



**Our Ref:**

**TO ALL KNOWN POLICYHOLDERS, CEDANTS, BROKERS AND INTERMEDIARIES**

12 July 2012

Dear Sir/Madam

**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) (“L&O”)  
(Both companies, acting by their Scheme Administrators, subject to a Scheme of  
Arrangement and together referred to as “the Companies”)**

### **1. Introduction**

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

**You have received this letter as you may be a policyholder or cedant of the Companies and you may have a claim against them or you may be an agent of a policyholder or cedant. This letter is being distributed to a large number of parties whose details have been obtained from a range of sources and it may be that this letter is not relevant to you. If you are unsure as to the status of your relationship, if any, with the Companies, you should consult your insurance broker or intermediary in the first instance. If you have any further queries, please contact the run-off manager, Armour Risk Management Limited (“Armour”), whose details are at the end of this letter.**

### **2. Payment percentage**

The current payment percentage was set at the Creditors’ Committee meeting in October 2011 when it was agreed to increase the payment percentage to 55% from the previous level of 53%. Scheme Creditors with Established Liabilities who are entitled to further top ups should have already received this additional payment.

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Paul Evans and Dan Schwarzmann were appointed as Joint Scheme Administrators of OIC Run-Off Limited and The London and Overseas Insurance Company Limited to manage their affairs, business and property as agents without personal liability. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

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The payment percentage will be reviewed again with the Creditors' Committee on completion of the 2011 year-end reserving exercise. This should occur by the end of August. Scheme Creditors should refer to the Companies' website at the end of this letter for details of any further changes to the payment percentage.

In addition, certain claims continue to be paid in full to Qualifying ILU Policyholders ("QUIPS") 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 ("ILU").

### 3. Financial position

The audited consolidated balance sheet as at 31 December 2010 is summarised below:

|                                 | <b>US\$m</b>          |
|---------------------------------|-----------------------|
| <b>ASSETS</b>                   |                       |
| Reinsurance                     | <b>101</b>            |
| Investments & other assets      | <b><u>706</u></b>     |
|                                 | <b><u>807</u></b>     |
| <b>LIABILITIES</b>              |                       |
| Gross insurance reserves        | <b>670</b>            |
| Agreed claims & other creditors | <b>710</b>            |
| Subordinated debt               | <b><u>(152)</u></b>   |
|                                 | <b><u>(1,228)</u></b> |
| <b>NET DEFICIENCY</b>           | <b><u>(421)</u></b>   |

The ratio of assets to liabilities in the above summary balance sheet is 66%. However, as no account is taken of dividend payments made to date and, in addition, there remain uncertainties surrounding the development of insurance reserves and the level of set-off, the summary balance sheet cannot be used to estimate the likely ultimate payment percentage.

### 4. Closure

In my last letter in 2010 I indicated that further details with respect to an Amending Scheme of Arrangement ("Amending Scheme"), allowing outstanding and incurred but not reported liabilities to be crystallised and final payments to be made to policyholders and cedants, would be available in early 2011. However, discussions with the key stakeholders, including NNOFIC and the ILU, have been very detailed and time consuming and, at present, the plan is that the Amending Scheme documentation will now be sent to the FSA and the ILU for their consideration by 31 July 2012. If the



FSA and the ILU have no objections to the Amending Scheme, a Practice Statement Letter should then be issued around October in anticipation of a Court hearing to convene meetings of Scheme Creditors. In the meantime, discussions have commenced with certain Scheme Creditors to present in broad terms the key features of the draft Amending Scheme proposals, which are as follows:

1. A methodology to crystallise all Scheme Creditors' claims against the Companies.
2. QUIPS will however be able to opt out of the crystallisation provisions of the Amending Scheme and receive payment of their claims in full as they fall due and become Established Liabilities in the normal course.
3. Those QUIPs that do not opt out of the crystallisation provisions of the Amending Scheme will, subject to certain conditions, receive a premium, to reflect the inwards risk that they are taking back onto their balance sheet.
4. The Scheme Administrators may require the pre-1969 L&O policyholders to remain in run-off in order to maximise the reinsurance asset for the benefit of all Scheme Creditors.

The Scheme Administrators are now focussing on preparing for closure and ensuring that the implementation of the Amending Scheme is carried out in an efficient and cost effective manner. As part of that process, if you would like to have a better understanding of your claims position in advance of the Amending Scheme becoming effective, this can be achieved by seeking to agree an indicative value of your claims against the Companies. If this opportunity is of interest to you, please contact Armour at the contact details given below.

#### **5. Creditors' Committee ("Committee")**

The Scheme Administrators continue to report to the Committee on a regular basis and are grateful for the support and assistance provided.

#### **6. (i) Website**

There is a dedicated website for the Companies, [www.oicrun-offltd.co.uk](http://www.oicrun-offltd.co.uk), which includes copies of the Original Scheme 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](mailto:oic.run-offlimited@uk.pwc.com)



**(ii) The run-off manager**

The run-off manager, Armour, can be contacted at [OICClosureHelpdesk@armour-risk.com](mailto:OICClosureHelpdesk@armour-risk.com) or, alternatively, at:

**Armour Risk Management Limited**  
**20 Old Broad Street**  
**London EC2N 1DP**

**Telephone No: +44 (0) 20 7382 2020**  
**Fax No: +44 (0) 20 7382 2001**

Please confirm any changes to your contact details to Armour and also 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 Armour in the first instance.

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

A handwritten signature in black ink, appearing to read 'Dan H', followed by a long horizontal line extending to the right.

DY Schwarzmann  
Joint Scheme Administrator