANCE COMPANY LIMITED
(IN LIQUIDATION)

AND IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that by an order dated 17 January 2008 made in the High Court of Justice of England and Wales (the "Court") in the above matter, a meeting was ordered to be convened of the Scheme Creditors (as defined in the Scheme of Arrangement hereinafter mentioned) (the "Meeting") of the above named company ("P&G") for the purposes of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between P&G and its Scheme Creditors (the "Scheme").

The Meeting will be held on 9 June 2008 at Chartered Insurance Institute, commencing at 12 noon (London time). Registration will commence at 10 a.m. (London time).

All Scheme Creditors are requested to attend the Meeting either in person or by proxy. Scheme Creditors may vote in person at the Meeting or may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place.

The chairman of the Meeting will address Scheme Creditors generally on the Scheme and on issues relevant to voting immediately prior to the commencement of the Meeting.

A Form of Proxy and Voting Form for use at the said Meeting is enclosed with this Notice. Scheme Creditors are requested to lodge the completed Form of Proxy and Voting Form with LCL Insurance Services Limited, Cornhill House, 32 Cornhill, London EC2V 3SG, England, United Kingdom, Fax: +44 (0) 207 623 4352 or E-mail: pacific.general@lcl-group.com, marked for the attention of Michael Tolhurst, by no later than 5 p.m. (London time) on 6 June 2008. Forms may also be handed in at the registration desk prior to the commencement of the Meeting. Faxed and e-mailed Forms of Proxy and Voting Forms will be accepted only if legible but Scheme Creditors are requested to send the originals, to be received by LCL Insurance Services Limited at the above address by no later than 5 p.m. (London time) on the date which falls 7 days after the Meeting.

A copy of the statement required to be provided to creditors pursuant to section 426 of the Companies Act 1985 is enclosed with this notice. Copies of this document, as well as the

Scheme and blank Forms of Proxy and Voting Forms may be obtained by attending at Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU, or on written application to such address, marked for the attention of Edward Walker or Christopher Farmer during normal business hours on any day (other than a Saturday or Sunday or public holiday) prior to the day appointed for the said Meeting. They may also be downloaded and printed from the website www.gt-pandg.com.

You are entitled to vote against the Scheme as proposed and/or attend on the hearing of the petition to sanction the Scheme, should it be approved by the requisite majority of Scheme Creditors, to voice any objections to the Scheme.

The Court has appointed Ipe Jacob or, failing him, Richard Graham White, to act as chairman of the Meeting and has directed the chairman of the Meeting to report the result of the Meeting to the Court.

If approved by the requisite majorities of Scheme Creditors, the Scheme will be subject to the subsequent approval of the Court. Any policyholder who has any questions concerning the action he is required to take should contact Ipe Jacob and Richard Graham White, Joint Liquidators of P&G at Grant Thornton UK LLP, 30 Finsbury Square, London EC2P 2YU.

DATED 25 March 2008

Clifford Chance LLP
10 Upper Bank Street
London
E14 5JJ
United Kingdom

APPENDIX B
DEED OF RELEASE

Dated [●]

THE LIQUIDATORS OF
PACIFIC & GENERAL INSURANCE COMPANY LIMITED (IN LIQUIDATION)

- and -

THE SCHEME CREDITORS

- and -

THE RELEASED PARTIES

DEED OF RELEASE

THIS DEED is made the [●] day of [●][●]

BETWEEN:

- (1) **EACH SCHEME CREDITOR** of the Company, acting by any one of the Liquidators, acting as agent pursuant to the authority conferred upon the Liquidators by the Scheme Creditors under Clause 8.2.1 of the Scheme;
- (2) **EACH OF THE RELEASED PARTIES**, as defined in Clause 8.2 of the Scheme, acting in the following capacities, as appropriate:
 - (a) on their own behalf;
 - (b) subject to the following, as trustee for any corresponding former Released Party;
 - (c) in the case of the Liquidators, (i) as agent for each Scheme Creditor pursuant to Clause 8.2 of the Scheme for the purpose of giving the releases in favour of the Released Parties and (ii) as trustee for any Released Party as defined in Clause 8.2 of the Scheme which is not expressly identified in this parties Clause;
 - (d) in the case of any former member of the Committee of Inspection, by one current member of the Committee of Inspection acting on their behalf; and
 - (e) [●] and [●] as trustee on behalf of current and former Employees and Delegates, respectively.

WHEREAS:

- (A) Pursuant to Clause 8.2 of the scheme of arrangement (the "Scheme") proposed in relation to the Company pursuant to Section 425 of the Companies Act 1985, which Scheme became effective on *[insert Effective Date of Scheme]* each Scheme Creditor has authorised any one of the Liquidators to enter into and execute and deliver this Deed on its behalf.
- (B) The Released Parties, have agreed to enter into and execute and deliver this Deed on their own behalf and, where stated, as trustee on behalf of certain of the Released Parties on the terms set out below.

THE PARTIES AGREE as follows:

PART 1 - INTERPRETATION

- 1.1 Terms defined in the Scheme shall have the same meaning in this Deed. The term "Company", as used in this Deed, shall mean Pacific & General Insurance Company Limited (in Liquidation).
- 1.2 In this Deed, unless the context otherwise requires or expressly provides:

- (a) references to any Clause, without further designation, unless the context otherwise requires, shall be construed as a reference to the Clause of this Deed so numbered;
- (b) section headings, the front cover of this Deed and the headings are for convenience only and shall not be taken into account in the interpretation of this Deed;
- (c) reference to any Act, statute or statutory provision shall include a reference to that provision as amended, re-enacted or replaced from time to time whether before or after the date of this Deed and any former statutory provision replaced (with or without modification) by the provision referred to;
- (d) words importing the plural shall include the singular and vice versa; and
- (e) references to a person includes a reference to any body corporate, unincorporated association or partnership and to that person's legal personal representatives or successors.
- (f) for the avoidance of doubt, a person who at any time is treated under any provision of the Scheme as a Scheme Creditor shall be bound by the releases in Clauses 2.1 of this Deed and 8.2 of the Scheme notwithstanding that he shall have become an Offset Scheme Creditor under Clauses 7.5.47 to 7.5.54 of the Scheme.

PART 2 - RELEASES

- 2.1 In consideration of the payment of £1 (receipt of which is hereby acknowledged), the Liquidator who executes this Deed on behalf of the Scheme Creditors and each of them pursuant to the authority conferred on him by Clause 8.2 of the Scheme, hereby releases on behalf of such Scheme Creditors:
 - 2.1.1 the Released Parties absolutely and unconditionally from any claims that the Scheme Creditors (or any of them) have or may have howsoever attaching to any such Released Party, save those notified in writing to the Liquidators before the Final Substantive Closure Distribution Date pursuant to Clause 8.2 of the Scheme:
 - (a) in respect of any loss or liability relating to or arising out of any act done or omitted to be done in the course of or in connection with the preparation, implementation, administration and operation of the Scheme; and
 - (b) in respect of the exercise by any Released Party of any power, right, duty or obligation conferred upon that Released Party.
 - 2.1.2 the existing and former members of the Committee of Inspection absolutely and unconditionally from any claims that the Scheme Creditors (or any of

them) have or may have howsoever attaching to any such persons, save those notified in writing to the Liquidators before the Substantive Closure Distribution Date pursuant to Clause 8.2 of the Scheme:

- (a) in respect of any loss or liability relating to or arising out of the implementation of the Scheme and their role as members of the committee of inspection established under the Applicable Insolvency Law (as defined under the Scheme); and
- (b) in respect of the exercise by any such person of any power, right, duty or obligation conferred upon that person thereunder,

in each case howsoever or wheresoever caused and whether any such claims are attributable to that Released Party's negligence, default, breach of duty or breach of trust (but not fraud or dishonesty) to the intent and effect that such releases shall operate in favour of and be enforceable by all or any Released Party.

- 2.2 For the avoidance of doubt the releases conferred under Clause 2.1 shall be conferred on, in the case of Clause 2.1.1, any Released Party (as defined in Clause 8.2 of the Scheme) and, in the case of Clause 2.1.2, any existing or former member of the Committee of Inspection whether or not such a party is specifically named as a party to or executes this Deed.

PART 3 - FURTHER ASSURANCE

Each party shall at its own cost do and execute or procure to be done and executed all necessary acts, deeds, documents and things reasonably within its power to give effect to this Deed.

PART 4 - CONFLICT

This Deed is expressly intended to supplement the Scheme in relation to the releases to be given by Scheme Creditors to Released Parties. If at any time there shall be any conflict between the provisions of this Deed and the provisions of the Scheme, the provisions of this Deed shall prevail.

PART 5 - THIRD PARTIES

- 5.1 The parties to this Deed agree that the Contracts (Rights of Third Parties Act) 1999 shall apply with respect to the benefits this Deed confers on the Released Parties. For the avoidance of doubt, such Act shall apply to any Released Party whether or not such a party is specifically named as a party to this Deed.
- 5.2 Should any party to this Deed be acting as agent or trustee on behalf of another person and that agent or trustee is determined to be not so duly authorised so to act or if their agency or trusteeship is otherwise terminated or retrospectively or prospectively declared invalid for any reason, the provisions of this Deed shall continue to operate and take effect as though they were so duly authorised.

PART 6 - LIQUIDATORS

- 6.1 This Deed is entered into by the Liquidator who executes it on behalf of the Scheme Creditors and each of them pursuant to the authority conferred upon that Liquidator under Clause 8.2 of the Scheme.
- 6.2 The Liquidators have also entered into this Deed:
- (a) on their own behalf; and
 - (b) as trustee on behalf of the persons referred to at Recital (2)([•]) to this Deed.
- 6.3 The Liquidators shall incur no personal liability, either by entering into this Deed or their acting in any capacity referred to herein. Nothing in this Deed shall operate to restrict or affect in any way any right of the Liquidators to an indemnity or assurance to which by law they are entitled.

PART 7 - COUNTERPARTS

This Deed may be executed in two or more counterparts, each of which shall be deemed to be an original and which together shall constitute one and the same instrument.

PART 8 - ASSIGNMENT

This Deed shall not be assignable.

PART 9 - GOVERNING LAW

This Deed shall be governed by and construed in accordance with English law. The parties hereby agree that the English Court shall have exclusive jurisdiction to hear and determine any suit, action or proceeding and to settle any dispute which may arise out of this Deed.

IN WITNESS of which this Deed has been duly executed and delivered on the date first appearing on this Deed.

[TO BE EXECUTED AND DELIVERED as
a deed by each of the **SCHEME**
CREDITORS and RELEASED PARTIES
in the manner and capacity referred to in the parties clause herein.]

APPENDIX C

SUMMARY OF RECEIPTS AND PAYMENTS 17 OCTOBER 1984 - 31 DECEMBER 2007

RECEIPTS	TOTAL (£)
Reinsurance recoveries and collections	11,720,522.14
Interest received	2,473,989.57
Capital receipts	1,681,064.72
Receivership surplus	777,807.10
Other income	204,819.43
Pension Realisations	200,799.49
Corporation Tax Refunds	190,548.44
Ex-gratia receipt	179,400.82
Stock realisations	171,698.37
Deposits received	<u>84,000.00</u>
	<u>17,684,650.08</u>
 PAYMENTS	
Liquidators' Fees	5,090,219.30
Liquidators' Expenses	130,508.30
Legal Fees	2,813,693.15
Run-off Agents	1,824,933.72
Underwriters & Consultant fees	764,844.50
VAT	775,038.21
Contributions to legal costs	746,850.00
DTI payments	561,540.33
Agents' Fees	462,458.30
Tax on Interest	254,975.88
Other Payments	239,210.67
Security for costs	202,000.00
Professional Fees	119,405.00
Bank Charges	19,630.85
Petitioners' Costs	<u>3,913.95</u>
	<u>14,009,222.16</u>
 BALANCES IN HAND	<u>3,675,427.92</u>
 CASH AT BANK	<u>3,675,427.92</u>

APPENDIX D SPECIMEN VOTING FORM

Form of Specimen Voting Form for National Election

Vote Registration and First Form

1. Name of Voter: _____

2. Address: _____

3. Date of Birth: _____

4. Sex: _____

5. Marital Status: _____

6. Occupation: _____

7. Education: _____

8. Religion: _____

9. Political Party: _____

10. Signature: _____

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A glossary is available in the back of this document

[illegible]

PACIFIC AND GENERAL INSURANCE COMPANY LIMITED (IN LIQUIDATION)
("P&G")

INSTRUCTIONS FOR THE COMPLETION OF CLAIM FORMS

This document provides guidance on how to submit your Claim Form in the proposed scheme of arrangement "Scheme" under Section 425 of the Companies Act 1985 between Pacific and General Insurance Company Limited and its Scheme Creditors, as defined in the Scheme.

Please note that you should not submit your Claim Form until after you have been notified by the Liquidators that the Scheme has become effective.

Asserting your claim

You have been sent a Claim Form because you are believed to be a Scheme Creditor. In order to assert your claims against P&G and become entitled to receive dividend payments pursuant to the Scheme you are required to complete and return a Claim Form in accordance with these instructions and return it to the Liquidators on or before the Bar Date.

If the Liquidators do not receive a Claim Form from you on or before the Bar Date you will not be entitled to any dividend payment pursuant to the Scheme and will have no other right to payment by P&G in respect of any Scheme Claim. The Bar Date will be notified by separate letter, when known.

Included in the Claim Form pack are a number of forms as listed on the contents page. It is important that when you assert any claim you follow the instructions and ensure that it is correct and fair and is supported by appropriate evidence. The Liquidators request that you return this package by amending and returning the spreadsheet provided. Alternatively, you may request a paper copy of the Claim Form pack from the Scheme Claim Form Team.

For a detailed explanation of the Scheme and the reasons why the Liquidators are requesting that you complete the enclosed Scheme Claim Form please refer to the Scheme Document.

IT IS IMPORTANT that you carefully check the information provided before your submit your Claim Form.

The detailed information provided includes:

Form name	Action required	When
Claim Form	After the Scheme has become effective, the Liquidators will advise all creditors to submit	After the Effective Date and before the Bar Date. Claims submitted after

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A glossary is available at the back of this document

Form name	Action required	When
	their Claim Forms. Your Scheme Claims must be presented on a Claim Form.	the Bar Date, subject to the Liquidators' discretion, will not be admitted for dividend purposes.
Bank Details Form	If you require payment by Telegraphic Transfer, please complete your bank account details and submit this information with your Claim Form. If we do not receive these details payment will be made by cheque.	After the Effective date and before the Bar Date.
Summary extract data of P&G's records	Please review this summary information, which is an extract of data held in P&G's computer system. This information is provided to assist you with the completion of the Claim Form. It is for information purposes only, but does provide an indicator as to your anticipated claim against P&G. We recommend that you commence your reconciliation as soon as this information is received.	When received
Inward unpaid paid summary	This report provides, at Category of claim level, a summary of the Inwards unpaid paid report.	When received
Inward unpaid paid	Items that have been presented to P&G for settlement that have been agreed and which remain unpaid per your records.	When received
Inward outstanding summary	This report provides, at Category of claim level, a summary of the Inwards	When received

Form name	Action required	When
	outstanding report.	
Inward outstanding	This form is provided blank. It is for you to complete. Please provide, on an individual policy basis, details of each claim you currently have in your records as being outstanding from P&G.	After the Effective Date and before the Bar Date. Claim Forms submitted after the Bar Date, subject to the Liquidators' discretion, will not be admitted for dividend purposes.
Outward unpaid paid summary	This report provides a summary of the Outwards unpaid paid report.	When you submit your Claim Form.
Outward unpaid paid	This report is the detailed line by line analysis of the summary values entered on the data from P&G's records' report. This form shows your share of P&G's outward reinsurance protections and the current items that remain unpaid. These values will need to be entered on your Claim Form.	When you submit your Claim Form.
Outward outstanding summary	This report provides a summary of the Outwards outstandings report.	When you submit your Claim Form.
Outward outstanding	This form shows your share of P&G's outward reinsurance protections and the current outstanding advised to our brokers. These values will need to be entered on your Claim Form.	When you submit your Claim Form.
Inward contract listing	This is an extract of all inward contracts written by P&G protecting you.	<i>(This information is primarily provided for information purposes)</i>
Outward contract listing	This is an extract of all outward reinsurance contracts	<i>(This information is primarily provided for</i>

Form name	Action required	When
	placed by P&G with you.	<i>information purposes)</i>

Please note that details of any inward outstandings (outstanding claim advices presented by you to P&G) have not been included, as past analysis indicates that the Company's records for these items may not be up to date. These will be amended, as with all other data items, when your Claim Form becomes final and binding under the Scheme. To assist with completing the Claim Form, claims falling under the heading of Health Hazard include:

- Blood Factor HIV
- Hearing Loss
- Silicone/Breast Implants
- Exposure to Beryllium
- Exposure to Chemicals
- Exposure to Silica Dust
- Exposure to Agent Orange
- Use of Selacryn
- Use of Diethylstilbestrol (DES)
- Hull Blister

Estimates of the values of inward and outward Projected Claims have also not been included. Any outward Projected Claim, for offset purposes will be calculated by the Scheme Actuary in accordance with the Estimation Methodology.

Supporting Information when Returning the Claim Form Pack

In addition to the specific detailed information required in the Claim Form pack you must enclose additional detailed information to support any amendments you make to your Claim Form. This could include:

- policy and exposure information in connection with asbestos, pollution and health hazard claims,
- the model used to justify any estimate of IBNR you enter,
- information on the current development of large claims,
- any other information which you feel supports your claim against P&G, whether relating to an insured loss or a non-insurance claim.

Before returning the package you must complete the declaration at the bottom of the Claim Form. Please submit your completed claim form pack and supporting information to:

LCL Insurance Services Limited, Cornhill House, 32 Cornhill, London EC2V 3SG, United Kingdom;

or by email to

pacific.general@lcl-group.com

It is important that care is taken in completing Claim Forms. If a Claim Form is returned to the Liquidators for or on behalf of a Scheme Creditor, that Scheme Creditor will be deemed pursuant to the Scheme to have warranted that the information on it, or enclosed with it, is correct and fair and supported by appropriate evidence.

NOTE: FOR SECURITY REASONS, IF YOU WOULD LIKE DIVIDEND PAYMENTS TO BE MADE DIRECT TO YOUR BANK ACCOUNT, THE BANK DETAILS FORM MUST BE RETURNED UNDER COVER OF A LETTER ON HEADED STATIONERY.

The Claim Agreement Process

Once the Liquidators have received your completed Claim Form pack, the first step will be to agree the factual information you have provided.

Should your returned information not be agreed immediately the payment of any eventual dividend to you may be delayed as the Liquidators will need to investigate your claim. It is therefore in your interests to provide complete supporting information when initially asserting your claim. If, after investigation and discussion with you, your claim is still not agreed, it will be referred for adjudication, the results of which will be binding on both parties. Please note the Scheme Adjudicator has the power to award costs.

Projected Claims Valuation

Once all factual information has been agreed, or determined by adjudication, it becomes binding. The Scheme Actuary will then calculate any applicable estimation of liabilities in accordance with the Estimation Methodology set out in Appendix F to the Scheme.

The Valuation Statement

The Scheme Actuary will calculate your claim in accordance with the Estimation Methodology, taking into account any reinsurance or other set-off, Security Interests and the amount of any non-insurance claim you may have. This net total is your Established Scheme Claim due from the Company, which has been discounted to allow for the time value of money back to the Petition Date, 17 October 1984. A Valuation Statement will be sent to you setting out your Established Scheme Claim with a breakdown of the constituent elements. A Valuation Statement will only be subject to challenge on the grounds of manifest error.

If you have any queries regarding the proposed Scheme and associated forms then please contact the Scheme Claim Form Team at the Company.

Tel: +44 (0) 207 398 5600

E-mail: pacific.general@lcl-group.com

APPENDIX F
ESTIMATION METHODOLOGY

1. Scope and Purpose

- 1.1 This Estimation Methodology will be employed by the Scheme Actuary in the valuation of Scheme Claims referred to him by the Liquidators in accordance with the Scheme.
- 1.2 The Scheme Actuary will also estimate the value of a Scheme Creditor's Outwards Projected Claims, Outwards Unpaid Losses and Outward Outstanding Losses where this has not been agreed between the Liquidators and the Scheme Creditor for the purposes of off-set against Scheme Claims in accordance with the Scheme. These values will be derived from the values determined for Scheme Claims, including Projected Claims.
- 1.3 In addition, the Scheme Actuary will be responsible for discounting all Established Scheme Liabilities, such that they are valued as at 17 October 1984.

2. Approach

- 2.1 The Estimation Methodology has been prepared in accordance with the Institute of Actuaries guidance note GN12: General Insurance Business: Actuarial Reports. This methodology must be considered in its entirety, as individual sections could be misleading if considered in isolation.
- 2.2 This Estimation Methodology is designed to allow the Scheme Actuary to value Projected Claims in a fair, equitable and cost-effective manner allowing for the key characteristics and claims experience of each class of business.
- 2.3 The Estimation Methodology as a whole has been reviewed by the Actuarial Adjudicator and in his opinion it is appropriate for application to the Company's business for the purposes of the Scheme. The Actuarial Adjudicator will also review the application of the Estimation Methodology by the Scheme Actuary. A Scheme Creditor will be permitted to dispute whether the Estimation Methodology has been applied correctly by the Scheme Actuary. However, a Scheme Creditor will not be permitted to dispute the results of the correct application of the methodology by the Scheme Actuary.

3. Data

- 3.1 The Company wrote business between 1979 and 1983. The business written consisted predominantly of direct insurance, facultative reinsurance, and treaty reinsurance of casualty and property risks. It was mostly London market business written on a worldwide basis, including substantial US exposures.
- 3.2 For the purposes of the application of the Estimation Methodology, claims will be classified into the following seven categories:

- 1) Asbestos claims arising from direct insurance and facultative reinsurance
- 2) Asbestos claims arising from treaty reinsurance
- 3) Pollution claims arising from direct insurance and facultative reinsurance
- 4) Pollution claims arising from treaty reinsurance
- 5) Health Hazard claims arising from direct insurance and facultative reinsurance
- 6) Health Hazard claims arising from treaty reinsurance
- 7) All other claims

In terms of outstanding claims, Category 1 is by far the most significant.

- 3.3 The Scheme Actuary will allocate each individual claim to one of these categories. The data to which the Estimation Methodology will be applied will be that contained in the Claim Form and any supporting evidence returned by a Scheme Creditor to the Liquidators when that data has either been agreed with the Liquidators, or determined by Adjudication, and has become binding for the purposes of the Scheme.
- 3.4 The valuation of all Scheme Claims will be stated as at 17 October 1984 by adjusting, where necessary, for the time value of money.
- 3.5 Data will be agreed or determined in Sterling, US Dollars, Canadian Dollars and Australian Dollars which are shown on the Claim Form, but will be converted into a common currency using the relevant exchange rates prevailing as at 17 October 1984 prior to the application of the Estimation Methodology.
- 3.6 Where appropriate, the Liquidators will consult the Scheme Actuary in connection with information on Claim Forms and supporting evidence prior to its agreement or determination.

4. Actuarial Process

- 4.1 After the Bar Date, once all Claim Forms and supporting evidence have been received from Scheme Creditors, the Scheme Actuary will conduct a best estimate reserving study.
- 4.2 Amongst other things, this will be used to produce benchmark payment patterns which will be used whenever Scheme Claims or reinsurance recoverable need to be discounted by the Scheme Actuary pursuant to the Scheme.
- 4.3 This reserving study will be used directly in the process of valuing Projected Claims for individual Scheme Creditors.

5. Projected Valuation Approach

- 5.1 The Scheme Actuary will value the Projected Claims for all Scheme Creditors.

- 5.2 A Scheme Creditor may challenge whether the Scheme Actuary has applied the Estimation Methodology correctly. If such an appeal is made, the Actuarial Adjudicator will peer review the application of the Estimation Methodology by the Scheme Actuary as it applies to that Scheme Creditor and determine whether, in the Actuarial Adjudicator's opinion, it is appropriate.
6. **Best Estimate Reserving Study**
- 6.1 After the Bar Date, a best estimate reserving study will be conducted for the purpose of determining figures and parameters to be used for the purpose of valuing Projected Claims for each category of claims and underwriting year. The Projected Claims for each Scheme Creditor will be valued in a consistent manner so that two Scheme Creditors with identical claims and exposures will have equal values of Projected Claims.
- 6.2 Once the data reconciliation process has been formally concluded, the best estimate reserving study will be finalised to reflect any agreed or determined changes in the data for Scheme Creditors asserting Projected Claims. The primary purpose of this revised best estimate study is to set the actual figures and parameters to be used for the purpose of valuing Projected Claims for each category of claims and underwriting year.
- 6.3 The actual figures and parameters that will be needed will vary between the different claim categories. The approaches that the Scheme Actuary will use to value Projected Claims for each Claim Category are described in the following sections.
7. **Category 1: Asbestos Claims Arising from Direct Insurance and Facultative Reinsurance**
- 7.1 This Category is by far the most significant in terms of outstanding claims. An exposure-based modelling approach will be used to value Projected Claims.
- 7.2 Under the terms of the Scheme, the Bar Date will preclude making any allowance for the emergence of asbestos defendants who have yet to receive asbestos filings. Consequently, the approach will be to consider all known assureds at the individual policy level. Individual assureds will be allocated to groups based on the nature and magnitude of their exposure to asbestos-related claims.
- 7.3 The Scheme Actuary will then apply a percentage to each policy in each underwriting year where the percentage reflects the level of erosion that an average insured in that group would experience within that layer in that year as a result of asbestos-related claims. The percentages will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.
- 7.4 A number of other factors will also be taken into account when determining the extent to which each layer is eroded. These will include the level of paid and outstanding asbestos claims, and information on the size of the insured's underlying coverages.

7.5 For the largest insureds, if sufficient data is available, the Scheme Actuary will consider estimating the insured's ground-up indemnity and expenses using projections of numbers of claims and average costs per claim, and adjusting his valuation as appropriate.

8. **Category 2: Asbestos Claims Arising from Treaty Reinsurance**

8.1 For low layer excess of loss reinsurance and proportional reinsurance (ie reinsurance of direct business), an exposure based modelling approach will be used where sufficient data is available on the underlying direct assureds.

8.2 In these circumstances, the Scheme Actuary will identify the policies written by the Scheme Creditor and the underlying direct assureds. Then, the ultimate claims to the Scheme Creditor arising from each assured will be estimated using a methodology similar to that described in Section 7 for direct asbestos claims. Finally, the relevant Scheme policy terms will be applied to estimate the losses from each assured to the Scheme Creditor's policies. Any resulting reinstatement premiums will also be calculated and offset against the claims.

8.3 When insufficient data is available to undertake this analysis, and for other reinsurance types, a benchmark approach will be adopted to the valuation of the Scheme Creditor's Projected Claims. A number of relevant industry benchmarks will be selected including some or all of the following:

- percentages to reflect the number of times a reinsurance policy is expected to be eroded
- Projected Claims as a proportion of notified incurred claims
- Projected Claims as a proportion of outstanding claims
- ultimate claims as a proportion of paid claims
- ultimate claims as a proportion of notified incurred claims
- paid survival ratios

8.4 The benchmark ratios will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.

8.5 The benchmark ratios will each be applied to the data in respect of the Scheme Creditor subject to policy limits. Additionally, on a case-by-case basis, allowance will be made for specific features of notified claims.

8.6 This will produce a number of estimates of the Scheme Creditor's Projected Claims. After reviewing these, the Scheme Actuary will select his valuation of the Projected Claims.

8.7 This process will be undertaken in a manner that is consistent and equitable to all scheme creditors.

9. **Category 3: Pollution Claims Arising from Direct Insurance and Facultative Reinsurance**

9.1 Claims of this type are not considered to be a significant part of the portfolio. As a consequence, a benchmark approach will be adopted to the valuation of the Scheme Creditor's Projected Claims. A number of relevant industry benchmarks will be selected including some or all of the following:

- percentages to reflect the proportion of a policy that is expected to be eroded
- Projected Claims as a proportion of notified incurred claims
- Projected Claims as a proportion of outstanding claims
- ultimate claims as a proportion of paid claims
- ultimate claims as a proportion of notified incurred claims
- paid survival ratios

9.2 The benchmark ratios will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.

9.3 The benchmark ratios will each be applied to the data in respect of the Scheme Creditor subject to policy limits. Additionally, on a case-by-case basis, allowance will be made for specific features of notified claims.

9.4 This will produce a number of estimates of the Scheme Creditor's Projected Claims. After reviewing these, the Scheme Actuary will select his valuation of the Projected Claims.

9.5 This process will be undertaken in a manner that is consistent and equitable to all scheme creditors.

10. **Category 4: Pollution Claims Arising from Treaty Reinsurance**

10.1 Claims of this type are not considered to be a significant part of the portfolio. As a consequence, a benchmark approach will be adopted to the valuation of the Scheme Creditor's Projected Claims. A number of relevant industry benchmarks will be selected including some or all of the following:

- percentages to reflect the number of times a reinsurance policy is expected to be eroded
- Projected Claims as a proportion of notified incurred claims
- Projected Claims as a proportion of outstanding claims

- ultimate claims as a proportion of paid claims
 - ultimate claims as a proportion of notified incurred claims
 - paid survival ratios
- 10.2 The benchmark ratios will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.
- 10.3 The benchmark ratios will each be applied to the data in respect of the Scheme Creditor subject to policy limits. Additionally, on a case-by-case basis, allowance will be made for specific features of notified claims.
- 10.4 This will produce a number of estimates of the Scheme Creditor's Projected Claims. After reviewing these, the Scheme Actuary will select his valuation of the Projected Claims.
- 10.5 This process will be undertaken in a manner that is consistent and equitable to all scheme creditors.
11. **Category 5: Health Hazard Claims Arising from Direct Insurance and Facultative Reinsurance**
- 11.1 Claims of this type are not considered to be a significant part of the portfolio. As a consequence, a benchmark approach will be adopted to the valuation of the Scheme Creditor's Projected Claims. A number of relevant industry benchmarks will be selected including some or all of the following:
- percentages to reflect the proportion of a policy that is expected to be eroded
 - Projected Claims as a proportion of notified incurred claims
 - Projected Claims as a proportion of outstanding claims
 - ultimate claims as a proportion of paid claims
 - ultimate claims as a proportion of notified incurred claims
 - paid survival ratios
- 11.2 The benchmark ratios will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.
- 11.3 The benchmark ratios will each be applied to the data in respect of the Scheme Creditor subject to policy limits. Additionally, on a case-by-case basis, allowance will be made for specific features of notified claims.

11.4 This will produce a number of estimates of the Scheme Creditor's Projected Claims. After reviewing these, the Scheme Actuary will select his valuation of the Projected Claims.

11.5 This process will be undertaken in a manner that is consistent and equitable to all scheme creditors.

12. Category 6: Health Hazard Claims Arising from Treaty Reinsurance

12.1 Claims of this type are not considered to be a significant part of the portfolio. As a consequence, a benchmark approach will be adopted to the valuation of the Scheme Creditor's Projected Claims. A number of relevant industry benchmarks will be selected including some or all of the following:

- percentages to reflect the number of times a reinsurance policy is expected to be eroded
- Projected Claims as a proportion of notified incurred claims
- Projected Claims as a proportion of outstanding claims
- ultimate claims as a proportion of paid claims
- ultimate claims as a proportion of notified incurred claims
- paid survival ratios

12.2 The benchmark ratios will be determined after consideration of the claims experience of the Company, the wider market knowledge of the Scheme Actuary and publicly available information.

12.3 The benchmark ratios will each be applied to the data in respect of the Scheme Creditor subject to policy limits. Additionally, on a case-by-case basis, allowance will be made for specific features of notified claims.

12.4 This will produce a number of estimates of the Scheme Creditor's Projected Claims. After reviewing these, the Scheme Actuary will select his valuation of the Projected Claims.

12.5 This process will be undertaken in a manner that is consistent and equitable to all scheme creditors.

13. Category 7: All Other Claims

13.1 This category of claims will be projected by a variety of methods to estimate the ultimate claims on each underwriting year. These methods will include some or all of the following:

- the basic chain ladder method separately applied to paid claims
- the basic chain ladder method separately applied to incurred claims

- a curve-fitting approach based on actual claims development
 - benchmarking, given market experience of other similar claims.
- 13.2 When choosing appropriate future development percentages, consideration will be given to the impact on reporting patterns of processing delays.
- 13.3 The above methods will produce a number of estimates of ultimate claims for each year. After reviewing them, the Scheme Actuary will select his chosen estimate for each year.
- 13.4 For each underwriting year, the Scheme Actuary will calculate the ratio of Projected Claims to incurred claims.
- 13.5 For each Scheme Creditor, the relevant ratio will then be applied to the Scheme Creditors incurred claims on each underwriting year in order to calculate the Scheme Creditors Projected Claims for that underwriting year.
- 13.6 Given the maturity of the portfolio being considered, there is reason to expect that actual claims development for these claims may, in aggregate, show releases and, as a result, the Projected Claims for some underwriting years could be negative. For the purposes of this exercise only, the minimum Projected Claims for each underwriting year will be zero. This means that, if a calculated ratio of Projected Claims to incurred claims is below one, a ratio of one will be used instead.
14. **No Allowance for Outwards Reinsurance**
- 14.1 The valuation of Scheme Creditors' gross claims will be conducted gross of outward reinsurance with an estimation of undiscounted Projected Claims being produced at policy level with no allowance for the time value of money.
- 14.2 The Projected Claims are intended to be on a best estimate basis, with no margin for prudence or optimism. This approach is designed to maintain equity between all Scheme Creditors including those with no Projected Claims.
15. **Offset for Outwards Reinsurance**
- 15.1 Where a Scheme Creditor is also a reinsurer of the Company, balances due to the Company and estimates of amounts expected to fall due to the Company will be offset against Scheme Claims. Estimation of recoveries arising from outward reinsurance policies will be conducted, applying the same principles as for inwards claims. This will involve applying the undiscounted best estimate gross ultimate claims including any Projected Claims, for all Scheme Creditors, to the relevant reinsurance policies in order to estimate outstanding recoverable outward reinsurance amounts. The total of a Scheme Creditor's agreed claim - whether in respect of unpaid paid, notified outstandings or Projected Claims will be offset by the estimated ultimate level of reinsurance recoveries in respect of that Scheme Creditor.

15.2 Allowance will be made for claims and reinsurance recoveries paid prior to 17 October 1984 with the net balance being discounted using the claims payment patterns for the relevant inward claim categories (prior to any payment). Where relevant, due allowance will be made for outward reinstatement premiums.

16. Discounting to value as at 17 October 1984

16.1 All Scheme Claims, but not including Non Insurance/Reinsurance Scheme Claims, will be discounted based on the benchmark claims payment patterns produced in the initial best estimate reserve study. Relevant payment patterns by claim category will be applied with discounting at 5% compound per annum back to 17 October 1984. Such discounting will also be applied to Outwards Outstanding Losses, Outwards Unpaid Losses and Outwards Projected Claims.

17. Role of the Actuarial Adjudicator

17.1 The Actuarial Adjudicator has relevant experience and appropriate qualifications to provide assurance that the Estimation Methodology has integrity and is applied in a consistent and unbiased manner consistent with the agreed principles and methodology. The Actuarial Adjudicator's role will consist of the following elements.

- Provide peer review assessment of the proposed Estimation Methodology to ensure that it has integrity, is logical and fit for the purpose for which it is intended.
- Ensure that the best estimate reserve study conducted by the Scheme Actuary is in the Actuarial Adjudicator's view a best estimate which treats Scheme Creditors equitably and reflects the future expected outcome.
- Review the various benchmarks produced and, on a sample basis including all material items, the allocation of Projected Claims to individual policies to ensure that this is consistent with the overall best estimate reserve study.
- Consider the application of any estimated gross outstanding claims and Projected Claims to the outward reinsurance programme to ensure this is done in a valid and consistent manner.
- When a Scheme Creditor challenges the application of the Estimation Methodology by the Scheme Actuary, adjudicate as to whether the Scheme Actuary has applied the Estimation Methodology in an appropriate manner with regard to that Scheme Creditor.

18. Definitions

18.1 For the purposes of this Estimation Methodology, Projected Claims are defined to include estimates of the cost of each of the following:

- future development of known claims

- future development of claims that are recorded as settled but are subsequently reopened
 - claims that have been reported but not yet processed
 - claims that have been incurred but not yet reported.
- 18.2 The only exception to this is that the Projected Claims exclude any allowance for asbestos defendants who have yet to receive asbestos filings at the Bar Date.
19. **Assumptions**
- 19.1 No allowance for projection of future exchange rates will be made, nor any specific adjustments for changes in future legal, economic, or social conditions other than those already manifest in the historic data.
- 19.2 The upper bound and best estimate reserving studies will not include the projection of any indirect or internal claims handling expenses.

APPENDIX G
CURRENCY AND EXCHANGE RATE TABLE

The exchange rates listed below are the "Scheme Rates" which will be used pursuant to the Scheme.

They are the rates prevailing on 17 October 1984 (the Petition Date).

CODE	NAME	EXCHANGE RATE TO
		SETTLEMENT CURRENCY
		1 GBP =
AFA	Afghanistan Afghani	60.74
ALL	Albania Lek	10.05
DZD	Algeria Dinar	6.05
AOK	Angola Adjusted Kwanza	35.91
ARP	Argentina Peso	125.65
AWG	Aruba Florin	2.14
AUD	Australia Dollar	1.45
ATS	Austria Schilling	26.31
BSD	Bahamas Dollar	1.20
BHD	Bahrain Dinar	0.45
BDT	Bangladesh Taka	29.17
BBD	Barbados Dollar	2.40
BYB	Belarus Ruble	5.70
BEF	Belgium Franc	75.63
BZD	Belize Dollar	2.40
BMD	Bermuda Dollar	1.20
BTN	Bhutan Ngultrum	14.27
BOP	Bolivia Boliviano	6056.02
BRC	Brazil Real	2925.37
BND	Brunei Darussalem Ringgit	2.60
BGL	Bulgaria New Lev	1.27
BIF	Burundi Franc	147.49
KHR	Cambodia Riel	4.80
CAD	Canadian Dollar	1.60
CVE	Cape Verde Escudo	107.15
CYD	Cayman Islands Dollar	1.00
XOF	CFA Franc BCEAO	573.64
XAF	CFA Franc BEAC	573.64
CLP	Chilean Peso	139.71
CNY	China Yuan Renminbi	3.26
COP	Colombian Peso	129.80
KMF	Comores Franc	573.64
CDF	Congo Democratic Republic Franc	46.31

CODE	NAME	EXCHANGE RATE TO SETTLEMENT CURRENCY
CRC	Costa Rican Colon	53.72
HRK	Croatia Kuna	217.94
CUP	Cuba Peso	1.07
CYP	Cyprus Pound	0.76
CZK	Czech Republic Koruna	8.75
DKK	Denmark Krone	13.53
DJF	Djibouti Franc	213.34
DOP	Dominican Republic Peso	3.42
ECD	East Caribbean Dollar	3.24
ECS	Ecuador Sucre	79.93
EGP	Egyptian Pound	1.46
SVC	El Salvador Colon	3.00
ERN	Eritrea Nafka	2.52
EEK	Estonia Kroon	0.90
ETB	Ethiopia Birr	2.52
EUR	Euro	1.55
FIM	Finnish Markka	7.73
FRF	French Franc	11.47
XPF	French Pacific Territories Franc	208.60
GMD	Gambia Dalasi	4.98
DEM	Deutsche Mark	3.75
GHC	Ghana New Cedi	45.80
GRD	Greek Drachma	153.65
GTQ	Guatemalan Quetzal	1.20
GNF	Guinea Franc	300.03
GYD	Guyana Dollar	4.50
HTG	Haiti Gourde	6.00
HNL	Honduran Lempira	2.40
HKD	Hong Kong Dollar	9.39
HUF	Hungary Forint	60.60
ISK	Iceland Krona	40.77
INR	India Rupee	14.54
IDR	Indonesia Rupiah	1274.82
IRR	Iran Rial	112.18
IQD	Iraq Dinar	0.37
IEP	Irish Punt	1.21
NSH	New Israeli Shekel	547.67
ITL	Italian Lira	2307.17
JMD	Jamaica Dollar	5.14
JPY	Japanese Yen	299.02
JOD	Jordanian Dollar	0.49
KZT	Kazakhstan Tenge	0.90

CODE	NAME	EXCHANGE RATE TO SETTLEMENT CURRENCY
KES	Kenyan Shilling	17.97
KWD	Kuwait Dinar	0.36
KGS	Kyrgyzstan Som	0.90
LAK	Laos Kip	129.64
LVL	Latvia Lat	0.90
LBP	Lebanese Pound	9.72
LSL	Lesotho Loti	2.15
LRD	Liberia Dollar	1.20
LYD	Libyan Dinar	0.36
LTL	Lithuania Lita	0.90
LUF	Luxembourg Franc	75.63
MOP	Macau Pataca	9.68
MGA	Madagascar Ariary	796.23
MWK	Malawi Kwacha	1.82
MYR	Malaysian Ringgit	2.90
MVR	Maldives Islands Rufiyaa	8.46
MTP	Malta Lira	0.59
MRO	Mauritania Ougiyaa	81.20
MUR	Mauritius Rupee	17.70
MXP	Mexico New Peso	241.52
MDL	Moldova'Leu	5.70
MNT	Mongolia Tugrik	4.55
MAD	Moroccan Dirham	11.06
MZM	Mozambique Metical	53.43
MMK	Myanmar (Burma) Kyat	9.41
NAD	Namibia Dollar	2.15
NPR	Nepal Rupee	19.91
ANG	Netherlands Antilles Guilder	2.14
NLG	Dutch Guilder	4.22
NZD	New Zealand Dollar	2.49
NIC	Nicaraguan Cordoba	396.13
NGN	Nigerian Naira	0.98
NOK	Norwegian Krone	10.80
OMR	Omani Rial	0.41
PKR	Pakistani Rupee	17.50
PAB	Panama Balboa	1.20
PEN	Peru New Sol	5149.72
PHP	Philippines Peso	22.05
PLZ	Poland Zloty	150.11
PTE	Portuguese Escudo	196.87
QAR	Qatari Riyal	4.37
KPW	Republic of Korea Won	985.05

CODE	NAME	EXCHANGE RATE TO SETTLEMENT CURRENCY
RON	Romania New Leu	28.33
RUR	Russia Ruble	0.90
RWF	Rwanda Franc	123.29
STD	Sao Tome and Principe Dobra	55.00
SAR	Saudi Riyal	4.32
SCR	Seychelles Rupee	8.79
SLL	Sierra Leone Leone	3.01
SGD	Singapore Dollar	2.60
SKK	Slovakia Korun	8.75
SIT	Slovenia Tolar	21794.46
SOS	Somalia Shilling	21.08
ZAR	South Africa Rand	2.15
ESP	Spanish Peseta	209.65
XDR	Special Drawing Rights	1.22
LKR	Sri Lanka Rupee	31.18
SDP	Sudenese Pound	1.56
SRD	Suriname Dollar	2.14
SZL	Swaziland Lilangeni	2.15
SEK	Swedish Krona	10.55
CHF	Switzerland Franc	3.07
SYP	Syria Pound	4.71
TWD	Taiwan Dollar	47.08
TJS	Tajikistan Somoni	5.70
TZS	Tanzania Shilling	21.49
THB	Thai Baht	27.63
TTD	Trinidad and Tobago Dollar	2.88
TND	Tunisian Dinar	0.99
TRL	Turkish Lira	505.45
TMM	Turkmenistan Manat	5.70
UGS	Uganda Shilling	484.96
UAH	Ukraine Hryvnia	0.90
AED	United Arab Emirates Dirham	4.41
USD	United States Dollar	1.20
UYN	Uruguay Peso	71.12
VUV	Vanuatu Vatu	121.01
VEB	Venezuela Bolivar Fuerte	13.97
VND	Viet Nam Dong	12.77
YDD	Yemen Dinar	0.41
YER	Yemen Rial	7.02
ZMK	Zambia Kwacha	2.35
ZWD	Zimbabwe Dollar	1.70

APPENDIX H

CURRICULA VITAE OF SCHEME ACTUARY AND ACTUARIAL ADJUDICATOR

Simon Sheaf - Scheme Actuary

Simon is a director in the actuarial practice of Grant Thornton's Financial Markets Group. Simon has worked in, and consulted to, the general insurance industry for 17 years. He specialises in advising clients in the general insurance industry; his clients have included insurance companies, reinsurance companies, Lloyd's of London, Lloyd's managing agencies, insurance industry bodies, and other commercial organisations.

Simon obtained an MA in mathematics from Oxford University in 1990, and became a Fellow of the Institute of Actuaries in 1993.

Prior to joining Grant Thornton in 2006, Simon was Head of the Actuarial Department at St Paul Travelers Insurance Company Limited. Before that he was a senior consultant in the general insurance division of Tillinghast - Towers Perrin.

His extensive experience includes valuations of insurance liabilities (including those in respect of long tail, asbestos, pollution and health hazard exposures), due diligence exercises for mergers and acquisitions, design and construction of complex financial models including modelling the results of insurance companies and capital assessment models, risk identification and quantification, strategic reviews of insurance operations, provision of strategic advice to senior management, design and implementation of management information systems, application of business planning processes, rating of portfolios of insurance risks, reviews of rating adequacy, design and construction of pricing models, pricing of individual insurance risks, review and design of reinsurance programmes, independent expert assignments, and valuation of capital projects.

Steve Matthews - Actuarial Adjudicator

Steve Matthews is an Actuary and Director at EMB Consultancy LLP. To date, his career has been exclusively in non-life insurance with particular specialisation in the London Insurance Market.

Steve graduated from Bristol University in 1993 and attained the Fellowship of the Institute of Actuaries in 1999.

Steve has extensive experience of valuating and commuting long tail and latent clients in the London insurance and reinsurance market and has assisted UK industrial companies to value their liabilities in respect of future asbestos related liabilities.

Steve has provided advice to insolvent industrial companies and insurance companies in relation to US and UK asbestos issues and has developed a sophisticated model to project future asbestos claims under the UK Employers' Liabilities policies. He has also provided reserving and commutation advice in relation to ART disputes and the Accident and Health market of the late 1990s.

Steve provides reserving, ICA and strategic advice to a number of Lloyd's Syndicates and London Market companies and is a holder of the Lloyd's Syndicates Practising Certificate. He also provides pricing advice to a number of London Market entities and is a member of the London Market Actuaries Group.

Other work that Steve has performed includes:

- Special reserving projects for London Market companies
- Allocation of IBNR to inward policies
- Analysis of asbestos, pollution and health hazard liabilities
- Reinsurance recovery simulations for IBNR
- Analysis of reinsurance bad debt

Steve has spoken at seminars and conferences on insurance topics, has written articles for the insurance press and has served on Institute of Actuaries working parties.

APPENDIX I
DOCUMENTS AVAILABLE FOR INSPECTION

The documents listed below are available for inspection during normal business hours at the locations listed below:

1. Memorandum and Articles of Association of the Company.
2. Petition for the winding up of the Company dated 17 October 1984.
3. Order appointing Ipe Jacob as Liquidator dated 8 July 2003 and Order appointing Richard Graham White as Liquidator dated 31 July 2003.
4. Practice Statement Letter dated 29 October 2007.

Locations at which the above documents are available for inspection:

Grant Thornton UK LLP

30 Finsbury Square

London

EC2P 2YU

Contact name: Edward Walker or Christopher Farmer

APPENDIX J

GLOSSARY

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

"Actuarial Adjudicator" Steve Mathews of EMB Consultancy LLP as the initial Actuarial Adjudicator and such other person or persons as may be appointed as a successor or an alternate to an Actuarial Adjudicator pursuant to Part 7;

"Admissible Interest" any interest for which a Scheme Creditor is entitled to prove in the liquidation of the Company under the Applicable Insolvency Law;

"Agreed Liability" any Scheme Claim where liability and quantum had been agreed by or on behalf of the Liquidators prior to the Effective Date but which, for whatever reason including, but not limited to, the lack of complete details of the name and address of the Scheme Creditor concerned or the absence of any agreement in relation to set-off under Clause 2.5 has not, as at the Effective Date, been formally admitted to proof in the liquidation of the Company;

"Applicable Insolvency Law" the law relating to the winding-up of insolvent companies in the Companies Act 1948 of England and Wales and the rules made thereunder;

"Bar Date" 11.59 pm (Greenwich Mean Time) on 31 December 2008 or, if that day is less than 130 Business Days after the Effective Date, 11.59 pm (Greenwich Mean Time) on the day falling 130 Business Days after the Effective Date. Notwithstanding that if the relevant date falls on a weekend or public holiday in England or the United States of America, the Bar Date shall be 11.59 pm (Greenwich Mean Time) on the first common working day thereafter;

"Business Day" a day (other than a Saturday or Sunday) on which the relevant financial markets are open for dealings between banks in London;

"Claim Form" a claim form as is referred to in Clause 7.5.5 and in substantively the same form as appears in Appendix E to the Scheme, which will be sent or made available to Scheme Creditors by the Effective Date;

"Claim Form Guidance Notes" the guidance notes accompanying the Claim Form in substantially the same form as appears in Appendix E to the Scheme;

"Companies Act" the Companies Act 1985 of England and Wales;

"Company" Pacific & General Insurance Company Limited (in Liquidation) (incorporated in England and Wales under the Companies Act 1948 and 1976 with registered number 00843018);

"Committee of Inspection" the members from time to time of the Committee of Inspection appointed pursuant to the Applicable Insolvency Law;

"Court" the High Court of Justice in England;

"Delegate" any person to whom the Liquidators may delegate any of their functions and powers under Clause 5.2.2(j);

"Effective Date" the date on which an office copy of the order sanctioning the Scheme shall have been delivered to the registrar of companies in England and Wales for registration in accordance with Clause 9.1;

"Employee" any partner in the same firm as a Liquidator, or any individual employed, whether under a contract of service or a contract for services, by that firm or by any company owned by that firm, who is employed by the Liquidators in accordance with Clause 5.2.2(g) in connection with the conduct of their functions and powers under the Scheme;

"Equitas Premium Indication" the notification received by a Lloyd's Syndicate of premium payable by year of account of a Lloyd's Syndicate for the reinsurance by Equitas Reinsurance Limited of all liabilities of that year of account or any year of account reinsured into that year of account under contracts of insurance and reinsurance allocated to the 1992 and prior years of account of Lloyd's Syndicates (other than life business);

"Established Scheme Liability" a liability of the Company which has become an Established Scheme Liability under Part 7 of this Scheme;

"Estimation Methodology" the methodology set out at Appendix F to the Scheme and applied in accordance with Part 7. For the avoidance of doubt, the provisions of this Scheme shall prevail in the event of any conflict between such provisions and Appendix F;

"Explanatory Statement" the statement dated 25 March 2008 (and the appendices thereto) explaining the effect of the Scheme, in compliance with section 426 of the Companies Act;

"Final Substantive Closure Distribution" the final substantive closure Payment Percentage payable to any Scheme Creditor with an Established Liability under the Scheme which is likely to be paid when all Scheme Claims, other than those which are Suspended Scheme Liabilities, have been determined by agreement or, if necessary, adjudication under Part 7 of the Scheme so as to become Established Scheme Liabilities.

"Final Substantive Closure Distribution Date" means the date upon which the Final Substantive Closure Distribution is paid to Scheme Creditors;

"FSCS" the Financial Services Compensation Scheme Limited (company number 03943048), established pursuant to Part XV of the Financial Services and Markets Act 2000 (being the current statutory successor to the Policyholders Protection Board) and to include any statutory successor of it;

"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 or which would be inadmissible in a liquidation of the Company; and, for the avoidance of doubt, the Company

will not have a liability for the purposes of the Scheme in respect of a claim under a contract or policy where such contract or policy is void or, being voidable, has been duly avoided;

"Liquidation Expenses" all such costs, charges, expenses, disbursements and remuneration as are referred to in Clause 9.2.1;

"Liquidators" in the first instance, Ipe Jacob and Richard Graham White, or such other person as may be appointed as a Liquidator of the Company from time to time;

"Lloyd's" the society incorporated by Lloyd's Act 1871 by the name of Lloyd's of 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, including where a Lloyd's Syndicate has received for a year or years of account an Equitas Premium Indication and, in respect of such a group of underwriting members of Lloyd's, where an Equitas Premium Indication was received in respect of one or more years of account the year or years of account which received an Equitas Premium Indication shall be treated as one Lloyd's Syndicate;

"Non Insurance/Reinsurance Scheme Claim" a Scheme Claim which arises otherwise than under a contract of insurance, reinsurance, retrocession or, for the avoidance of doubt, any claim for brokerage;

"Notified Scheme Claim" a Scheme Claim, except a Projected Claim, contained on a Claim Form duly submitted by a Scheme Creditor to the Liquidators in accordance with Clause 7.5.7 or, contained on a Voting Form submitted by a Scheme Creditor pursuant to Clause 7.5.9;

"Offset Scheme Creditor" any person whose overall Established Scheme Liability calculated under Clauses 7.5.48 to 7.5.55 shows under Clause 7.5.48(f) a sum which is or which falls to be treated as nil;

"Outstanding Losses" any liability which is a Scheme Claim and which, at the Effective Date, has been notified by a Scheme Creditor to the Liquidators but which has not, at that date, become an Agreed Liability;

"Outwards Outstanding Losses" any liability of a Scheme Creditor (as reinsurer or retrocessionaire) to the Company under a contract of reinsurance or retrocession which, at the Effective Date has been notified by the Company or the Liquidators under the terms of the relevant agreement but which has not, at that date, become an Outwards Unpaid Losses;

"Outwards Unpaid Losses" any liability of a Scheme Creditor (as reinsurer or retrocessionaire) to the Company under a contract of reinsurance or retrocession, the obligation in respect of which was in existence at the Petition Date which, as at the Effective Date has been notified by the Company or the Liquidators under the terms of the relevant agreement as due but in respect of which liability and/or quantum has not at that time been paid by the Scheme Creditor, together with any interest thereon as may be allowed by law whensoever arising;

"Outwards Projected Claim" any liability of a Scheme Creditor (as reinsurer or retrocessionaire) to the Company under a contract of reinsurance or retrocession which has been incurred but which has not been reported by the Company;

"Payment Percentage" in relation to an Established Scheme Liability, the percentage of such Established Scheme Liability which is payable by the Company from time to time under the Scheme, as the same is from time to time set under Clause 3.1;

"Petition Date" 17 October 1984, being the date on which the winding-up petition was presented in respect of the Company;

"Policyholders Protection Act" (without prejudice to references to the Policyholders Protection Act as then or from time to time or at any time in force), the Policyholders Protection Act 1975 of the United Kingdom as amended and in force on the Petition 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);

"Preferential Claim" any claim against the Company which is a preferential claim under the Applicable Insolvency Law;

"Proceeding" any action or proceeding including any judicial action, suit, demand, arbitration, alternative dispute resolution, adjudication, mediation, seizure, distraint, forfeiture, re-entry, execution or enforcement or judgment or any step taken for the purpose of creating or enforcing a lien;

"Projected Claim" a Scheme Claim in respect of a liability which has been incurred but which has not been reported by the relevant Scheme Creditor;

"Protected Liability" any liability of the Company in respect of which and to the extent to which the FSCS owes a duty under sections 6 to 8 of the Policyholders Protection Act;

"Protected Policyholder" in relation to a Protected Liability, any Creditor to whom the Company owes that Protected Liability and who, in addition, is eligible for protection under section 16(9) of the Policyholders Protection Act.

"Review Date" the date upon which the Liquidators determine to set or to revise the Payment Percentage hereunder from time to time, in consultation with the Committee of Inspection;

"Scheme" this scheme of arrangement in its present form subject to any modification, term or condition which the Court may think fit to approve or impose in accordance with Clause 9.3;

"Scheme Actuary" Simon H Sheaf of Grant Thornton UK LLP as the initial Scheme Actuary and such other person or persons as may be appointed as a successor or an alternate to a Scheme Actuary pursuant to Part 7;

"Scheme Adjudicator" any such person as may be appointed as a Scheme Adjudicator pursuant to Part 7;

"Scheme Claim" any claim against the Company in respect of a liability to which the Company was subject at the Petition Date or to which the Company became subject after the Petition Date by reason of an obligation incurred before that date and which is admissible to proof in the winding-up of the Company but not including a Preferential Claim or a Protected Liability save to the extent that the FSCS is entitled to a payment in respect of a Protected Liability pursuant to Part 4;

"Scheme Conflicts Administrator" such person as may be appointed as a Scheme Conflicts Administrator in accordance with the provisions of the Scheme;

"Scheme Creditor" a creditor of the Company in respect of a Scheme Claim including any Offset Scheme Creditors, any assignee or other person entitled to claim in succession to or in substitution for any such Scheme Creditor in respect of the same Scheme Claim excluding, for the avoidance of doubt, any Protected Policyholder but including, for the avoidance of doubt, the FSCS in respect of the payments to be made pursuant to Part 4;

"Scheme Rate" the closing mid-market rate of exchange for the relevant currency in respect of the Sterling as quoted by the Financial Times on the Petition Date, details of which are given in the table at Appendix G to the Scheme;

"Sterling" the pound sterling in the lawful currency of the United Kingdom for the time being, provided that in the event that any other unit of currency shall from time to time be the lawful currency of the United Kingdom, references in the Scheme to and to payments being made under the Scheme in **"Sterling"**, **"Pound Sterling"**, **"GBP"**, and **"£"** shall be deemed to refer to that currency at such rate of exchange from the Pound Sterling as may be specified in the legislation introducing the new unit of currency;

"Submit" means duly to complete and submit a Claim Form (in accordance with the instructions thereon) whether by facsimile, by electronic mail, or by post, and **"Submitted"** and **"Submitting"** shall be construed accordingly;

"Supporting Information" all relevant information and documentation (including the identity of the Scheme Creditor concerned and, in the Case of Notified Scheme Claims, the Scheme Creditor's own specific estimates of any liabilities) to be supplied to the Liquidators in accordance with Part 7 in support of Notified Scheme Claims and/or Projected Claims, as required by the Claim Form and the Claim Form Guidance Notes;

"Suspended Scheme Liability" any Notified Scheme Claim which, pursuant to Clause 7.5.39 (and subject to Clauses 7.5.40 to 7.5.46), the Liquidators have suspended from the procedure for determining and quantifying Notified Scheme Claims as provided for in Part 7;

"Ultimate Sweep Up Distribution" a final Payment Percentage which the Liquidators may in their discretion declare and pay to Scheme Creditors, in the event that outstanding matters remain to be resolved following the payment of the Final Substantive Closure Distribution;

"Valuation Date" 17 October 1984;

"Voting Form" a form and form of proxy substantially in the same form as appears in Appendix D to the Scheme which will be sent or made available to Scheme Creditors for the purpose of voting at the Scheme Meeting; and

"Website" the website at www.gt-pandg.com.

ANNEX 2**PACIFIC AND GENERAL INSURANCE COMPANY LIMITED - IN LIQUIDATION (P&G)****CONSERVATION AGREEMENT ANALYSIS****Scenario 1**

Funds held in Conservation are returned for benefit of Scheme creditors

		\$
ASSETS	P&G Funds in hand	6,419,605
	New York Liquidation Bureau - P&G in Conservation	2,521,363
	Less estimated liquidation costs under the scheme	(1,610,360)
	Total P&G Assets	<u>7,330,608</u>
LIABILITIES	Scheme Total Agreed Unpaid and Outstanding liabilities	55,543,532
	Scheme Total Agreed IBNR liabilities	24,061,125
	Non Insurance liabilities	50,442
	Net Present Value Discount	(50,215,723)
	Total discounted Scheme liabilities	<u>29,439,376</u>
DIVIDEND	Dividend payable to all scheme creditors	<u><u>\$0.25</u></u>

PACIFIC AND GENERAL INSURANCE COMPANY LIMITED - IN LIQUIDATION (P&G)

CONSERVATION AGREEMENT ANALYSIS

Scenario 2

New York Liquidation Bureau (NYLB) retains the funds in Conservation for the benefit of US creditors

		\$
US ASSETS	New York Liquidation Bureau - P&G in Conservation	2,521,383
	Less additional cost of creditors proving	(161,036)
	Less estimated liquidation costs under the scheme	(32,207)
	Additional court applications - linked to application of Hotchpot	(80,518)
	New York Liquidation Bureau distribution costs	(402,590)
	Total US assets available for distribution to US creditors	<u>1,845,012</u>
OTHER ASSETS	P&G Funds in hand	6,419,605
	Joint Liquidators' costs for additional 24-month period required to pay final dividend as result of NYLB retaining funds	(386,486)
	Joint Liquidators' fees incurred in dealing with individual creditors to update on latest position	(526,688)
	Additional costs incurred in dealing with the Creditors Committee	(32,207)
	Additional court applications - linked to application of Hotchpot	(112,725)
	Additional costs incurred in staying the liquidation	(402,590)
	Contingency	(845,439)
	Total other assets available for distribution to all creditors	<u>4,113,570</u>
LIABILITIES	Scheme Total Agreed Unpaid and Outstanding liabilities	55,543,532
	Scheme Total Agreed IBNR liabilities	24,061,125
	Non insurance liabilities	60,442
	Net Present Value Discount	(50,215,723)
	Total discounted Scheme liabilities	<u>29,439,375</u>
SPLIT OF US vs NON US LIABILITIES	Total Non US liabilities	6,408,674
	Non US liabilities as a % of total liabilities	21.77%
	Total US liabilities	23,030,702
	US liabilities as a % of total liabilities	78.23%
	Total discounted Scheme liabilities	<u>29,439,375</u>
HOTPOTCH OF ASSETS	Total other assets available for distribution to all Non US creditors	895,485
	Total other assets available for distribution to all US creditors	3,218,084
	Total other assets available for distribution to all creditors	<u>4,113,570</u>
	Advance received by US creditors from NYLB	1,845,012
	Total assets available for distribution to all creditors	<u>5,958,582</u>
DIVIDEND - NON US CREDITORS	Total assets available for distribution to Non US creditors	<u>1,297,127</u>
	Dividend to Non US creditors	<u>\$0.20</u>
DIVIDEND - US CREDITORS	Total assets available for distribution to US creditors	4,661,455
	Less - amounts made available to US creditors from NYLB	(1,845,012)
	Adjusted total assets available for distribution to US creditors	<u>2,816,443</u>
	Dividend to US creditors	<u>\$0.20</u>

Index No. 41406

Year 1988

SUPREME COURT OF THE STATE OF NEW YORK COUNTY OF NEW YORK

In the Matter of

the Conservation of Trust Funds of

PACIFIC & GENERAL INSURANCE COMPANY LIMITED

ORDER TO SHOW CAUSE AND VERIFIED PETITION

JOHN PEARSON KELLY

Attorney for Superintendent of Insurance as Conservator

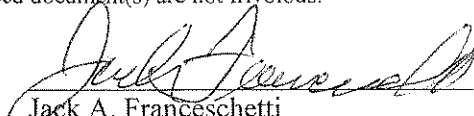
Office and Post Office Address, Telephone

New York Liquidation Bureau
110 William Street
New York, NY 10038
(212) 341-6755
Fax (212) 608-3398

ATTORNEY CERTIFICATION

The undersigned, an attorney admitted to practice in the courts of New York State, certifies that, upon information, belief and reasonable inquiry, the contentions in the above referenced document(s) are not frivolous.

Dated: June 29, 2011
New York, New York


Jack A. Franceschetti

☐ NOTICE OF ENTRY

that the within is a (certified) true copy of a
duly entered in the office of the clerk of the within named court on the day of 2011

☐ NOTICE OF SETTLEMENT

that an order
presented for settlement to the HON.

, on

of which the within is a true copy will be
one of the judges of the within named court, at
2011 at

Dated:

Yours, etc.

JOHN PEARSON KELLY

Attorney for Superintendent of Insurance
as Conservator

Office and Post Office Address, Telephone

New York Liquidation Bureau
110 William Street
New York, NY 10038
(212) 341-6755
Fax (212) 608-3398