

TO ALL POLICYHOLDERS, CEDANTS, BROKERS AND INTERMEDIARIES

22 April 2008

Dear Sir

**OIC RUN-OFF LIMITED
(FORMERLY THE ORION INSURANCE COMPANY PLC)
THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED (FORMERLY THE LONDON
AND OVERSEAS INSURANCE COMPANY PLC)
(BOTH COMPANIES SUBJECT TO A SCHEME OF ARRANGEMENT AND TOGETHER
REFERRED TO AS “THE COMPANIES”)**

1. Introduction

I am writing to provide you with an update of the progress with regard to the Scheme of Arrangement for the Companies which became effective on 7 March 1997.

2. Payment percentage

The current payment percentage was set at the recent Creditors' Committee meeting in January 2008 when it was decided to increase the payment percentage to 48% from the previous level of 45%. Scheme Creditors with Established Liabilities that are entitled to further top ups will receive an additional payment within 90 days. In addition, certain claims continue to be paid in full to Qualifying ILU Policyholders under the terms of the arrangements put in place with Nationale-Nederlanden Overseas Finance and Investment Company Unlimited (“NNOFIC”) and The Institute of London Underwriters.

3. Closure

In my last letter I indicated that the Scheme Administrators had been considering, together with other parties, whether the Companies' specific circumstances were suitable for a closure mechanism to be proposed to Scheme Creditors. This would be in the form of an Amending Scheme of Arrangement ("Amending Scheme") which, if approved, could enable future liabilities to be crystallised, final payments to be made and the run-off to be closed.

Since then the Scheme Administrators have held detailed discussions regarding the terms of an Amending Scheme to determine whether the support of all relevant parties could be obtained. I can report that the Scheme Administrators and the Creditors' Committee believe that an Amending Scheme is in the best interests of all Scheme Creditors. In order to facilitate the process of proposing an Amending Scheme to Scheme Creditors, the Scheme Administrators have provided assistance to NNOFIC to allow them to consider further the overall proposals. As the largest General Scheme Creditor and the entity responsible for funding top-up payments to Qualifying ILU Policyholders, NNOFIC's support for the Amending Scheme is essential. I understand that NNOFIC's assessment should be concluded in the near future and if an Amending Scheme is to be issued to Scheme Creditors it is likely to be during 2008.

In the meantime, should you presently wish to enter into negotiations to commute your claims against the Companies please contact the run-off manager, Whittington Insurance Services Limited ("Whittington"), at the contact details given below.

4. Financial position

The audited consolidated balance sheet as at 31 December 2006 is summarised below:

	US\$m
ASSETS	
Reinsurance	268
Investments & other assets	<u>789</u>
	<u>1,057</u>
LIABILITIES	
Gross insurance reserves	1,220
Agreed claims & other creditors	789
Subordinated debt	<u>(163)</u>
	<u>1,846</u>
NET DEFICIENCY	<u>(789)</u>

The ratio of assets to liabilities (which are stated after deducting Scheme of Arrangement dividend payments) in the above summary balance sheet is 57%. However, for a variety of reasons the summary balance sheet must not be relied upon to estimate the likely ultimate payment

percentage. In particular, there remain uncertainties surrounding the development of insurance reserves as well as the level of set-off.

5 (i) Website

There is a dedicated website for the Companies, www.oicrun-offltd.co.uk which includes copies of the current Scheme of Arrangement document and the latest audited financial statements for the Companies.

The Scheme Administrators may be contacted by e-mail at oic.run-offlimited@uk.pwc.com

(ii) The run-off manager

The run-off manager, Whittington, can be contacted at OIC@whittingtoninsurance.com or, alternatively, at:

Whittington Insurance Services Limited
St Clare House
30-33 Minories
London EC3N 1DD

Telephone No: +44 (0) 20 7423 5390
Fax No: +44 (0) 20 7481 2384

Please confirm any change in your contact details to Whittington and provide an e-mail address for future communication if you have not already done so.

Should you have any queries in relation to the matters referred to in this letter please contact my colleague, Robert Kingdom on +44 (0) 20 7804 4340, or myself on +44 (0) 20 7804 5067.

Yours faithfully
For and on behalf of
OIC Run-Off Limited
The London and Overseas Insurance Company Limited

DY Schwarzmann
Joint Scheme Administrator