

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

12 June 2006

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, set in January 2005, is 45%. It remains under review and was last considered with the Creditors' Committee in February 2006 when it was decided to maintain the payment percentage at the same level. In addition, certain claims continue to be paid in full to Qualifying ILU Policyholders under the terms of the arrangements put in place with The Institute of London Underwriters ("the ILU") and Nationale-Nederlanden Overseas Finance and Investment Company Unlimited ("NNOFIC").

**3. Closure**

In recent years a number of insolvent insurance companies have put forward proposals to their creditors which, if approved, enable future liabilities to be crystallized and the run-offs to be closed.

The Scheme Administrators have been considering whether the Companies' specific circumstances are suitable for such a closure mechanism. However, due to the complexities of the Companies' business it has not been possible to formulate appropriate proposals at present. We hope to report further on this matter within the next few months.

However, 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. Policyholders and cedants with commuted claims will receive the current payment percentage immediately and will be entitled to further dividends as and when the payment percentage is increased. Furthermore, where relevant, policyholders and cedants will be paid in full under the ILU/NNOFIC arrangements mentioned in section 2 above. For full details please refer to the Scheme of Arrangement.

#### 4. Financial position

The audited consolidated balance sheet as at 31 December 2004 is summarised below:

	US\$m
<b>ASSETS</b>	
Reinsurance	491
Investments & other assets	<u>741</u>
	<b><u>1,232</u></b>
<b>LIABILITIES</b>	
Gross insurance reserves	1,387
Agreed claims & other creditors	743
Subordinated debt	<u>(161)</u>
	<b><u>1,969</u></b>
<b>NET DEFICIENCY</b>	<b><u>(737)</u></b>

The ratio of assets to liabilities (which are stated after deducting Scheme of Arrangement dividend payments) in the above summary balance sheet is 63%. 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 are still uncertainties surrounding the development of insurance reserves as well as the level of set-off which would impact reinsurance cash recoveries.

#### 5 (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 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](mailto:oic.run-offlimited@uk.pwc.com)

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

The run-off manager, Whittington, can be contacted at [OIC@whittingtoninsurance.com](mailto:OIC@whittingtoninsurance.com) or, alternatively, at the following postal address:

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