

**OIC Run-Off Limited and The London and Overseas Insurance Company Limited**

**Dan Yoram Schwarzmann  
Fourth Witness Statement  
Exhibits DYS4 1 to 15**

**Made 23 September 2015**

**Claim Nos 5812 and 5813 of 2014**

**IN THE HIGH COURT OF JUSTICE**

**CHANCERY DIVISION**

**COMPANIES COURT**

**IN THE MATTER OF OIC RUN-OFF LIMITED**

**AND IN THE MATTER OF THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED**

**AND IN THE MATTER OF THE COMPANIES ACT 2006, PART 26**

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**EXHIBIT DYS4 6**

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This is the exhibit marked "DYS4 6" referred to in the fourth witness statement of Dan Yoram Schwarzmann dated this 23 September 2015

**OIC Run-Off Limited and The London and Overseas Insurance Company Limited  
Report by the Chairman of the Amending Scheme Meetings**

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**REPORT BY THE CHAIRMAN  
OF THE AMENDING SCHEME MEETINGS**

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I, Dan Yoram Schwarzmann, being a Licensed Insolvency Practitioner and a partner in the United Kingdom Limited Liability Partnership of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT, am the person appointed by the Court and duly authorised to act as Chairman of the Amending Scheme Meetings in these matters.

Where defined terms are used in this report (the "**Report**"), they shall have the same meaning as set out in my Fourth Witness Statement, unless otherwise defined in this Report.

The Amending Scheme Meetings were convened pursuant to an order of the Court made on 8 October 2014 (the "**Order**") and summoned by a notice dated 8 October 2014. Pursuant to the Order, advertisements giving notice of the Amending Scheme Meetings were placed (wherever possible) in each of the newspapers, journals and other publications listed in the Schedule to the Order. These advertisements all stated that the Amending Scheme Meetings were to be held at 10.30am (English time) on 11 December 2014 at PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH, United Kingdom.

I **DO HEREBY REPORT** to the Court the proceedings and results of the Amending Scheme Meetings. That report is as follows:

1. The Amending Scheme Meetings were held at PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH, United Kingdom and commenced at 10.30am on 11 December 2014.

2. The Amending Scheme proposed by the Companies to their respective Scheme Creditors was considered at the Amending Scheme Meetings. I refer to exhibit DYS4 8 to my Fourth Witness Statement, which is a true copy of the Amending Scheme, signed by me. It also contains the explanatory statement required under section 897 of the Companies Act 2006.
3. Colin Czapiewski was appointed by the Companies to act as an independent vote assessor in relation to the Amending Scheme (the "**Vote Assessor**"). His role as Vote Assessor involved, amongst other things, reviewing the value of all votes submitted in relation to the Amending Scheme where I, as Chairman, disagreed with the vote value submitted by a Scheme Creditor and was unable to resolve that dispute with that Scheme Creditor. I have read the report prepared by the Vote Assessor for the Court on the reasonableness of voting values submitted in relation to the Amending Scheme.

### **The Amending Scheme Meetings**

4. On arrival at the Amending Scheme Meetings, each Scheme Creditor, authorised representative and proxyholder was asked to complete a registration form. Following registration, each Scheme Creditor, authorised representative or proxyholder was given a poll card. Any Scheme Creditors who had already voted by proxy were told that, if they did not wish to alter the way in which they had indicated their vote should be cast, they need not vote in person at the Amending Scheme Meetings but could rely on their authorised proxy.
5. The registration process was dealt with by the Scheme Administrators' staff who were all familiar with the admission procedures.
6. In total, three authorised representatives or proxyholders of Scheme Creditors, seven non-voting representatives and advisers of Scheme Creditors and one general observer from Pro (representing Lloyds Bank) were present at the Amending Scheme Meetings.
7. I chaired the Amending Scheme Meetings and Joe Bannister, a partner in Hogan Lovells International LLP, the UK legal advisers to the Scheme Administrators, was in attendance with me on the top table.
8. The Amending Scheme Meetings commenced at 10.30am.
9. I introduced myself and explained that the Amending Scheme Meetings had been convened pursuant to the Order.
10. Before the start of the formal part of the Amending Scheme Meetings, I set out the agenda for the meetings, being: first, administrative matters; second, an overview of the Amending Scheme; third, any questions from the floor; and fourth, the vote by the Scheme Creditors on the Amending Scheme.

11. The persons entitled to vote in person at the Amending Scheme Meetings concurred in my permitting persons not entitled to vote to be present at the Amending Scheme Meetings.
12. I clarified that only persons with claims against the Companies in respect of Scheme Liabilities would be able to vote and that the value attributed to such claims would be for voting purposes only.
13. I explained the process and timing for the approval of the Amending Scheme by the Court and the Chapter 15 Proceedings.
14. I explained the process for the completion and submission of voting documentation and allowed those present time to supply and/or complete missing documentation.
15. I then gave an overview of the Amending Scheme. I recounted the history of the Original Scheme and explained that the Amending Scheme would convert the Original Scheme from a reserving scheme of arrangement into a crystallisation scheme of arrangement. I stated that the purpose of the Amending Scheme was to allow for the agreement of the majority of Scheme Liabilities and to facilitate the distribution of the Companies' assets earlier than would be the case under the Original Scheme. I stated that it was expected that the final Payment Percentage under the Amending Scheme would be higher than under the Original Scheme as a result primarily of the savings in run-off costs that the Scheme Administrators anticipate would be achieved if the Amending Scheme becomes effective. I explained the unique provisions in the Amending Scheme relating to Qualifying ILU Policyholders, Pre-1969 L&O Policyholders and the very limited circumstances in which certain Scheme Creditors might be able to submit their claims after the Bar Date and still receive payment.
16. I explained the advantages and potential disadvantages of the Amending Scheme and confirmed the Scheme Administrators' belief that the Amending Scheme should be in the best interests of the Scheme Creditors as a whole. I stated that the Scheme Administrators therefore recommended that Scheme Creditors voted in favour of the Amending Scheme at the Amending Scheme Meetings.
17. I then invited questions from Scheme Creditors.
18. Richard Mattick of Covington & Burling LLP, representing thirteen different clients (all US corporations), made a statement, raising a number of perceived concerns regarding the Amending Scheme. As a result, he said that his thirteen clients would be voting against the Amending Scheme.<sup>1</sup>

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<sup>1</sup> In fact, twelve of his clients voted against the Amending Scheme at Orion's First Meeting and L&O's First Meeting. His other client did not vote at Orion's First Meeting and L&O's First Meeting. Eight of his clients abstained from voting at Orion's Third Meeting and L&O's Third Meeting.

19. First, Richard Mattick stated that his clients had reservations as regards the estimation process for future losses in the Amending Scheme. He considered that such an estimation process would not always lead to a fair valuation of those future claims and that it would force his clients to accept a determination of their claims which would not necessarily be sufficient to cover their losses in the future. He considered that it was only ever appropriate to apply an estimation process where the relevant insurer was insolvent. He considered that the future claims of the Pre-1969 L&O Policyholders were fully protected by the Lloyds Bank Agreement. He stated that this meant that the Amending Scheme was, in effect, a solvent scheme for the Pre-1969 L&O Policyholders, but with the Pre-1969 L&O Policyholders having no ability to opt out of the Amending Scheme (unlike the Qualifying ILU Policyholders). In those circumstances, he considered that the estimation process in the Amending Scheme should not apply to the Pre-1969 L&O Policyholders.
20. Second, Richard Mattick stated the Scheme Administrators should adopt a robust approach to valuing the future claims of the Pre-1969 L&O Policyholders (i.e. by assessing the claims at a high value) so as to maximise recoveries from Lloyds Bank under the Lloyds Bank Agreement.
21. Third, Richard Mattick noted that the Estimation Guidelines proposed setting a "mean (best estimate)" valuation as the basis for valuing Scheme Creditors' future claims. He thought that a fairer approach would be to use a "higher than mean" valuation to reflect the greater uncertainty of those claims. He also said that his clients were concerned that the Estimation Guidelines provided for claims to be valued on an "all sums net of contributions" basis. He considered that this approach would be detrimental to his clients who have policies where the governing law in their jurisdictions supports the use of an "all sums" valuation, as he considered that their claims should instead be valued on a "pure all sums" basis.
22. Finally, Richard Mattick stated that his clients were concerned that there was no provision in the Amending Scheme that would oblige the Companies to reimburse costs incurred by Scheme Creditors in the event that the Companies reverted to run-off – either in respect of just the Pre-1969 L&O Policyholders or in respect of all Scheme Creditors if more than 30% by value of Qualifying ILU Policyholders opted out of the Amending Scheme.
23. I commented upon the first two concerns raised by Richard Mattick in his statement. First, I emphasised that the proceeds received by the Companies from Lloyds Bank under the Lloyds Bank Agreement are, as assets of the Companies, made available for the benefit of all Scheme Creditors (and not just the Pre-1969 L&O Policyholders). Second, I explained that these provisions had been included in the Amending Scheme to allow the

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Meeting. The other five of his clients did not vote at Orion's Third Meeting and L&O's Third Meeting.

future claims of the Pre-1969 L&O Policyholders to revert to run-off if necessary. These provisions had been included to protect the interests of all Scheme Creditors and specifically to address the concern that Lloyds Bank might not pay the full amount arising under the Lloyds Bank Agreement as a result of the Amending Scheme.

24. I did not comment at the Amending Scheme Meetings on the third and fourth concerns raised by Richard Mattick in his statement. My responses to those concerns are set out instead in paragraphs 6.5 to 6.7 of my Fourth Witness Statement.
25. WD Hilton Jr, representing Fuller-Austin Asbestos Settlement Trust, also made a statement regarding the treatment of the Pre-1969 L&O Policyholders under the Amending Scheme. He expressed concern that the Pre-1969 L&O Policyholders were being treated differently under the Amending Scheme from Qualifying ILU Policyholders. He considered that both types of policyholders had the benefit of guarantees – the Pre-1969 L&O Policyholders in respect of the Lloyds Bank arrangements and the Qualifying ILU Policyholders in respect of the arrangements with NNOFIC relating to the ILU guarantee. He mentioned that he had not seen the documentation relating to the ILU guarantee. However he considered it unfair that Qualifying ILU Policyholders seemed to be receiving a better deal under the Amending Scheme than the Pre-1969 L&O Policyholders. He also noted that the Lloyds Bank Agreement executed in 2010 adopted the provisions of the previous guarantees and indemnities given in 1971 and 1972, but that the guarantee and indemnity was now made in favour both of Orion and L&O (rather than just L&O as was the case under the previous arrangements). He appreciated the work undertaken by the Scheme Administrators and their legal advisers to allow him to see a copy of the Lloyds Bank Agreement and the previous guarantee and indemnity arrangements. However, he considered that it should be "do-able" to make the benefit of the Lloyds Bank Agreement only available to the Pre-1969 L&O Policyholders.
26. I informed those present at the Amending Scheme Meetings that I had met WD Hilton Jr prior to the meetings and explained to him in more detail how the existing Lloyds Bank Agreement and the previous guarantees and indemnities operated. In particular, I explained that any payments received by L&O from Lloyds Bank under the Lloyds Bank Agreement would be available to all Scheme Creditors (and not just to the Pre-1969 L&O Policyholders). I asked those present at the Amending Scheme Meetings whether they would like me to go through the existing and historic arrangements with Lloyds Bank in more detail. No one asked me to do so.
27. There were no further questions.
28. I then moved to the formal part of the Amending Scheme Meetings.
29. I drew the attention of the Scheme Creditors to the notice convening the Amending Scheme Meetings and proposed to take the notice as read. There were no objections.

30. I explained that there were six meetings at which the Scheme Creditors would vote on the Amending Scheme:
- (a) a Meeting of Orion's Policyholders (other than its Qualifying ILU Policyholders) in relation to their claims in respect of IBNR Liabilities and Notified Outstanding Liabilities ("**Orion's First Meeting**");
  - (b) a Meeting of Orion's Policyholders (other than its Qualifying ILU Policyholders) in relation to their claims in respect of Scheme Liabilities (other than IBNR Liabilities and Notified Outstanding Liabilities), Dual Scheme Creditors and Ordinary Creditors ("**Orion's Second Meeting**");
  - (c) a Meeting of Orion's Qualifying ILU Policyholders ("**Orion's Third Meeting**");
  - (d) a Meeting of L&O's Policyholders (other than its Qualifying ILU Policyholders) in relation to their claims in respect of IBNR Liabilities and Notified Outstanding Liabilities ("**L&O's First Meeting**");
  - (e) a Meeting of L&O's Policyholders (other than its Qualifying ILU Policyholders) in relation to their claims in respect of Scheme Liabilities (other than IBNR Liabilities and Notified Outstanding Liabilities), Dual Scheme Creditors and Ordinary Creditors ("**L&O's Second Meeting**"); and
  - (f) a Meeting of L&O's Qualifying ILU Policyholders ("**L&O's Third Meeting**").
31. I explained that, before the votes were taken, I would first ask those Scheme Creditors entitled to vote at each Amending Scheme Meeting to discuss the proposed Amending Scheme amongst the other Scheme Creditors also entitled to vote at that meeting.
32. At 11.30am, I adjourned all of the Amending Scheme Meetings (other than Orion's First Meeting) and asked the Scheme Creditors present at that meeting if they wished to discuss the Amending Scheme. No one asked me to do so.
33. At 11.31am, I adjourned Orion's First Meeting, reopened Orion's Second Meeting and asked the Scheme Creditors present at that meeting if they wished to discuss the Amending Scheme. No one asked me to do so.
34. At 11.32am, I adjourned Orion's Second Meeting, reopened Orion's Third Meeting and asked the Scheme Creditors present at that meeting if they wished to discuss the Amending Scheme. No one asked me to do so.
35. At 11.33am, I adjourned Orion's Third Meeting, reopened L&O's First Meeting and asked the Scheme Creditors present at that meeting if they wished to discuss the Amending Scheme. No one asked me to do so.

36. At 11.33am, I adjourned L&O's First Meeting, reopened L&O's Second Meeting and asked the Scheme Creditors present at that meeting if they wished to discuss the Amending Scheme. No one asked me to do so.
37. At 11.34am, I adjourned L&O's Second Meeting, reopened L&O's Third Meeting and asked the Scheme Creditors present at that meeting if they wished to discuss the Amending Scheme. No one asked me to do so.
38. At 11.34am, I then reopened all the other Amending Scheme Meetings.

#### **VOTING**

39. I explained that I would put the following formal resolution to the Scheme Creditors at each Amending Scheme Meeting:

"That this Meeting approves with or subject to any modification, addition, or condition approved or imposed by the Court as it shall think fit, the Amending Scheme of Arrangement dated 8 October 2014, between OIC Run-Off Limited and The London and Overseas Insurance Company Limited (both subject to a scheme of arrangement) and their respective Scheme Creditors (as defined therein) pursuant to Part 26 of the Companies Act 2006".

40. I then displayed to those present the copy of the Amending Scheme document signed by me as Chairman.

#### **Orion's First Meeting**

41. There was no objection to those Scheme Creditors entitled to vote at another or other Amending Scheme Meetings remaining in the meeting room whilst the vote for Orion's First Meeting took place.
42. I informed the meeting that I held proxies for 50 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$55,654,453.20 who wished to vote in favour of the Amending Scheme. I further informed the meeting that I held proxies for 3 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$2,682,668.70 that wished to vote against the Amending Scheme. I then signed the poll card for these Scheme Creditors. Please see paragraph 70 below which: (i) explains that the voting values for the Chairman's proxies that I read out at this meeting were, in fact, incorrect; and (ii) sets out the correct voting values that should have been read out instead.
43. I then invited those Scheme Creditors and proxies present at the meeting to submit their poll cards and noted that the vote for Orion's First Meeting had been taken at 11.40am.

#### **Orion's Second Meeting**



44. There was no objection to those Scheme Creditors entitled to vote at another or other Amending Scheme Meetings remaining in the meeting room whilst the vote for Orion's Second Meeting took place.
45. I informed the meeting that I held proxies for 148 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$271,194,162.30 who wished to vote in favour of the Amending Scheme. I further informed the meeting that I held proxies for 3 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$1,760,044.72 that wished to vote against the Amending Scheme. I then signed the poll card for these Scheme Creditors.
46. I then invited those Scheme Creditors and proxies present at the meeting to submit their poll cards and noted that the vote for Orion's Second Meeting had been taken at 11.45am.

#### **Orion's Third Meeting**

47. There was no objection to those Scheme Creditors entitled to vote at another or other Amending Scheme Meetings remaining in the meeting room whilst the vote for Orion's Third Meeting took place.
48. I informed the meeting that I held proxies for 50 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$55,654,453.20 who wished to vote in favour of the Amending Scheme. I further informed the meeting that I held proxies for 3 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$2,682,668.70 that wished to vote against the Amending Scheme. I then signed the poll card for these Scheme Creditors.
49. I then invited those Scheme Creditors and proxies present at the meeting to submit their poll cards and noted that the vote for Orion's Third Meeting had been taken at 11.49am.

#### **L&O's First Meeting**

50. There was no objection to those Scheme Creditors entitled to vote at another or other Amending Scheme Meetings remaining in the meeting room whilst the vote for L&O's First Meeting took place.
51. I informed the meeting that I held proxies for 50 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$55,654,453.20 who wished to vote in favour of the Amending Scheme. I further informed the meeting that I held proxies for 3 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$2,682,668.70 that wished to vote against the Amending Scheme. I then signed the poll card for these Scheme Creditors. Please see paragraph 70 below which: (i) explains that the voting values for the Chairman's proxies that I read out at this meeting were, in

fact, incorrect; and (ii) sets out the correct voting values that should have been read out instead.

52. I then invited those Scheme Creditors and proxies present at the meeting to submit their poll cards and noted that the vote for L&O's First Meeting had been taken at 11.51am.

#### **L&O's Second Meeting**

53. There was no objection to those Scheme Creditors entitled to vote at another or other Amending Scheme Meetings remaining in the meeting room whilst the vote for L&O's Second Meeting took place.
54. I informed the meeting that I held proxies for 148 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$271,194,162.30 who wished to vote in favour of the Amending Scheme. I further informed the meeting that I held proxies for 3 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$1,760,044.72 that wished to vote against the Amending Scheme. I then signed the poll card for these Scheme Creditors.
55. I then invited those Scheme Creditors and proxies present at the meeting to submit their poll cards and noted that the vote for L&O's Second Meeting had been taken at 11.53am.

#### **L&O's Third Meeting**

56. There was no objection to those Scheme Creditors entitled to vote at another or other Amending Scheme Meetings remaining in the meeting room whilst the vote for L&O's Third Meeting took place.
57. I informed the meeting that I held proxies for 50 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$55,654,453.20 who wished to vote in favour of the Amending Scheme. I further informed the meeting that I held proxies for 3 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$2,682,668.70 that wished to vote against the Amending Scheme. I then signed the poll card for these Scheme Creditors.
58. I then invited those Scheme Creditors and proxies present at the meeting to submit their poll cards and noted that the vote for L&O's Third Meeting had been taken at 11.55am.

#### **Continuation of the Amending Scheme Meetings**

59. I informed the Scheme Creditors that the votes cast at the Amending Scheme Meetings would be reviewed and that I would report the outcome of the Amending Scheme Meetings to the Court when applying for sanction of the Amending Scheme.
60. I explained that if the application for sanction was successful and the US Bankruptcy Court issued an order recognising the Amending Scheme, the Amending Scheme for

each Company would become effective when the sanction order was delivered for registration to the Registrar of Companies. I confirmed that an announcement of the Amending Scheme becoming effective would then be made to all known Scheme Creditors. I also pointed out that advertisements calling for Scheme Creditors to complete and return claim forms would be placed in accordance with the provisions of the Amending Scheme.

61. I closed the Amending Scheme Meetings at 11.58am.

**REVIEW OF VOTES RECEIVED**

62. The value attached to each Scheme Creditor's claims against the Companies for voting purposes was determined as follows pursuant to paragraph 16 of the Order:

- (a) in respect of a Scheme Creditor entitled to vote at Orion's First Meeting and L&O's First Meeting, the value of that Scheme Creditor's claims in respect of Notified Outstanding Liabilities and IBNR Liabilities (other than Notified Outstanding Liabilities and IBNR Liabilities arising out of Qualifying ILU Policies) were combined to give a single value;
- (b) in respect of a Scheme Creditor entitled to vote at Orion's Second Meeting and L&O's Second Meeting, the value of that Scheme Creditor's Established Liabilities and Agreed Liabilities (other than Established Liabilities and Agreed Liabilities arising out of Qualifying ILU Policies) were combined to give a single value;
- (c) in respect of a Scheme Creditor entitled to vote at Orion's Third Meeting and L&O's Third Meeting, the value of that Scheme Creditor's Established Liabilities, Agreed Liabilities, Notified Outstanding Liabilities and IBNR Liabilities in respect of Qualifying ILU Policies were combined to give a single value; and
- (d) the amounts referred to in paragraphs 62(a) to 62(c) above were then adjusted to take account of any discount for the time value of money in respect of Notified Outstanding Liabilities and IBNR Liabilities, and to take account of any Offset Amount and Security Interest.

63. In accordance with the terms of the Order, I have reviewed the value of all votes cast at the Amending Scheme Meetings and considered whether those voting values are fair and reasonable for the purposes of the vote. That assessment process is set out in detail in paragraphs 67 to 122. The final results of the Amending Scheme Meetings (following that review) are set out in paragraph 123.

64. In each case where I was unable to agree the vote value submitted by the Scheme Creditor, I have referred the matter to the Vote Assessor for inclusion in his Voting Report in accordance with paragraph 19 of the Order. A copy of the Voting Report is set out at

exhibit DYS4 7 of my Fourth Witness Statement and the results are summarised in paragraphs 124 to 126.

65. The review undertaken by me (assisted by my team) involved a very detailed and comprehensive verification exercise after the Amending Scheme Meetings to check the fairness and reasonableness of the value of the votes submitted by the Scheme Creditors. This involved first, my initial verification review of the votes (in which I was assisted by my team) to check, for example, that they had been validly submitted and cast (as outlined in paragraphs 67 to 81 below) and second, an assessment of the fairness and reasonableness of the voting values submitted with, where considered necessary, support from the Scheme Actuarial Adviser (as outlined in paragraphs 82 to 122).
66. Please note that, unless otherwise stated, the figures in this Report have been rounded to the nearest US Dollar and the cross-referencing of figures may not therefore always match exactly.

#### **Initial review**

67. The initial verification exercise included, but was not limited to, the following steps:
- (a) a check as to whether:
    - (i) the voting valuation figures read out by me at the Amending Scheme Meetings were correct and, for each meeting, matched the figures on the poll card prepared for that meeting; and
    - (ii) following the Amending Scheme Meetings, any further adjustments needed to be made to the voting values on the poll cards (for example because votes had been included on the wrong poll card);
  - (b) a check that each proxyholder voting at the Amending Scheme Meetings was authorised to do so on behalf of the relevant Scheme Creditor;
  - (c) a check that each vote was validly submitted by, or in respect of, a Scheme Creditor in accordance with the requirements of the Voting Form; and
  - (d) confirmation as to whether the vote was submitted at the correct Amending Scheme Meeting.

#### ***Orion's First Meeting and L&O's First Meeting***

68. Paragraphs 69 to 71 describe the initial checks and review that I carried out in respect of the votes cast at Orion's First Meeting and L&O's First Meeting.
69. At both Orion's First Meeting and L&O's First Meeting (paragraphs 42 and 51 respectively), I informed the meeting that I held proxies for 50 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$55,654,453.20 who

wished to vote in favour of the Amending Scheme. I further informed those meetings that I held proxies for 3 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$2,682,668.70 that wished to vote against the Amending Scheme.

70. Following those meetings, it was brought to my attention that the voting figures for Orion's First Meeting and L&O's First Meeting (and which I read out at the meetings) were, in fact, the voting figures for Orion's Third Meeting and L&O's Third Meeting. The correct figures (as set out on the attachment to the poll cards for Orion's First Meeting and L&O's First Meeting) were that I held proxies for 56 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$109,588,940.00 who wished to vote in favour of the Amending Scheme. I also held proxies for 5 Scheme Creditors with claims submitted for voting purposes with an aggregate value of US\$22,285,871.78 that wished to vote against the Amending Scheme.
71. In addition, as a result of my initial review of the votes cast for Orion's First Meeting and L&O's First Meeting:
- (a) I accepted three additional votes in favour of the Amending Scheme with a combined value of \$57,945,980 which had been received from Scheme Creditors before the Amending Scheme Meetings but not in time to have been included on the Chairman's poll card;
  - (b) I accepted two additional votes in favour of the Amending Scheme with a combined value of \$829,600 which had been included on the Chairman's poll card for Orion's and L&O's Second Meetings, but should have been included instead on the Chairman's poll card for Orion's and L&O's First Meetings;
  - (c) I rejected two votes in favour of the Amending Scheme with a combined value of \$2,483,919 which had been included on the Chairman's poll card for Orion's and L&O's First Meetings, but should have been included instead on the Chairman's poll card for Orion's and L&O's Third Meetings;
  - (d) with the agreement of the Scheme Creditor concerned, I increased the value of one vote in favour of the Amending Scheme by \$494,745 from \$11,629,554 to \$12,124,299, as that Scheme Creditor had incorrectly completed its Voting Form;
  - (e) I agreed the value of two votes in favour of the Amending Scheme with the relevant Scheme Creditors in indicative value letters ("IVL") between the Companies and those Scheme Creditors<sup>2</sup>. This resulted in a reduction in the

<sup>2</sup> An IVL is a non-binding letter signed by the Companies, informing a Scheme Creditor of the value at which its claims are likely to be agreed under the Amending Scheme, on the basis of the information supplied to date by the Scheme Creditor to the Companies. In each case the value is not binding on the Scheme Creditors or the Companies and is not contingent upon the direction in which a Scheme Creditor casts its vote on the Amending Scheme, or on the Scheme Creditor voting on the Amending Scheme at all.

combined value of their votes by \$4,861,371 from \$7,161,371 to \$2,300,000. One IVL was agreed shortly before the Amending Scheme Meetings and the other was agreed subsequent to the Amending Scheme Meetings;

- (f) with the agreement of the relevant Scheme Creditors, I reduced the value of four votes in favour of the Amending Scheme by a total combined amount of \$281,663 from \$528,498 to \$246,835, as those Scheme Creditors had incorrectly completed their respective Voting Forms;
- (g) with the agreement of the relevant Scheme Creditors, I increased the value of seven votes in favour of the Amending Scheme by a combined amount of \$63,272 from \$2,769,151 to \$2,832,423. This was done to ensure that those votes were valued as at the Valuation Date. This was achieved by changing the time value discount applied to those votes; and
- (h) I increased the value of two votes in favour of the Amending Scheme by \$61 from \$2,099,046 to \$2,099,107 as they had been incorrectly recorded on the Chairman's poll card.

***Orion's Second Meeting and L&O's Second Meeting***

- 72. Paragraph 73 describes the initial checks and review that I carried out in respect of the votes cast at Orion's Second Meeting and L&O's Second Meeting.
- 73. As a result of my initial review of the votes cast for Orion's Second Meeting and L&O's Second Meeting:
  - (a) I accepted three additional votes in favour of the Amending Scheme with a combined value of \$3,506,562 which had been received before the Amending Scheme Meetings but not in time to have been included on the Chairman's poll card;
  - (b) I accepted one additional vote in favour of the Amending Scheme with a value of \$2,814,000 which was sent before the Amending Scheme Meetings but to an incorrect email address. The hard copy of the Voting Form was subsequently received after the Amending Scheme Meetings and, in accordance with paragraph 20 of the Order, accepted by me;
  - (c) I rejected two votes in favour of the Amending Scheme with a combined value of \$829,600 which had been included on the Chairman's poll card for Orion's and L&O's Second Meetings, but should have been included instead on the Chairman's poll card for Orion's and L&O's First Meetings;
  - (d) I accepted two additional votes in favour of the Amending Scheme with a combined value of \$135,217 which had been included on the Chairman's poll card

for Orion's and L&O's Third Meetings, but should have been included instead on the Chairman's poll card for Orion's and L&O's Second Meetings;

- (e) with the Scheme Creditor's agreement, I reduced the value of one vote in favour of the Amending Scheme by \$12,515,404 from \$21,578,283 to \$9,062,879, as the vote had been incorrectly shown on the Chairman's poll card as being gross of dividends paid to date;
- (f) I accepted three additional votes in favour of the Amending Scheme with a value of \$1,907,626 which were omitted in error from the Chairman's poll card for these meetings;
- (g) I increased the value of one vote in favour of the Amending Scheme by \$35,028 from \$3,982 to \$38,920, as it had been incorrectly recorded on the Chairman's poll card;
- (h) I reduced the value of three votes in favour of the Amending Scheme by \$334,640 from \$1,295,847 to \$961,207, as they had been incorrectly recorded on the Chairman's poll card;
- (i) with the agreement of the relevant Scheme Creditors, I reduced the value of two votes in favour of the Amending Scheme by a total combined amount of \$43,123 from \$734,436 to \$691,313, as those Scheme Creditors had incorrectly completed their respective Voting Forms;
- (j) with the agreement of the relevant Scheme Creditors, I increased the value of three votes in favour of the Amending Scheme by a total combined amount of \$205,629 from \$0 to \$205,629, as those Scheme Creditors had incorrectly completed their respective Voting Forms; and
- (k) one vote in favour of the Amending Scheme with a value of \$1,527,422 was received from a Scheme Creditor prior to the Amending Scheme Meetings and was included on the Chairman's poll card for these meetings. A proxyholder for that Scheme Creditor subsequently attended and voted at the Amending Scheme Meetings for that same claim value on behalf of the Scheme Creditor. I therefore deducted the amount of that Scheme Creditor's vote from the Chairman's poll card for these meetings and instead recorded it as a vote received from a proxyholder present and voting at the meetings.

***Orion's Third Meeting and L&O's Third Meeting***

74. Paragraph 75 describes the initial checks and review that I carried out in respect of the votes cast at Orion's Third Meeting and L&O's Third Meeting.

75. As a result of my initial review of the votes cast for Orion's Third Meeting and L&O's Third Meeting:
- (a) I accepted one additional vote in favour of the Amending Scheme with a value of \$96,000 which had been omitted in error from the Chairman's poll card for these meetings;
  - (b) I accepted two additional votes in favour of the Amending Scheme with a combined value of \$2,483,919 which had been included on the Chairman's poll card for Orion's and L&O's First Meetings, but should have been included instead on the Chairman's poll card for Orion's and L&O's Third Meetings;
  - (c) I rejected two votes in favour of the Amending Scheme with a combined value of \$135,217 which had been included on the Chairman's poll card for Orion's and L&O's Third Meetings, but should have been included instead on the Chairman's poll card for Orion's and L&O's Second Meetings;
  - (d) with the agreement of the relevant Scheme Creditors, I reduced the value of three votes in favour of the Amending Scheme by a total combined amount of \$161,938 from \$1,233,970 to \$1,072,032, as those Scheme Creditors had incorrectly completed their respective Voting Forms;
  - (e) with the agreement of the relevant Scheme Creditors, I increased the value of seven votes in favour of the Amending Scheme by a total combined amount of \$1,599 from \$78,984 to \$80,583. This was done to ensure that those votes were valued as at the Valuation Date. This was achieved by changing the time value discount applied to those votes; and
  - (f) I increased the value of one vote in favour of the Amending Scheme by \$3 from \$19,925 to \$19,928 as it had been incorrectly recorded on the Chairman's poll card.

### ***Assignments***

76. Paragraph 45.7 of the Amending Explanatory Statement provides that where both an Assignor and an Assignee submit a claim against the Companies for voting purposes, the matter is to be referred to the Vote Assessor for inclusion in his report on the reasonableness of voting values for submission to the Court (the "**Voting Report**").
77. Whilst the Companies have received votes from both Assignors and Assignees in respect of the same insurance policy, the votes have been made in respect of different claims (i.e. the votes are in respect of different market settlements or claim types). The Companies have therefore not received votes from both an Assignor and an Assignee on the same claim. Accordingly, I have referred no such votes to the Vote Assessor for inclusion in the Voting Report.



78. Some assignees have submitted votes in respect of a number of claims which have been assigned to that assignee by more than one assignor. Each such assignee has been counted as a single Scheme Creditor, regardless of the number of claims assigned to that assignee. The value of each assignee's vote has been calculated as being the aggregate of the value of the claims assigned to the assignee (for example, if six claims totalling \$600 had been assigned to an assignee by a number of different assignors, that assignee would be treated for voting purposes as one Scheme Creditor by number with an aggregate voting value of \$600). Such treatment has had no impact on whether the required majorities by number at the Amending Scheme Meetings have been achieved.

***Abstentions***

79. The following Scheme Creditors abstained from voting at the Amending Scheme Meetings:

- (a) five Scheme Creditors with a combined voting value of \$7,532,891 abstained from voting at both Orion's First Meeting and L&O's First Meeting;
- (b) five Scheme Creditors with a combined voting value of \$6,576,563 abstained from voting at both Orion's Second Meeting and L&O's Second Meeting; and
- (c) 11 Scheme Creditors with a combined voting value of \$12,102,380 abstained from voting at both Orion's Third Meeting and L&O's Third Meeting.

80. I have not reviewed the value of the votes referred to in paragraph 79 above on the basis that they were abstentions and therefore have no impact on whether the required majorities by number and by value at the Amending Scheme Meetings have been achieved.

***Initial review figures***

81. Following completion of the initial verification review of the votes (outlined in paragraphs 67 to 78 above), and prior to my assessment of the fairness and reasonableness of the voting values with, where considered necessary, support from the Scheme Actuarial Adviser (outlined in paragraphs 82 to 122 below), the number of Scheme Creditors entitled to vote in person or by proxy, at each Amending Scheme Meeting and the aggregate value of their claims (for voting purposes) is set out in the table below. In accordance with paragraph 17 of the Order, all amounts in currencies other than United States dollars ("**US Dollars**") were converted, on the day of the Amending Scheme Meetings (11 December 2014), into US Dollars at the mid-market rate of exchange for US Dollars published by the Financial Times as at the Valuation Date. The Valuation Date is 31 December 2013. The votes given by such Scheme Creditors "for" (with or without modification) and "against" the resolution that the Amending Scheme should be approved were as stated in the table in US Dollars below.

Meeting / How Present	(1) Present and voting		(2) Voted for the resolution (with or without modification of that resolution)		(3) Voted against the resolution	
	No.	Value of Claims (\$)	No.	Value of Claims (\$)	No.	Value of Claims (\$)
<b>OIC Run-Off Limited – First Meeting</b>						
Proxy present	13	50,965,351	-	-	13	50,965,351
Chairman proxy	56	183,581,517	51	161,295,645	5	22,285,872
Totals	69	234,546,868	51	161,295,645	18	73,251,223
% (See Note)	100%	100%	73.9%	68.8%	26.1%	31.2%
<b>OIC Run-Off Limited – Second Meeting</b>						
Proxy present	2	1,574,169	1	1,527,423	1	46,746
Chairman proxy	107	266,308,080	104	264,548,035	3	1,760,045
Totals	109	267,882,249	105	266,075,458	4	1,806,791
% (See Note)	100%	100%	96.3%	99.3%	3.7%	0.7%
<b>OIC Run-Off Limited – Third Meeting</b>						
Proxy present	-	-	-	-	-	-
Chairman proxy	53	60,621,488	50	57,938,819	3	2,682,669
Totals	53	60,621,488	50	57,938,819	3	2,682,669
% (See Note)	100%	100%	94.3%	95.6%	5.7%	4.4%
<b>The London and Overseas Insurance Company Limited – First Meeting</b>						
Proxy present	13	50,965,351	-	-	13	50,965,351
Chairman proxy	56	183,581,517	51	161,295,645	5	22,285,872
Totals	69	234,546,868	51	161,295,645	18	73,251,223
% (See Note)	100%	100%	73.9%	68.8%	26.1%	31.2%
<b>The London and Overseas Insurance Company Limited – Second Meeting</b>						
Proxy present	2	1,574,169	1	1,527,423	1	46,746
Chairman proxy	107	266,308,080	104	264,548,035	3	1,760,045
Totals	109	267,882,249	105	266,075,458	4	1,806,791
% (See Note)	100%	100%	96.3%	99.3%	3.7%	0.7%
<b>The London and Overseas Insurance Company Limited – Third Meeting</b>						
Proxy present	-	-	-	-	-	-
Chairman proxy	53	60,621,488	50	57,938,819	3	2,682,669
Totals	53	60,621,488	50	57,938,819	3	2,682,669
% (See Note)	100%	100%	94.3%	95.6%	5.7%	4.4%

Note: The percentage figures for each meeting are obtained by dividing the total value or number (as applicable) of votes in favour (column (2)) or against (column (3)) the resolution by the total value or number (as applicable) of votes cast (column (1)) at the meeting.

### Assessment of claims in conjunction with the Scheme Actuarial Adviser

82. In conjunction with the Scheme Actuarial Adviser I reviewed the votes received and where I considered it impossible to assess the votes received (for example, where the Scheme Creditor had submitted insufficient supporting information), the Run-off Company wrote by e-mail, on my behalf, in December 2014 and January 2015 to:

- (a) five Scheme Creditors with a combined submitted vote value of \$33,433,641 who had voted in favour of the Amending Scheme at Orion's and L&O's First Meetings;

- (b) five Scheme Creditors with a combined submitted vote value of \$16,845,661 who had voted against the Amending Scheme at Orion's and L&O's First Meetings; and
  - (c) two Scheme Creditors with a combined submitted vote value of \$2,584,433 who had voted against the Amending Scheme at Orion's and L&O's Third Meetings.<sup>3</sup>
83. In each of those e-mails, I invited the relevant Scheme Creditor to provide further information to assist me in assessing the reasonableness of its submitted vote value. Where further information was received, I took it into account when reviewing the relevant votes.
84. 10 of the 11 Scheme Creditors to whom such requests were made responded by providing further information.

***Orion's First Meeting and L&O's First Meeting***

85. After taking account of the matters set out in paragraphs 67 to 78 above, 69 votes totalling \$234,546,868 were submitted at Orion's First Meeting and L&O's First Meeting.
86. Those votes were split by value as follows:
- (a) votes totalling \$73,251,223 were submitted voting against the Amending Scheme;
  - (b) votes totalling \$128,345,677 were submitted voting in favour of the Amending Scheme, where the value of each vote submitted was greater than \$200,000 and excluded any votes which were already the subject of an IVL;
  - (c) votes totalling \$31,895,687 were submitted voting in favour of the Amending Scheme, where such votes were already the subject of an IVL; and
  - (d) votes totalling \$1,054,280 were submitted voting in favour of the Amending Scheme, where the value of each vote submitted was less than \$200,000 and excluded any votes which were already the subject of an IVL.

A more detailed analysis of the above figures is shown in the first numerical column of the Appendix to this Report.

87. I have reviewed the votes in each of the four categories set out above to determine whether, in each case, the value of the vote submitted by the Scheme Creditor was fair and reasonable.

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<sup>3</sup> One of the two Scheme Creditors who voted against the Amending Scheme at Orion's and L&O's Third Meetings was also one of the five Scheme Creditors who voted against the Amending Scheme at Orion's and L&O's First Meetings. Therefore, 12 requests (as referred to in paragraph 82) were sent to 11 Scheme Creditors.

88. In respect of the first and second categories of votes referred to in paragraphs 86(a) and 86(b), I asked the Scheme Actuarial Adviser to undertake a detailed review of each vote submitted.<sup>4</sup>
89. In each case, I reviewed the valuation placed on the vote by the Scheme Actuarial Adviser and formed an opinion, based on all of the information available to me in respect of that vote, as to a fair and reasonable value to be applied to the vote.
90. With respect to 15 Scheme Creditors with a combined submitted vote value of \$125,633,782 who voted in favour of the Amending Scheme and 18 Scheme Creditors with a combined submitted vote value of \$73,251,223 who voted against the Amending Scheme, the value that I placed on the vote differed from the value submitted by the Scheme Creditor. In each of those cases:
- (a) I referred the vote to the Vote Assessor for review and inclusion in the Voting Report (the votes referred to the Vote Assessor are those set out in sections 6.1.1 to 6.1.34 of the Voting Report);
  - (b) I sent a letter on 16 April 2015 informing the Scheme Creditor:
    - (i) of the difference in the valuations placed on the vote and that the matter had been referred to the Vote Assessor;
    - (ii) that if the Scheme Creditor wished to receive any clarification of my valuation of its vote, it should make such request within two weeks of the date of the letter; and
    - (iii) that if the Scheme Creditor wished to make any further representations or submit any further information or data in support of its claim, it should do so within four weeks of the date of the letter;
  - (c) I received responses to my letters of 16 April 2015 from two Scheme Creditors with a combined submitted vote value of \$9,816,071 in favour of the Amending Scheme and from 12 Scheme Creditors with a combined submitted vote value of \$49,831,957 against the Amending Scheme. Where those Scheme Creditors either submitted further information (but I considered that such information was still insufficient for me to finalise my assessment of the value of that Scheme Creditor's vote) or requested more time in which to submit further information, I sent a further letter on 1 June 2015 informing the Scheme Creditor that it should

<sup>4</sup> The exception to this was with regard to one vote in favour of the Amending Scheme with a voting value of \$2,711,896, where the vote value submitted by the Scheme Creditor was based on the Companies' share of a market settlement. The Scheme Actuarial Adviser informed me that he would follow the same approach as the market settlement in respect of that vote. I therefore accepted the vote valuations submitted in respect of that vote based on the market settlement documentation.

provide such further information or data by 22 June 2015, following which I would make my final assessment of its vote value. I sent such letters to one Scheme Creditor with a submitted vote value of \$3,175,101 in favour of the Amending Scheme and to nine Scheme Creditors with a combined submitted vote value of \$38,327,729 against the Amending Scheme. I received responses to my letters of 1 June 2015 from all ten Scheme Creditors; and

- (d) where the Scheme Creditor provided further information in accordance with paragraphs 90(b) and/or 90(c):
- (i) I asked the Scheme Actuarial Adviser to review his valuation of that Scheme Creditor's vote in the light of the further information submitted;
  - (ii) I reviewed the updated valuation placed on the vote by the Scheme Actuarial Adviser and formed an opinion as to the fair and reasonable value to be applied to that vote; and
  - (iii) for 12 of the 14 Scheme Creditors who responded to my letter dated 16 April 2015 (and are referred to in paragraph 90(c)), I have sent a final letter to the Scheme Creditor in September 2015 informing it of the valuation that I had placed on its vote; and
  - (iv) for the remaining two Scheme Creditors, the responses received were only for clarification purposes and therefore no final letter was necessary.

91. In each case where I referred a vote to the Vote Assessor, I provided the Vote Assessor with the following documentation, redacted to conceal the identity of the Scheme Creditor and the direction of the Scheme Creditor's vote:

- (a) a summary of the valuation placed on the vote by the Scheme Actuarial Adviser;
- (b) a copy of the Voting Form submitted by the Scheme Creditor;
- (c) a copy of the information supplied by the Scheme Creditor to the Companies to support its vote value. In one case the direction of the Scheme Creditor's vote was not redacted from the covering letter. As soon as I became aware of this, I advised the Vote Assessor and sent him a copy of the covering letter, properly redacted;<sup>5</sup>
- (d) where applicable, copies of the legal advice received by the Scheme Actuarial Adviser, along with the memorandum provided by the Scheme Actuarial Adviser to the Scheme Administrators interpreting that legal advice, to support me in my assessment of the value of that Scheme Creditor's vote; and

<sup>5</sup> I note that this exception was not specifically mentioned by the Vote Assessor in the Voting Report.

- (e) where applicable, the additional correspondence with, and further information provided by, the Scheme Creditor in response to the letters referred to in paragraphs 90(b) and 90(c), along with:
- (i) a revised summary of the vote placed on the vote by the Scheme Actuarial Adviser;
  - (ii) copies of any further legal advice received by the Scheme Actuarial Adviser, along with the memorandum provided by the Scheme Actuarial Adviser to the Scheme Administrators interpreting that legal advice, to support me in my assessment of the value of that Scheme Creditor's vote; and
  - (iii) a copy of my final draft letter to the Scheme Creditor referred to in paragraph 90(d).
92. As a result of the assessment exercise set out in paragraphs 88 to 90 above, I adjusted:
- (a) the value of the votes submitted against the Amending Scheme (referred to in paragraph 86(a)) from \$73,251,223 to \$14,989,544; and
  - (b) the value of the votes submitted in favour of the Amending Scheme (referred to in paragraph 86(b)) from \$128,345,677 to \$34,196,229.
93. In respect of the third category of votes referred to in paragraph 86(c), the value that I have placed on each vote is the value of the claims set out in the IVL for that Scheme Creditor. This is on the basis that such amount has already been assessed by the Scheme Administrators as being the fair and reasonable value of that Scheme Creditor's claims against the Companies.
94. As a result of the assessment exercise set out in paragraph 93 above, no adjustment was made to the value of the third category of votes (referred to in paragraph 86(c)).
95. In respect of the fourth category of votes referred to in paragraph 86(d), in each case I have reviewed and accepted the value of the vote submitted by the Scheme Creditor as being fair and reasonable for voting purposes. This included a review against the value set out in the Companies' books and records.
96. Furthermore, I considered that a detailed valuation of such votes (in paragraph 86(d)) would have no material effect on the outcome of the vote at Orion's First Meeting and L&O's First Meeting. Even if these votes in favour were valued at zero, the percentage of Scheme Creditors voting in favour of the Amending Scheme at those meetings would only be reduced by 0.3% (from 81.8% (see paragraph 123 below) to 81.5%).

97. A more detailed analysis of the figures resulting from the process described in paragraphs 92 to 95 above is shown in the third numerical column of the Appendix to this Report.

*Pure All Sums valuation*

98. In paragraph 21, I noted Richard Mattick's perceived concern regarding the use of an "all sums net of contributions" basis, rather than a "pure all sums" basis, to value claims that are subject to "all sums". I have responded in detail to his reservation in paragraph 6.6 of my Fourth Witness Statement and note, in particular, that:

- (a) even if Richard Mattick's assertion were accepted and claims that are subject to "all sums" should be valued on a basis that takes no account of contributions receivable from other insurers (i.e. on a "pure all sums" basis), the result of the vote in the Amending Scheme is only slightly changed. I asked the Scheme Actuarial Adviser to value all votes on this basis as a sensitivity to the meetings results set out in paragraph 123 below;
- (b) the Scheme Actuarial Adviser has advised me that the vote values of a number of Scheme Creditors, for example those Scheme Creditors that are subject only to "pro rata" allocations, do not change, but that the vote values of a number of other Scheme Creditors vary greatly from the values set out in this Report. Indeed, I am advised that the valuations of individual Scheme Creditors based on a "pure all sums" allocation differ, quite regularly by a multiple as high as 10, and sometimes by a multiple as high as 1,000, from valuations based on an "all sums net of contributions" allocation; and
- (c) the aggregate increases in vote values of Scheme Creditors voting for and against the Amending Scheme are, nonetheless, such that, after all vote values in the Amending Scheme are adjusted in this manner, the percentage of Scheme Creditors voting in favour of the Amending Scheme is 79.3% compared to the figure of 81.8% set out in paragraph 123 below.

99. A more detailed analysis of the figures resulting from the process described in paragraphs 98(a) to (c) above is shown in the fourth numerical column of the Appendix to this Report.

*Other sensitivities in valuation approaches*

100. In addition to the above sensitivity relating to the use of "pure all sums" allocations rather than "all sums net of contributions" allocations, I have also asked the Scheme Actuarial Adviser to consider the effect of other differences between the valuation approaches used by some Scheme Creditors and the valuation approaches that I have adopted. The other main differences fall into three categories: (a) the weight given to future site cost

estimates at pollution sites; (b) the ground up ultimates<sup>6</sup> adopted in relation to asbestos claims; and (c) the choice of law assumed. The Scheme Actuarial Adviser has advised me that:

- (a) if a 100% weighting is applied to a scenario using the estimated future site costs adopted by each Scheme Creditor at pollution sites, rather than the approach which I have adopted for this Report of a 50% weighting to that scenario and a 50% weighting to a scenario where no future site costs apply, then the percentage of Scheme Creditors voting in favour of the Amending Scheme is 82.1% compared to the figure of 81.8% set out in paragraph 123 below. A more detailed analysis of these figures is shown in the fifth numerical column of the Appendix to this Report;
- (b) if the ground up ultimates assumed by Scheme Creditors for asbestos claims are adopted, rather than the ground up ultimates assumed in my valuations, then the percentage of Scheme Creditors voting in favour of the Amending Scheme is 79.1% compared to the figure of 81.8% set out in paragraph 123 below. A more detailed analysis of these figures is shown in the sixth numerical column of the Appendix to this Report; and
- (c) if the Scheme Creditors' choice of law is adopted, rather than the choice of law assumed in my valuations, then the percentage of Scheme Creditors voting in favour of the Amending Scheme is 82.0% compared to the figure of 81.8% set out in paragraph 123 below. A more detailed analysis of these figures is shown in the seventh numerical column of the Appendix to this Report.

***Orion's Second Meeting and L&O's Second Meeting***

- 101. After taking account of the matters set out in paragraphs 67 to 78 above, 109 votes totalling \$267,882,249 were submitted at Orion's Second Meeting and L&O's Second Meeting.
- 102. Those votes were split as follows:
  - (a) votes totalling \$1,806,791 were submitted voting against the Amending Scheme; and
  - (b) votes totalling \$266,075,458 were submitted voting in favour of the Amending Scheme.
- 103. I have reviewed the votes in each of the two categories set out above to determine whether, in each case, the value of the vote submitted by the Scheme Creditor was fair and reasonable.

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<sup>6</sup> The term "ground-up ultimates" refers to the total value of past and future policyholder claims relating to a particular type of claim under that policyholder's total coverage profile.



104. In each case, I reviewed the valuation placed on the vote by the Scheme Creditor against the value set out in the Companies' books and records.
105. As a result of the assessment exercise set out in paragraphs 103 and 104 above, I:
- (a) made no adjustments to the value of the votes submitted against the Amending Scheme (\$1,806,791) referred to in paragraph 102(a); and
  - (b) made no adjustments to the value of the votes submitted in favour of the Amending Scheme (\$266,075,458) referred to in paragraph 102(b).
106. Eight votes totalling \$6,007,255 submitted at Orion's Second Meeting and L&O's Second Meeting were included by the Vote Assessor in the Voting Report. This is solely because other votes submitted by those Scheme Creditors at Orion's First Meeting and L&O's First Meeting had already been referred by me to the Vote Assessor for his review (as described in paragraph 90). The only adjustment that I made to the value of these eight votes was already included within the adjustment referred to in paragraph 73(f). This resulted in these eight votes being valued at \$5,908,414. The Vote Assessor also agreed with my valuation of each of the eight votes.

***Orion's Third Meeting and L&O's Third Meeting***

107. After taking account of the matters set out in paragraphs 67 to 78 above, 53 votes totalling \$60,621,488 were submitted at Orion's Third Meeting and L&O's Third Meeting.
108. Those votes were split as follows:
- (a) votes totalling \$2,682,669 were submitted voting against the Amending Scheme;
  - (b) votes totalling \$10,893,224 were submitted voting in favour of the Amending Scheme, where such votes were already the subject of an IVL; and
  - (c) votes totalling \$47,045,595 were submitted voting in favour of the Amending Scheme, excluding any votes which were already the subject of an IVL.
109. I have reviewed the votes in each of the three categories set out above to determine whether, in each case, the value of the vote submitted by the Scheme Creditor was fair and reasonable.
110. In respect of the first category of votes referred to in paragraph 108(a), I asked the Scheme Actuarial Adviser to undertake a detailed review of each vote submitted.
111. In each case, I reviewed the valuation placed on the vote by the Scheme Actuarial Adviser and formed an opinion, based on all of the information available to me in respect of that vote, as to the fair and reasonable value to be applied to the vote.

112. With respect to three Scheme Creditors with a combined submitted vote value of \$2,682,669 who voted against the Amending Scheme, the value that I placed on the vote differed from the value submitted by the Scheme Creditor. In each of those cases:

- (a) I referred the vote to the Vote Assessor for review and inclusion in the Voting Report (the votes referred to the Vote Assessor are those set out in sections 6.3.1 to 6.3.5 of the Voting Report) ; and
- (b) I sent a letter on 16 April 2015 informing the Scheme Creditor:
  - (i) of the difference in the valuations placed on the vote and that the matter had been referred to the Vote Assessor;
  - (ii) that if the Scheme Creditor wished to receive any clarification of my valuation of its vote, it should make such request within two weeks of the date of the letter; and
  - (iii) that if the Scheme Creditor wished to make any further representations or submit any further information or data in support of its claim, it should do so within four weeks of the date of the letter; and
- (c) I received no responses to my letters of 16 April 2015.

113. In each case where I referred a vote to the Vote Assessor, I provided the Vote Assessor with the following documentation, redacted to conceal the identity of the Scheme Creditor and the direction of the Scheme Creditor's vote:

- (a) a summary of the valuation placed on the vote by the Scheme Actuarial Adviser;
- (b) a copy of the Voting Form submitted by the Scheme Creditor;
- (c) a copy of the information supplied by the Scheme Creditor to the Companies to support its vote value; and
- (d) where applicable, copies of the legal advice received by the Scheme Actuarial Adviser, along with the memorandum provided by the Scheme Actuarial Adviser to the Scheme Administrators interpreting that legal advice, to support me in my assessment of the value of that Scheme Creditor's vote.

114. As a result of the assessment exercise set out in paragraphs 110 to 112 above, I have adjusted the value of the votes submitted against the Amending Scheme (referred to in paragraph 108(a)) from \$2,682,669 to \$1,028,675.

115. In respect of the second category of votes referred to in paragraph 108(b), the value that I have placed on each vote is the value of the claims set out in the IVL for that Scheme Creditor. This is on the basis that such amount has already been assessed by the

Scheme Administrators as being the fair and reasonable value of that Scheme Creditor's claims against the Companies.

116. As a result of the assessment exercise set out in paragraph 115 above, no adjustment was made to the value of the votes submitted in favour of the Amending Scheme (referred to in paragraph 108(b)).
117. In respect of the third category of votes referred to in paragraph 108(c), where the Scheme Creditor had also submitted a vote in the Orion and L&O First Meetings, I asked the Scheme Actuarial Adviser to undertake a detailed review of each vote submitted. This meant that of the amount of \$47,045,595, two Scheme Creditors with votes of \$979,838 who had voted in favour of the Amending Scheme in the Orion and L&O Third Meetings had their votes reviewed by the Scheme Actuarial Adviser.
118. With respect to those two Scheme Creditors with votes of \$979,838 who voted in favour of the Amending Scheme, the value that I placed on the vote differed from the value submitted by the Scheme Creditor. In both of those cases:
- (a) I referred the vote to the Vote Assessor for review and inclusion in the Voting Report (the votes referred to the Vote Assessor are those set out in sections 6.3.1 to 6.3.5 of the Voting Report);
  - (b) I sent a letter on 16 April 2015 informing the Scheme Creditor:
    - (i) of the difference in the valuations placed on the vote and that the matter had been referred to the Vote Assessor;
    - (ii) that if the Scheme Creditor wished to receive any clarification of my valuation of its vote, it should make such request within two weeks of the date of the letter; and
    - (iii) that if the Scheme Creditor wished to make any further representations or submit any further information or data in support of its claim, it should do so within four weeks of the date of the letter; and
  - (c) I received no responses to my letters of 16 April 2015.
119. In each case where I referred a vote to the Vote Assessor, I provided the Vote Assessor with the following documentation, redacted to conceal the identity of the Scheme Creditor and the direction of the Scheme Creditor's vote:
- (a) a summary of the valuation placed on the vote by me (as Chairman);
  - (b) a copy of the Voting Form submitted by the Scheme Creditor;
  - (c) a copy of the information supplied by the Scheme Creditor to the Companies to support its vote value; and

- (d) where applicable, copies of the legal advice received by the Scheme Actuarial Adviser, along with the memorandum provided by the Scheme Actuarial Adviser to the Scheme Administrators interpreting that legal advice, to support me in my assessment of the value of that Scheme Creditor's vote.
120. Of the amount of \$47,045,595 referred to in paragraph 108(c), for the remaining votes valued at \$46,065,757 I reviewed the value of the votes submitted by the Scheme Creditors to determine whether the value was fair and reasonable. This included a review against the value set out in the Companies' books and records.
121. As a result of the assessment exercise set out in paragraphs 117, 118 and 120 above, I have adjusted the value of the votes submitted in favour of the Amending Scheme (referred to in paragraph 108(c)) from \$47,045,595 to \$46,819,257.
122. Furthermore, I considered that any further detailed valuation of the votes referred to in paragraph 108(c) would have no material effect on the outcome of the vote at Orion's Third Meeting and L&O's Third Meeting. Even if all these votes in favour were valued at zero (instead of \$46,819,257), the percentage of Scheme Creditors voting in favour of the Amending Scheme at those meetings would only be reduced from 98.2% (see paragraph 123 below) to 91.4%.

#### FINAL VOTES

123. The number of Scheme Creditors entitled to vote and present in person or by proxy at each Amending Scheme Meeting and the aggregate value of their claims (for voting purposes), as adjusted following:
- (a) the verification and review process set out in paragraphs 67 to 81; and
- (b) my assessment of the fairness and reasonableness of the voting values submitted set out in paragraphs 82 to 122,

is set out in the table below (all figures in US Dollars).

Meeting / How Present	(1) Present and voting		(2) Voted for the resolution (with or without modification of that resolution)		(3) Voted against the resolution	
	No.	Value of Claims (\$)	No.	Value of Claims (\$)	No.	Value of Claims (\$)
<b>OIC Run-Off Limited – First Meeting</b>						
Proxy present	13	12,168,674	-	-	13	12,168,674
Chairman proxy	56	69,967,070	51	67,146,198	5	2,820,872
Totals	69	82,135,744	51	67,146,198	18	14,989,546
% (See Note)	100%	100%	73.9%	81.8%	26.1%	18.2%
<b>OIC Run-Off Limited – Second Meeting</b>						
Proxy present	2	1,574,169	1	1,527,423	1	46,746
Chairman proxy	107	266,308,080	104	264,548,035	3	1,760,045

Meeting / How Present	(1) Present and voting		(2) Voted for the resolution (with or without modification of that resolution)		(3) Voted against the resolution	
	No.	Value of Claims (\$)	No.	Value of Claims (\$)	No.	Value of Claims (\$)
Totals	109	267,882,249	105	266,075,458	4	1,806,791
% (See Note)	100%	100%	96.3%	99.3%	3.7%	0.7%
<b>OIC Run-Off Limited – Third Meeting</b>						
Proxy present	-	-	-	-	-	-
Chairman proxy	53	58,741,156	50	57,712,481	3	1,028,675
Totals	53	58,741,156	50	57,712,481	3	1,028,675
% (See Note)	100%	100%	94.3%	98.2%	5.7%	1.8%
<b>The London and Overseas Insurance Company Limited – First Meeting</b>						
Proxy present	13	12,168,674	-	-	13	12,168,674
Chairman proxy	56	69,967,070	51	67,146,198	5	2,820,872
Totals	69	82,135,744	51	67,146,198	18	14,989,546
% (See Note)	100%	100%	73.9%	81.8%	26.1%	18.2%
<b>The London and Overseas Insurance Company Limited – Second Meeting</b>						
Proxy present	2	1,574,169	1	1,527,423	1	46,746
Chairman proxy	107	266,308,080	104	264,548,035	3	1,760,045
Totals	109	267,882,249	105	266,075,458	4	1,806,791
% (See Note)	100%	100%	96.3%	99.3%	3.7%	0.7%
<b>The London and Overseas Insurance Company Limited – Third Meeting</b>						
Proxy present	-	-	-	-	-	-
Chairman proxy	53	58,741,156	50	57,712,481	3	1,028,675
Totals	53	58,741,156	50	57,712,481	3	1,028,675
% (See Note)	100%	100%	94.3%	98.2%	5.7%	1.8%

Note: The percentage figures for each meeting are obtained by dividing the total value or number (as applicable) of votes in favour (column (2)) or against (column (3)) the resolution by the total value or number (as applicable) of votes cast (column (1)) at the meeting.

#### THE VOTING REPORT

124. As noted in paragraph 90, with respect to Orion's First Meeting and L&O's First Meeting, I referred 15 votes in favour of the Amending Scheme and 18 votes against the Amending Scheme to the Vote Assessor. The Vote Assessor has concluded that in respect of the valuations that I placed on those votes (set out in paragraph 92):

- (a) four votes in favour of the Amending Scheme should be increased by \$1,154,423 from \$16,008,621 to \$17,163,044;
- (b) one vote in favour of the Amending Scheme should be reduced by \$93,832 from \$102,644 to \$8,812;
- (c) four votes against the Amending Scheme should be increased by \$62,586 from \$448,670 to \$511,256; and
- (d) two votes against the Amending Scheme should be reduced by \$409,915 from \$6,193,634 to \$5,783,719.

A more detailed analysis of the figures resulting from the Vote Assessor's analyses, (assuming unchanged values for those votes which were not referred to the Vote Assessor) is shown in the second numerical column of the Appendix to this Report.

125. As noted in paragraph 106, with respect to Orion's Second Meeting and L&O's Second Meeting, I referred eight votes to the Vote Assessor. In each case, the Vote Assessor has agreed with the valuations that I placed on those votes.
126. As noted in paragraphs 112 and 117, with respect to Orion's Third Meeting and L&O's Third Meeting, I referred two votes in favour of the Amending Scheme and three votes against the Amending Scheme to the Vote Assessor. In each case, the Vote Assessor has agreed with the valuations that I placed on those votes.

The table below shows the number of Scheme Creditors entitled to vote and present in person or by proxy at each Amending Scheme Meeting and the aggregate value in US Dollars of their claims (for voting purposes), if I replaced my valuations of the Scheme Creditors' votes with the valuations placed on those votes by the Vote Assessor in his Voting Report.

Meeting / How Present	(1) Present and voting		(2) Voted for the resolution (with or without modification of that resolution)		(3) Voted against the resolution	
	No.	Value of Claims (\$)	No.	Value of Claims (\$)	No.	Value of Claims (\$)
<b>OIC Run-Off Limited – First Meeting</b>						
Proxy present	13	11,804,321	-	-	13	11,804,321
Chairman proxy	56	71,044,685	51	68,206,789	5	2,837,896
Totals	69	82,849,006	51	68,206,789	18	14,642,217
% (See Note)	100%	100%	73.9%	82.3%	26.1%	17.7%
<b>OIC Run-Off Limited – Second Meeting</b>						
Proxy present	2	1,574,169	1	1,527,423	1	46,746
Chairman proxy	107	266,308,080	104	264,548,035	3	1,760,045
Totals	109	267,882,249	105	266,075,548	4	1,806,791
% (See Note)	100%	100%	96.3%	99.3%	3.7%	0.7%
<b>OIC Run-Off Limited – Third Meeting</b>						
Proxy present	-	-	-	-	-	-
Chairman proxy	53	58,741,156	50	57,712,481	3	1,028,675
Totals	53	58,741,156	50	57,712,481	3	1,028,675
% (See Note)	100%	100%	94.3%	98.2%	5.7%	1.8%
<b>The London and Overseas Insurance Company Limited – First Meeting</b>						
Proxy present	13	11,804,321	-	-	13	11,804,321
Chairman proxy	56	71,044,685	51	68,206,789	5	2,837,896
Totals	69	82,849,006	51	68,206,789	18	14,642,217
% (See Note)	100%	100%	73.9%	82.3%	26.1%	17.7%
<b>The London and Overseas Insurance Company Limited – Second Meeting</b>						
Proxy present	2	1,574,169	1	1,527,423	1	46,746
Chairman proxy	107	266,308,080	104	264,548,035	3	1,760,045
Totals	109	267,882,249	105	266,075,548	4	1,806,791

Meeting / How Present	(1) Present and voting		(2) Voted for the resolution (with or without modification of that resolution)		(3) Voted against the resolution	
	No.	Value of Claims (\$)	No.	Value of Claims (\$)	No.	Value of Claims (\$)
% (See Note)	100%	100%	96.3%	99.3%	3.7%	0.7%
<b>The London and Overseas Insurance Company Limited – Third Meeting</b>						
Proxy present	-	-	-	-	-	-
Chairman proxy	53	58,741,156	50	57,712,481	3	1,028,675
Totals	53	58,741,156	50	57,712,481	3	1,028,675
% (See Note)	100%	100%	94.3%	98.2%	5.7%	1.8%

Note: The percentage figures for each meeting are obtained by dividing the total value or number (as applicable) of votes in favour (column (2)) or against (column (3)) the resolution by the total value or number (as applicable) of votes cast (column (1)) at the meeting.

Dated 23 September 2015



Dan Schwarzmann

Partner

PricewaterhouseCoopers LLP

Chairman of the Amending Scheme Meetings

## APPENDIX – Sensitivities Table

Chairman's vote valuations for OIC's and L&amp;O's First Meetings (all figures in \$000s)

Votes	Creditor	Submitted vote value	VA's vote value	Chairman's vote value	Chairman's sensitivities				
					Pure all sums	Creditor's site costs	Creditor's GUUs	Creditor's choice law	
No Votes	Cred 2	6,764	0	0	0	0	0	0	
	Cred 5	13,554	5,708	6,056	6,056	6,056	6,056	6,056	
	Cred 6	1,016	20	20	1,844	40	2,239	12	
	Cred 7	702	0	0	0	0	0	647	
	Cred 8	2,234	102	102	610	102	89	96	
	Cred 9	5,827	2	2	4,376	2	2	2	
	Cred 10	3,043	1,830	1,830	1,830	1,830	1,830	1,830	
	Cred 11	9,351	1,514	1,514	8,895	1,517	2,421	1,148	
	Cred 12	6,757	0	0	0	0	0	0	
	Cred 14	1,704	1,704	1,704	1,704	1,704	1,956	1,704	
	Cred 17	6,185	231	214	6,159	214	517	214	
	Cred 22	6,310	0	0	1,278	0	0	0	
	Cred 24	6,402	2,505	2,505	12,470	2,505	2,733	2,505	
	Cred 26	215	22	12	816	12	754	12	
	Cred 27	1,462	246	213	8,315	213	344	213	
	Cred 29	1,491	669	669	669	669	795	669	
	Cred 33	137	76	137	294	137	137	78	
	Cred 34	97	13	10	337	10	61	11	
		<b>Sub-total (1)</b>	<b>73,251</b>	<b>14,642</b>	<b>14,990</b>	<b>55,655</b>	<b>15,012</b>	<b>19,934</b>	<b>15,198</b>
Yes Votes	Cred 1	2,860	0	0	0	0	0	0	
	Cred 3	12,124	2,438	2,438	2,438	2,438	2,038	2,438	
	Cred 4	6,845	4,969	4,969	4,969	4,969	4,969	4,969	
	Cred 13	3,695	2,967	2,877	2,877	2,877	2,877	2,877	
	Cred 15	6,641	2,949	2,461	8,117	2,762	3,560	2,357	
	Cred 16	17,935	982	982	2,700	1,835	982	3,307	
	Cred 18	7,910	9,562	9,362	56,631	9,362	16,525	9,161	
	Cred 19	2,437	0	0	2,174	0	0	0	
	Cred 21	43,678	1,686	1,309	24,019	1,309	1,309	1,309	
	Cred 23	11,368	9	103	1,324	103	103	103	
	Cred 25	3,175	2,440	2,440	2,708	2,460	2,440	2,757	
	Cred 28	4,665	2,910	2,910	5,311	3,144	2,910	2,925	
	Cred 30	1,151	1,231	1,231	1,680	1,618	1,231	948	
	Cred 31	854	114	114	690	114	587	114	
	Cred 32	296	289	289	289	289	289	289	
	Mkt Sett	2,712	2,712	2,712	2,712	2,712	2,712	2,712	
		<b>Sub-total (2)</b>	<b>128,346</b>	<b>35,257</b>	<b>34,196</b>	<b>118,639</b>	<b>35,991</b>	<b>42,531</b>	<b>36,264</b>
	IVL 1	746	746	746	978	746	746	746	
	IVL 2	300	300	300	1,527	300	300	300	
	IVL 3	684	684	684	684	684	684	684	
	IVL 4	1,850	1,850	1,850	5,614	1,850	1,850	1,850	
	IVL 5	1,341	1,341	1,341	17,240	1,341	1,341	1,341	
	IVL 6	2,185	2,185	2,185	9,876	2,185	2,185	2,185	
	IVL 7	7,380	7,380	7,380	23,792	7,380	7,380	7,380	
	IVL 8	2,900	2,900	2,900	9,090	2,900	2,900	2,900	
	IVL 9	45	45	45	69	45	45	45	
	IVL 10	1,168	1,168	1,168	10,533	1,168	1,168	1,168	
	IVL 11	450	450	450	495	450	450	450	
	IVL 12	9,200	9,200	9,200	10,209	9,200	9,200	9,200	
	Other IVLs	3,646	3,646	3,646	3,646	3,646	3,646	3,646	
		<b>Sub-total (2)</b>	<b>31,896</b>	<b>31,896</b>	<b>31,896</b>	<b>93,754</b>	<b>31,896</b>	<b>31,896</b>	<b>31,896</b>
		<b>Yes (&lt;200k) (3)</b>	<b>1,054</b>	<b>1,054</b>	<b>1,054</b>	<b>1,054</b>	<b>1,054</b>	<b>1,054</b>	<b>1,054</b>
	<b>Total Yes (4)</b>	<b>161,296</b>	<b>68,207</b>	<b>67,146</b>	<b>213,447</b>	<b>68,941</b>	<b>75,481</b>	<b>69,214</b>	
	<b>Percentage in favour</b>	<b>68.8%</b>	<b>82.3%</b>	<b>81.8%</b>	<b>79.3%</b>	<b>82.1%</b>	<b>79.1%</b>	<b>82.0%</b>	

Note: The total Yes Vote (4) = (2) + (3)

Note: Percentage in favour = (4) / ((1) + (4))



Note: The figures in this table have been rounded to the nearest thousand and the totals do not therefore necessarily match exactly.

**OIC Run-Off Limited and The London and Overseas Insurance Company Limited  
Report by the Chairman of the Amending Scheme Meetings**

Made *23 September* 2015

Claim Nos 5812 and 5813 of 2014

**IN THE HIGH COURT OF JUSTICE  
CHANCERY DIVISION  
COMPANIES COURT  
IN THE MATTER OF OIC RUN-OFF LIMITED  
AND IN THE MATTER OF  
THE LONDON AND OVERSEAS  
INSURANCE COMPANY LIMITED  
AND IN THE MATTER OF  
THE COMPANIES ACT 2006, PART 26**

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**REPORT BY THE CHAIRMAN  
OF THE AMENDING SCHEME MEETINGS**

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Ref F1/JBB/WAJB/G0617.00013