

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

EXHIBIT DYS4 10

This is the exhibit marked "DYS4 10" referred to in the fourth witness statement of Dan Yoram Schwarzmann dated this 23 September 2015

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. THIS DOCUMENT SHOULD BE READ IN CONJUNCTION WITH THE SCHEME DOCUMENT DATED 20 NOVEMBER 1996.

If you are in any doubt as to any aspect of this proposal or as to the action you should take, you should consult your insurance broker, lawyer, accountant or other professional adviser without delay.

Further copies of this document and the relevant Voting Forms can be obtained from the Run-off Company at the address listed overleaf or by visiting the Website at www.oicrun-offltd.com.

PROPOSAL IN RELATION TO

AN AMENDING SCHEME OF ARRANGEMENT
(pursuant to Part 26 of the Companies Act 2006)

between

OIC RUN-OFF LIMITED

(formerly Ralli Brothers Insurance Company Limited and The Orion Insurance Company plc)

THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED

(formerly Hull Underwriters' Association Limited and The London and Overseas Insurance Company plc)

(both subject to a scheme of arrangement)

and their respective

SCHEME CREDITORS

(as defined in the Amending Scheme)

The meetings of Scheme Creditors to consider the Amending Scheme will be held at 10.30am (English time) on 11 December 2014. ~~Notices~~Notice of the meetings ~~are~~is set out on pages 231 and 232 of this document.

Whether or not Scheme Creditors intend to be present at the meetings, they are requested to complete and return the relevant Voting Form(s) as soon as possible and no later than noon (English time) on 10 December 2014.

www.oicrun-offltd.com

8 October 2014

RESPONSIBILITY STATEMENT

To the best of the Scheme Administrators' knowledge and belief, the statements, opinions and information contained in this document are correct.

The statements, opinions and information contained in this document are made, held or given respectively as at the date of this document unless another time is specified and such statements, opinions and information are made, held or given solely by or on behalf of the Companies unless expressly attributed to another party.

None of the FSCS Scheme Manager, NNOFIC, Nat-Ned, 1845, ING Groep NV, any other member of the ING Group or the ILU or any of their respective directors, officers, employees or agents are responsible for any of the statements, opinions and information contained in this document.

Nothing contained in this document constitutes an admission of any fact or liability on the part of the Companies or any other person in respect of any asset to which they may be entitled or any claim against them.

The summary of the principal provisions of the Amending Scheme and related matters contained in this Amending Explanatory Statement is qualified in its entirety by reference to the Amending Scheme. The full text of the Amending Scheme is set out on pages 128 to 230.

The Scheme Administrators have not authorised any person to make any representation, whether oral, written, express or implied, concerning the proposed Amending Scheme, which is inconsistent with the statements made in this document. Consequently, if such representations are made, they should not be relied upon.

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

Neither the Scheme Administrators, nor any partner, employee, agent, adviser, representative, affiliate, director, officer, member, beneficiary, investor, servant, shareholder, trustee, attorney, or other person acting on behalf of, or otherwise related to or affiliated with the Scheme Administrators or the Companies, nor any of their respective successors, shall have any personal liability directly or indirectly, under or in connection with: (a) this Amending Explanatory Statement, the Amending Scheme and any notices convening the Amending Scheme Meetings; (b) any agreement made or entered into under or pursuant to the Amending Explanatory Statement, the Amending Scheme and any such notices; or (c) any amendment or amendments to any of the foregoing made at any time or times, heretofore or hereafter. This exclusion of personal liability shall survive any termination of the Amending Scheme.

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TABLE OF CONTENTS

PART I AMENDING EXPLANATORY STATEMENT	1
A: KEY DEFINITIONS	1
B: INDICATIVE TIMELINE	7
C: SUMMARY	9
1. Background	9
2. Background to the Amending Scheme	12
3. Amending Scheme – Summary	14
4. Interests of Qualifying ILU Policyholders	15
5. Pre-1969 L&O Policyholders	16
6. Protected Liabilities and Potentially Protected Liabilities	17
7. Claims received after the Bar Date	18
8. Payments to Scheme Creditors	19
9. Voting procedure	19
10. Implementation of the Amending Scheme	20
11. Electronic communications	24
12. Recommendation	24
D: PROGRESS TO DATE AND FINANCIAL INFORMATION	26
13. Summarised Balance Sheet as at 31 December 2013	26
14. Liabilities	27
15. Reserves	27
16. Reinsurance collections and outwards commutations	28
17. Payments to Scheme Creditors	28
18. Receipts and payments	30
E: FACTORS TO CONSIDER WHEN VOTING ON THE AMENDING SCHEME	31
19. Options facing Scheme Creditors	31
20. Advantages and disadvantages of the Amending Scheme	34
21. Balance of advantages and disadvantages	38
F: THE PROPOSED CLOSURE PROCESS	41
22. Effectiveness and notifications	41
23. Completing the Claim Form	41
24. Submitting the Claim Form	43
25. The Valuation Date	44
26. The Bar Date	44
27. Calculation of Gross Liabilities and Net Liabilities	46
28. Dispute Resolution Procedure	48
29. Distributions	49
30. Payments to Qualifying ILU Policyholders (including the Qualifying ILU Policyholder Premium)	52
31. Qualifying ILU Policyholder Premium conditions and restrictions	54
32. Qualifying ILU Policyholder opt out	59
33. Pre-1969 L&O Policyholders	64
34. Scheme Creditors' duty to provide assistance	67
35. Scheme Actuarial Adviser, Scheme Adjudicator, No Notice Adjudicator and Individual Claimant Representative	67
36. Time periods and claims received after the Bar Date	68

37. The position for reinsurers	72
38. Withdrawal of a Claim Form	72
39. Policyholders Protection Board and FSCS Scheme Manager	72
40. Electronic communication and notices	77
41. Uncashed cheques	77
42. Payments to agents and pool managers	77
43. Payments in respect of Assignments	78
G: VOTING PROCEDURE	79
44. Approval of the Amending Scheme	79
45. Valuation of claims for voting purposes	79
46. Vote Assessor	81
47. Currency conversion for voting purposes	81
48. Appointing a proxy	81
49. Returning the Voting Form	81
50. Court sanction	82
51. Positions of key stakeholders	82
52. Directors' interests	83
H: APPENDICES	84
DRAFT CLAIM FORM AND DRAFT CLAIM FORM GUIDANCE NOTES	85
Appendix A: Exchange rate conversion to US Dollars	99
Appendix B: Major loss codes	100
Curriculum vitae of the Scheme Actuarial Adviser	111
Curriculum vitae of the Scheme Adjudicator	112
Curriculum vitae of the No Notice Adjudicator	113
Curriculum vitae of the Vote Assessor	114
Curriculum vitae of the Individual Claimant Representative	115
List of Creditors' Committee members	116
Documents available for inspection	118
Summary table of Amending Scheme changes	119
PART II THE AMENDING SCHEME	128
Section 1: Definitions and interpretation	130
1. Definitions	130
2. Interpretation	130
Section 2: Preliminary	131
3. Participation in the Scheme	131
4. Incorporation of the Amending Scheme	131
5. Modification of the Amending Scheme	131
Section 3: General provisions	133
6. Purpose of the Amending Scheme	133
7. Conditions precedent and the New Effective Date	133
8. Time periods and deadlines	133
9. Claims agreement outside the Scheme	133
Section 4: Determination of claims	135

10. Notice of New Effective Date, Bar Date and distribution of Claim Forms	135
11. Notification of claims and cessation of payments under the Original Scheme	136
12. Valuation of claims	137
13. Provision of Claim Forms	138
14. Completing and returning Claim Forms and Supporting Information before the Bar Date	138
15. Consequences of failure to submit a Claim Form	140
16. Enforcement of claims	140
17. Review and agreement of Net Liabilities	141
18. The Dispute Resolution Procedure	145
19. Estimation Guidelines	148
20. Notification of Scheme Creditors' Net Liabilities	149
Section 5: Payments under the Amending Scheme	151
21. Payments to Scheme Creditors in respect of Net Liabilities	151
22. Uncashed cheques	153
23. Treatment of agents	154
Section 6: The Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative	155
24. Qualification and appointment of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative	155
25. Resignation and removal of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative	155
26. General powers, rights, duties and functions of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative	156
27. Conflicts of interest	157
28. Specific powers, rights, duties and functions of the Scheme Actuarial Adviser	157
29. Specific powers, rights, duties and functions of the Scheme Adjudicator	158
30. Specific powers, rights, duties and functions of the No Notice Adjudicator	158
31. Specific powers, rights, duties and functions of the Individual Claimant Representative	159
Section 7: Termination of the Scheme	160
32. Termination of the Scheme	160
33. Consultation with the FSCS Scheme Manager in respect of termination of the Scheme	161
Section 8: The Financial Services Compensation Scheme	162
34. Calculation and payment of the Estimated Protected Value	162
35. Payment of Protected Liabilities	163
36. Assignment to the FSCS Scheme Manager	166
Section 9: Opt out	167
37. Opt out	167
38. Calculation of Estimated Qualifying Value and Estimated Opt Out Value	168
39. Review of Opt Out Proportion Figure	168
40. Application of the Scheme Assets in respect of Opt Out Qualifying ILU Policyholders	169
41. Payment to Opt Out Qualifying ILU Policyholders	171
Section 10: Pre-1969 L&O Policyholders	173
42. Pre-1969 L&O Policyholders	173
Section 11: The Bar Date	175
43. The Bar Date	175
44. Qualifying ILU Policyholder claims after the Bar Date	176
45. Claims from individuals after the Bar Date	178

Section 12: Miscellaneous provisions	181
46. Scheme Creditors' duty to provide assistance	181
47. Blocked Monies	181
48. Releases	182
49. Notices and electronic communications	182
50. Payment in respect of Assignments	184
51. Costs of the Amending Scheme	184
52. Rights of third parties	184
53. Indemnity	184
54. Governing law and jurisdiction	185
Appendices	186
Appendix 1 – Definitions	187
Appendix 2 - Estimation Guidelines	200
Appendix 3 – Supporting Evidence	214
Appendix 4 – Calculation of Estimated Qualifying Value and Estimated Opt Out Value	225
Appendix 5 – Costs agreement	228
Appendix 6 - Deed of adherence	230
PART III NOTICE OF AMENDING SCHEME MEETINGS	231

PART I AMENDING EXPLANATORY STATEMENT

A: KEY DEFINITIONS

This Amending Explanatory Statement is intended to explain the main provisions of the Amending Scheme.

Unless the context otherwise requires or it is otherwise stated, references in this Amending Explanatory Statement to paragraphs are to the paragraphs of the Amending Explanatory Statement.

The following terms correspond to defined words and phrases in the Amending Scheme and are in some instances summaries of longer definitions. They are not intended to be comprehensive and where no definition is provided or where they are inconsistent with the terms used in the Amending Scheme, the Amending Scheme prevails over them.

"Agreed Liability"	any Scheme Liability agreed by the Companies and the relevant Scheme Creditor (but which has not become an Established Liability) before the New Effective Date;
"Amending Scheme"	the scheme of arrangement set out on pages 128 to 230 of this document in its present form or as modified;
"Amending Scheme Meetings"	the meetings of Scheme Creditors convened by each of the Companies with the leave of the Court to consider and, if thought fit, to approve the Amending Scheme;
"Assignee"	a Scheme Creditor of either or both of the Companies who is an assignee pursuant to one or more Assignments;
"Assignment"	a legal or equitable assignment of all or any part of the benefit of, or rights and benefits under, an Insurance Contract (including, but not limited to, the benefit of any past, present or future claims under or in respect of such Insurance Contract);
"Assignor"	an assignor pursuant to one or more Assignments;
"Bar Date"	midnight (English time) on the first Business Day falling 240 days after the New Effective Date;
"Best Estimate"	an estimate that is intended to represent the mean of the distribution of possible outcomes;
"Blocked Monies"	any monies payable to a Scheme Creditor under the Scheme, the payment of which is prohibited by an applicable law or regulation referred to in paragraph 47.1 of the Amending Scheme;
"Business Day"	any day (other than a Saturday, Sunday or UK public holiday) on which banks in the City of London are generally open for business;
"Claim Form"	the claim form made available on the Website for each Scheme Creditor known by the Companies, which shall be in the form set out in the draft in section H (<i>Appendices</i>) of this Amending Explanatory Statement or in a form substantially similar thereto;
"Companies"	L&O and Orion, L&O or Orion individually being referred to as "the", or "a", "Company" or "the relevant Company";
"Court"	the High Court of Justice of England and Wales;

"CPLA"	the agreement dated 20 November 1996 between NNOFIC, the Companies and the ILU, pursuant to which NNOFIC makes funds available to the Companies for paying Qualifying ILU Policyholders, an updated version of which will come into effect as from the New Effective Date to reflect the terms <u>if the crystallisation and payment provisions</u> of the Amending Scheme become effective;
"Creditors' Committee"	the committee of creditors established in accordance with the Original Scheme;
"Discharge Letter"	the Form of Discharge (in the form annexed to the CPLA in force at the relevant time at Appendix 7A, 7B, 8A or 8B as appropriate);
"Dispute Resolution Procedure"	the procedure for the resolution of Scheme Creditors' claims set out in the Amending Scheme;
"Dual Scheme Creditor"	a Scheme Creditor who has a claim against both of the Companies in respect of the same Scheme Liability, other than a Policyholder or a Qualifying ILU Policyholder;
"1845"	Nationale-Nederlanden Internationale Schadeverzekering SE, a Societas Europaea registered in England and Wales under company number SE00072;
"Established Liability"	a Scheme Liability which is established under the terms of the Original Scheme;
"Estimation Guidelines"	the guidelines for use in valuing claims set out in Appendix 2 of the Amending Scheme;
"Facility"	the loan facility available to the Companies under and subject to the terms of the CPLA;
"Facility Limit"	US\$450,000,000;
"FCA"	the Financial Conduct Authority (being, together with the PRA, the current statutory successor to the Financial Services Authority) and any successor regulatory authority with responsibility for the regulation of the Companies from time to time;
"FSCS Rules"	the rules of the FSCS Scheme Manager as amended and in force on the New Effective Date (and as amended after that date where such amendment has effect in relation to a company in liquidation before that date), made pursuant to the Financial Services and Markets Act 2000 (as amended);
"FSCS Scheme Manager"	Financial Services Compensation Scheme Limited (company number 03943048), being the current statutory successor to the PPB and to include any statutory successor to it;
"Gross Liabilities"	in respect of a Scheme Creditor, the sum of the Established Liabilities (as at the New Effective Date), Agreed Liabilities, Notified Outstanding Liabilities and IBNR Liabilities but before taking account of any Offset Amounts and any discount for the time value of money;
"IBNR Liability"	an incurred but not reported claim arising under or in respect of an Insurance Contract for the amount payable by one or both of the Companies in respect of a loss which has been incurred but has not been reported to or discovered by a Scheme Creditor plus the amount payable in respect of a general excess over Notified Outstanding Liabilities, to the extent that the current estimates of claims included as Notified Outstanding Liabilities may prove

	to be inadequate;
"ILU"	the Institute of London Underwriters, a company limited by guarantee (incorporated in England and Wales under the Companies Act 1867 with registered number 19900C);
"ING Life Japan"	ING Life Insurance Company, Ltd, a company incorporated in Japan;
"Individual Claimant Representative"	Charles E. Bates or such other person as may be appointed as a successor to him in accordance with the provisions of the Scheme;
"Insurance Contract"	any contract or policy of insurance, reinsurance or retrocession of any kind whatsoever entered into by or on behalf of either or both of the Companies;
"Liability"	any obligation or liability, whether present, future, prospective or contingent;
"Lloyds Bank"	Lloyds Bank plc (incorporated in England and Wales under the Companies Act 1862 with registered number 002065);
"Lloyds Bank Agreement"	the guarantee and indemnity agreement dated 12 October 2010 between (amongst others) Lloyds Bank and the Companies;
"L&O"	The London and Overseas Insurance Company Limited (formerly known as The London and Overseas Insurance Company plc) (incorporated in England and Wales under the Companies Acts 1862 to 1890 with registered number 38706);
"Nat-Ned"	NN Group N.V., a company incorporated in the Netherlands that was formed from a merger involving ING Verzekeringen N.V., formerly known as Internationale Nederlanden Verzekeringen N.V.;
"Net Liabilities"	in respect of a Scheme Creditor, the value attributed to the Gross Liabilities (discounted for the time value of money) after subtracting any Offset Amounts;
"New Effective Date"	the date on which an office copy of the orders of the Court sanctioning the Amending Scheme is delivered to the Registrar of Companies in England and Wales for registration;
"NNOFIC"	Nationale-Nederlanden Overseas Finance and Investment Company, an unlimited company (incorporated in England and Wales under the Companies Act 1985 with registered number 2634701);
"No Notice Adjudicator"	Leo J. Jordan Sr or such other person as may be appointed as a successor to him in accordance with the provisions of the Scheme;
"No Notice Individual Creditor"	an individual who is permitted to submit a Claim Form after the Bar Date in the manner described in paragraph 36.13;
"Notified Outstanding Liability"	a claim arising under or in respect of an Insurance Contract for the amount payable by one or both of the Companies in respect of a loss which has been reported to or discovered by the Scheme Creditor and notified to one or both of the Companies but has not become an Agreed Liability or an Established Liability;
"Offset Amount"	in respect of a Scheme Creditor, any Liability of that Scheme Creditor to one or both of the Companies which, as at the Valuation Date, is due or may fall due in the future (after applying a discount for the time value of money);

"Opt Out Form"	the opt out form on the Website entitled "Opting Out";
"Opt Out Payment Percentage"	the percentage of a Qualifying Established Liability that the Scheme Administrators determine from time to time should be paid to Opt Out Qualifying ILU Policyholders;
"Opt Out Qualifying ILU Policyholder"	any Qualifying ILU Policyholder who has opted out of the crystallisation and payment provisions contained in the Amending Scheme;
"Ordinary Creditor"	a Scheme Creditor other than a Policyholder, a Qualifying ILU Policyholder, a Dual Scheme Creditor or NNOFIC;
"Original Scheme"	the schemes of arrangement between the Companies and their Scheme Creditors (as defined therein) dated 20 November 1996, which became effective on 7 March 1997, in the form unamended by the Amending Scheme;
"Orion"	OIC Run-Off Limited (formerly known as The Orion Insurance Company plc) (incorporated in England and Wales under the Companies Act 1929 with registered number 256100);
"Payment Percentage"	the percentage of an Established Liability (under the Original Scheme) or a Net Liability (under the Amending Scheme) that the Scheme Administrators determine from time to time should be paid to Scheme Creditors;
"Policyholder"	a Scheme Creditor of either or both of the Companies under an Insurance Contract (other than a Qualifying ILU Policy), but excluding NNOFIC;
"Post Bar Date Expenses"	the costs and expenses of the Companies (including, but not limited to, the fees, costs and expenses of the Scheme Administrators and the No Notice Adjudicator) incurred in connection with the claims of Qualifying ILU Policyholders that are not individuals (other than Opt Out Qualifying ILU Policyholders) which are accepted after the Bar Date;
"Post Bar Date Individual Provision"	the provision made by the Companies to meet the Payment Percentage of any claims of individuals which are accepted after the Bar Date and the costs and expenses of the Companies (including, but not limited to, the fees, costs and expenses of the Scheme Administrators and the No Notice Adjudicator) incurred in connection with such claims;
"Post Bar Date Provision"	the provision made by the Companies to meet any claims of Qualifying ILU Policyholders that are not individuals (other than Opt Out Qualifying ILU Policyholders) which are accepted after the Bar Date and the Post Bar Date Expenses;
"Postal Service Request"	a telephone or written communication from a Scheme Creditor made in accordance with paragraph 49.3 of the Amending Scheme requesting that all communications from the Companies, the Scheme Administrators and the Scheme Adjudicator be sent to the relevant Scheme Creditor by post, and not electronically;
"Potentially Protected Liability"	a Liability of either Company in respect of a claim which, as at the New Effective Date, is a claim in respect of an Agreed Liability, a Notified Outstanding Liability or an IBNR Liability that, when matured, would be eligible for protection under the Policyholders Protection Act 1975 or under the FSCS Rules if the Company were an insurance undertaking in default and the Policyholders Protection Act 1975 or the FSCS Rules applied to that default;

"Potentially Protected Policyholder"	a Scheme Creditor of either of the Companies in respect of a Potentially Protected Liability but excluding any Qualifying ILU Policyholder;
"PPB"	the Policyholders Protection Board established by the Policyholders Protection Act 1975;
"PRA"	the Prudential Regulation Authority (being, together with the FCA, the current statutory successor to the Financial Services Authority) and any successor regulatory authority with responsibility for the regulation of the Companies from time to time;
"Pre-1969 L&O Policyholder"	a Scheme Creditor under an Insurance Contract entered into by L&O with an inception date before 20 March 1969 and whose claims in respect of that Insurance Contract are subject to the Lloyds Bank Agreement;
"Protected Liability"	any Established Liability of either Company in respect of which the FSCS Scheme Manager owes a duty or is required to make payment;
"Protected Percentage"	in relation to a Protected Liability, the maximum percentage of that Protected Liability which the FSCS Scheme Manager would have a duty to pay;
"Protected Policyholder"	any Scheme Creditor to whom a Company owes a Protected Liability and who, in addition, is eligible for protection under section 16(9) of the Policyholders Protection Act 1975 or the FSCS Rules (but who is not a Qualifying ILU Policyholder);
"Qualifying Assignee"	a Scheme Creditor of either or both of the Companies who is an Assignee pursuant to one or more Assignments, where the claims (the benefit of which has been assigned under those Assignments) are in respect of one or more Qualifying ILU Policies;
"Qualifying Established Liability"	a Scheme Liability to a Qualifying ILU Policyholder which has become established under the terms of the Original Scheme;
"Qualifying ILU Policyholder"	a Scheme Creditor of either or both of the Companies under a Qualifying ILU Policy;
"Qualifying ILU Policyholder Premium"	an amount calculated and payable to Qualifying ILU Policyholders (who are not Opt Out Qualifying ILU Policyholders) in accordance with paragraphs 21.4 to 21.10 of the Amending Scheme;
"Qualifying ILU Policy"	a contract of insurance, reinsurance or retrocession between either or both of the Companies and a Scheme Creditor evidenced by a policy signed and issued by the ILU: <ol style="list-style-type: none"> (1) in the case of L&O, with an inception date on or after 20 March 1969; and (2) in the case of Orion, with an inception date on or after 28 August 1970;
"Qualifying Liability"	a Scheme Liability to a Qualifying ILU Policyholder under a Qualifying ILU Policy;

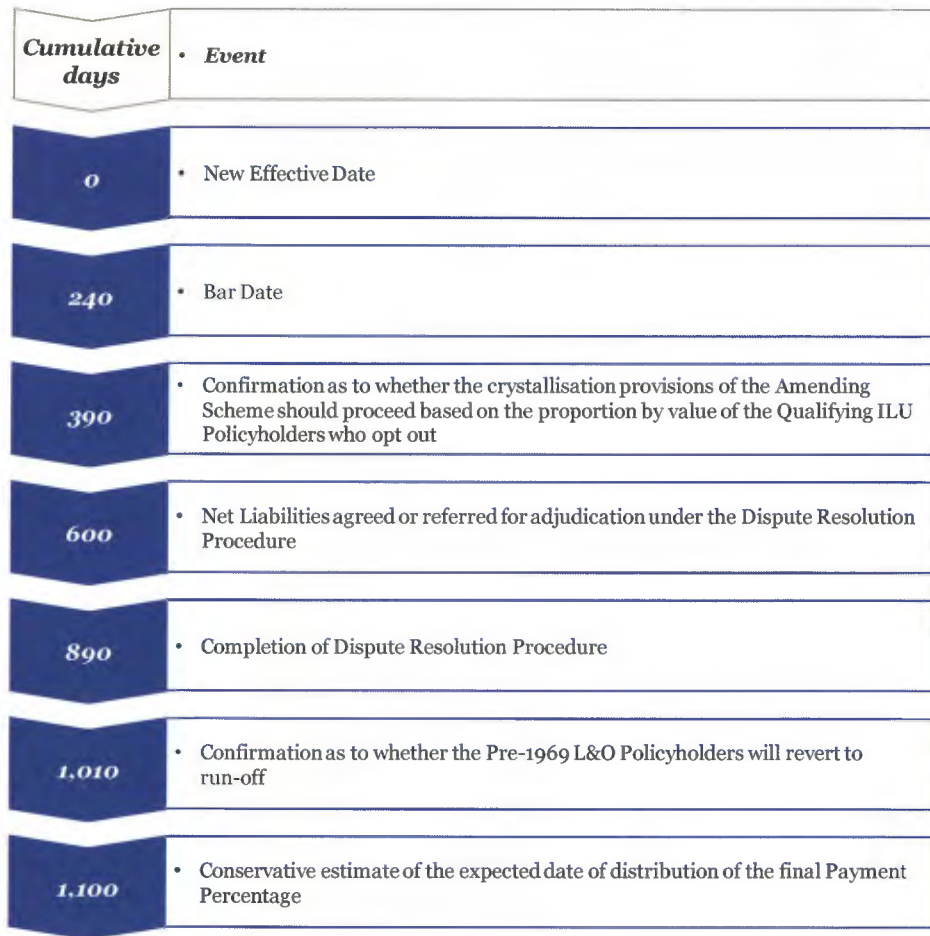
"Risk Free Rate"	the yield, as at the Valuation Date, on US Treasury bonds (or, in the case where the underlying Liabilities owed to a Scheme Creditor are predominantly payable in a currency other than US Dollars, equivalent government securities of the country in whose currency the Liabilities are payable) of a term that is appropriate taking account of the nature of the Scheme Liabilities;
"Run-off Company"	Armour Risk Management Limited or such other person or persons who may be appointed to undertake all or part of the run-off operations of the Companies' business in accordance with the Scheme;
"Scheme"	the Original Scheme, as amended by the Amending Scheme;
"Scheme Actuarial Adviser"	Mark Allen of PricewaterhouseCoopers LLP or such other person for the time being appointed as scheme actuarial adviser under the Scheme;
"Scheme Adjudicator"	Raji Bhagavatula FCAS MAAA of Milliman, Inc or such other person for the time being appointed as scheme adjudicator under the Scheme;
"Scheme Administrators"	Dan Schwarzmann and Paul Evans, each of PricewaterhouseCoopers LLP, or such other persons appointed to administer the Scheme;
"Scheme Creditor"	a creditor of either or both of the Companies in respect of a Scheme Liability other than, for certain purposes specified in the definition of this expression in the Amending Scheme, NNOFIC;
"Scheme Liability"	an obligation or Liability of either or both of the Companies as defined in the Amending Scheme, other than, for certain purposes specified in the definition of this expression in the Amending Scheme, certain Liabilities to NNOFIC;
"Security Interest"	any effective mortgage, letter of credit, charge, lien, assignment by way of security, bond or other security interest over any property of either or both of the Companies;
"Short Form Explanatory Statement"	the abridged version of the Amending Explanatory Statement sent by post to Scheme Creditors and available from the Website;
"US"	United States of America;
"Valuation Date"	31 December 2013;
"Valuation Option"	the claims determination process included in the Original Scheme allowing the Scheme Administrators, with the agreement of the Creditors' Committee and the approval of a majority in number representing at least 75% in value of Scheme Creditors (or each class of Scheme Creditor) voting in person or by proxy at special meetings of the Companies, to bring about the early closure of the Original Scheme by converting it from a reserving scheme of arrangement into a crystallisation scheme of arrangement;
"Vote Assessor"	Colin J.W. Czapiewski FIA MAAA FPSA FSAI or such other person for the time being appointed as vote assessor for the Amending Scheme Meetings;
"Voting Form"	the voting and proxy form to be used by Scheme Creditors for voting on the Amending Scheme;
"Website"	the Companies' website at www.oicrun-offltd.com ; and
"Winding-up Petitions"	the petitions to wind up the Companies, both presented to the Court on 20 October 1994.

B: INDICATIVE TIMELINE

The following indicative timeline sets out the key dates in relation to the proposed Amending Scheme.

Valuation Date	31 December 2013
Voting Forms to be returned to the Scheme Administrators	10 December 2014
Amending Scheme Meetings	11 December 2014
Announcement of the result of the Amending Scheme Meetings	January 2015
Court hearing in England to sanction the Amending Scheme	January/February 2015
Court hearing in the US to obtain recognition and an order enforcing the Amending Scheme under the US Bankruptcy Code	January/February 2015
New Effective Date	28 February 2015
Bar Date - by which Scheme Creditors must submit their Claim Forms	New Effective Date + 240 days (approximately 8 months)
Latest expected date by which it is confirmed whether the crystallisation provisions of the Amending Scheme should proceed (based on the proportion by value of Qualifying ILU Policyholders who opt out)	New Effective Date + 390 days (approximately 1 year and 1 month)
Conservative estimate of the expected date by which the Post Bar Date Individual Provision will have been set	New Effective Date + 460 days (approximately 1 year and 3 months)
Latest expected date by which the Net Liabilities of each Scheme Creditor are agreed or referred for adjudication under the Dispute Resolution Procedure	New Effective Date + 600 days (approximately 1 year and 8 months)
Latest expected date by which the Dispute Resolution Procedure is completed	New Effective Date + 890 days (approximately 2 years and 6 months)
Latest expected date by which it is determined whether the Pre-1969 L&O Policyholders will revert to run-off	New Effective Date + 1,010 days (approximately 2 years and 10 months)
Conservative estimate of the expected date of distribution of the final Payment Percentage to Scheme Creditors other than Opt Out Qualifying ILU Policyholders (subject to confirmation that the Pre-1969 L&O Policyholders do not revert to run-off)	New Effective Date + 1,100 days (approximately 3 years and 1 month)

The timeline is set out in the form of a diagram below.



The timing of the payment of the final Payment Percentage is subject to change in the event that the Pre-1969 L&O Policyholders revert to run-off. This is explained in paragraph 33.

The Amending Scheme allows the Scheme Administrators to extend, in their absolute discretion, any date or deadline, other than the Bar Date. Hence this timeline and all corresponding dates should be considered as indicative only.

C: SUMMARY

1. Background

- 1.1. The Amending Scheme is proposed by the Scheme Administrators, acting on behalf of the Companies. The current Scheme Administrators are Dan Schwarzmann and Paul Evans, both of PricewaterhouseCoopers LLP.
- 1.2. The Companies are currently subject to the terms of the Original Scheme. The Original Scheme is a reserving scheme of arrangement. It provides for Scheme Creditors' claims to be agreed in the ordinary course of business, except that Scheme Creditors are paid a percentage of their claims as and when they become Established Liabilities during the course of the run-off. Those Scheme Creditors that are Qualifying ILU Policyholders receive additional payments as explained in paragraph 1.18.
- 1.3. The Original Scheme was approved by the Companies' respective Scheme Creditors on 14 February 1997 and subsequently sanctioned by an order of the Court made on 5 March 1997. The Original Scheme became effective on 7 March 1997.
- 1.4. Cross guarantees were entered into by the Companies. Their effect is that every Scheme Creditor under the Original Scheme has the same net claims against both Companies. To minimise administrative costs and to take account of the effect of the cross guarantees, the Original Scheme provides for all Scheme Creditors to receive a common, single Payment Percentage on their Established Liabilities.
- 1.5. The initial Payment Percentage was set at 15% in September 1997 and, following consultation with the Creditors' Committee, has been increased in stages to its current level of 58%. Payments in respect of the Payment Percentage to Scheme Creditors by the Companies prior to 31 December 2013 totalled US\$622 million. The most recent increase in the Payment Percentage from 57% to 58% was approved by the Creditors' Committee in November 2013.
- 1.6. The run-off of the Companies' business has been managed by various Run-off Companies under the supervision of the Scheme Administrators. The current Run-off Company is Armour Risk Management Limited.

Purpose of the Amending Scheme

- 1.7. A crystallisation scheme is a type of scheme which is designed to finalise the affairs of an insurer as soon as possible. To achieve this, a mechanism is typically put in place to estimate the value of contingent claims and other claims of an uncertain value against the company. A methodology for valuing those claims is adopted, which should then enable a final payment to be made to all creditors.
- 1.8. The Original Scheme contains a Valuation Option allowing the Scheme Administrators, with the agreement of the Creditors' Committee, to bring about the early closure of the Original Scheme by converting it from a reserving scheme of arrangement into a crystallisation scheme of arrangement. Under the terms of the Original Scheme, a majority in number representing at least 75% in value of Scheme Creditors (or each class of Scheme Creditor) would also need to have voted in favour of the Valuation Option before it could be implemented by the Scheme Administrators.
- 1.9. While the Scheme Administrators consider that it would be in the interests of Scheme Creditors to introduce a crystallisation scheme in respect of the Companies (while at the same time protecting the interests of Qualifying ILU Policyholders), for the reason set out in paragraph 2.9, the Scheme Administrators consider that this will be better achieved through the implementation of the Amending Scheme (instead of through the Valuation Option). The Amending Scheme includes an enhanced claims determination process to reflect the development of the Companies' creditor profile and the improvements in scheme technology and practice that have occurred since the Original Scheme became effective in March 1997.
- 1.10. All creditors of the Companies are referred to in both the Original Scheme and the Amending Scheme as "Scheme Creditors". Scheme Creditors are, broadly speaking, all persons who would be creditors of one or both of the Companies in the event of their compulsory liquidations. However, Scheme Creditors do not include NNOFIC for certain purposes specified in the definition of "Scheme Creditor" in the Amending Scheme.

- 1.11. Under the Amending Scheme, Scheme Creditors will be required to notify the Companies of their claims by the Bar Date. After the Bar Date, Scheme Creditors will agree their Net Liabilities with the Companies and receive payment at the Payment Percentage rate, or in full if they are Qualifying ILU Policyholders. Qualifying ILU Policyholders who do not opt out of the crystallisation and payment provisions of the Amending Scheme before the Bar Date will also, subject to satisfying certain conditions, receive a Qualifying ILU Policyholder Premium.
- 1.12. There are certain conditions and features which affect the process under which Net Liabilities are agreed and paid under the Amending Scheme, in particular with regard to the position of:
- 1.12.1. Qualifying ILU Policyholders;
- 1.12.2. Pre-1969 L&O Policyholders; and
- 1.12.3. Qualifying ILU Policyholders (who are not individuals) and individuals (whether or not those individuals are Qualifying ILU Policyholders) who are, in certain circumstances, entitled to submit claims after the Bar Date.
- 1.13. The purpose of the Amending Scheme is to allow for the agreement of the majority of Scheme Liabilities and to facilitate the distribution of the Companies' assets earlier than would have been the case under the Original Scheme. It is also expected that the final Payment Percentage will be higher than under the Original Scheme, resulting primarily from the savings in run-off costs that should be achieved if the Amending Scheme becomes effective. The Amending Scheme also allows Qualifying ILU Policyholders to opt out of the crystallisation and payment provisions of the Amending Scheme in respect of future claims and thereby to leave their insurance coverage in place.

Further information

- 1.14. The Amending Scheme proposal should be read in conjunction with the Original Scheme, which is available from the Website at www.oicrun-offltd.com.
- 1.15. The Amending Scheme will amend the terms of the Original Scheme. The provisions of the Original Scheme will remain in effect, save as amended by the Amending Scheme. Section H (*Appendices*) contains a table outlining which provisions of the Original Scheme will continue to apply and which provisions will be amended by the Amending Scheme (if it becomes effective). In the event of any inconsistency between the terms of the Original Scheme and the terms of the Amending Scheme, the terms of the Amending Scheme will prevail.
- 1.16. The Short Form Explanatory Statement is an abridged version of this Amending Explanatory Statement. It consists of a summary of the main terms of the Amending Scheme. The Short Form Explanatory Statement has been sent to all Scheme Creditors, potential creditors of the Companies and relevant insurance market intermediaries of whom the Companies are aware.

Qualifying ILU Policyholders

- 1.17. Certain of the Companies' policies were written through the ILU. For the purpose of the Scheme, a Qualifying ILU Policy is one which was signed and issued by the ILU with an inception date on or after 28 August 1970 in the case of Orion, and 20 March 1969 in the case of L&O.
- 1.18. The position of Qualifying ILU Policyholders and the arrangements for them to receive additional monies are described at pages 4 and 5 of the Explanatory Statement to the Original Scheme. Under the Original Scheme, in addition to the Payment Percentage received by all Scheme Creditors, each Qualifying ILU Policyholder receives a further payment or payments from the Companies up to the full amount (i.e. 100p in the £) of its Qualifying Established Liability.
- 1.19. In order to qualify for this "top-up" payment, a Qualifying ILU Policyholder must notify its claims to the Companies by no later than 31 December 2035. Prior to making any such "top-up" payment, the Companies must receive either:
- 1.19.1. a Discharge Letter addressed to the Companies and executed by the relevant Qualifying ILU Policyholder; or

- 1.19.2. where the "top-up" payment is to be paid to an agent (such as a broker) and not directly to the Qualifying ILU Policyholder, an indemnity in respect of such payment in favour of the Companies from that agent in the form specified in the CPLA.
- 1.20. Under the terms of the Discharge Letter, the Qualifying ILU Policyholder (amongst other things) confirms receipt of the payments in respect of its Qualifying Established Liabilities from the Companies and discharges the Companies from their obligations in respect of the Qualifying ILU Policyholder's claims. The Qualifying ILU Policyholder further confirms the receipt of such payments and subrogates the Companies to all of that Qualifying ILU Policyholder's rights against third parties in respect of those claims.
- 1.21. The Companies make these "top-up" payments out of funds borrowed for that purpose from NNOFIC under the Facility. The terms of the Facility under which NNOFIC lends monies to the Companies to make payments to Qualifying ILU Policyholders are set out in the CPLA. A revised version of the CPLA will be entered into by the Companies, NNOFIC and the ILU, if the Amending Scheme becomes effective, to reflect the new terminology and administrative procedures for payments to be made under the Amending Scheme.
- 1.22. The amount of funds that may be borrowed by the Companies from NNOFIC under the Facility is limited to US\$450 million (including funds that the Companies have already drawn down under the Facility). Should this amount be exhausted, a further amount of US\$3.5 million per year will be made available in perpetuity by NNOFIC to the Companies to meet the claims of Qualifying ILU Policyholders.
- 1.23. As each "top-up" payment is made by the Companies to discharge an Established Liability of a Qualifying ILU Policyholder out of monies borrowed from NNOFIC under the Facility, NNOFIC gains an Established Liability equal to the amount of the Established Liability of that Qualifying ILU Policyholder that was discharged by the "top-up" payment. NNOFIC is deemed to have received a payment in respect of that Established Liability equal to the existing Payment Percentage. NNOFIC then receives, by way of partial repayment of "top up" payments that it has advanced to the Companies, any future Payment Percentage increases or compensatory interest paid by the Companies in respect of each such Established Liability. NNOFIC is bound by the Original Scheme and has agreed to be bound by the Amending Scheme. Payments made to Qualifying ILU Policyholders up until 31 December 2013 out of monies borrowed from NNOFIC under the Facility totalled US\$216 million, meaning that at that time the amount of the Facility remaining available was then US\$234 million, plus the annual payment of US\$3.5 million thereafter referred to in paragraph 1.22.
- 1.24. Unless an amount to be paid by NNOFIC is stated not to be drawn under the Facility, all payments that NNOFIC makes at any time will be made under and subject to the terms of the CPLA and will be subject to the Facility Limit referred to above, as reduced by amounts that the Companies have borrowed under the CPLA up to that time.
- 1.25. Under the Amending Scheme, NNOFIC will continue to fund "top-up" payments to Qualifying ILU Policyholders in a similar manner, pursuant to an updated CPLA (see paragraph 1.21) provided those claims are made to the Companies by 31 December 2035. However, NNOFIC will not receive repayment in relation to "~~top-up~~top-up" payments to Opt Out Qualifying ILU Policyholders that it funds under the CPLA in respect of claims made by Opt Out Qualifying ILU Policyholders after the New Effective Date.
- 1.26. In addition to these "top-up" payments, under the Amending Scheme, Qualifying ILU Policyholders will, subject to satisfying certain conditions, receive a further payment in the form of a premium, referred to as the Qualifying ILU Policyholder Premium.
- 1.27. However, a Qualifying ILU Policyholder may, if it so wishes, opt out of the crystallisation and payment provisions of the Amending Scheme in respect of future claims, in which case it will not receive the Qualifying ILU Policyholder Premium.

Scheme Liabilities

- 1.28. The majority of the Companies' Scheme Liabilities by value have been agreed. Of the remaining Scheme Liabilities, most of them are long-tail and, in the opinion of the Scheme Administrators, in the absence of the Amending Scheme, would be unlikely to be agreed for many years. In recent years, the Scheme Administrators have commuted some of these long-tail Liabilities with Scheme Creditors on a bilateral basis. This increased the level of certainty with regard to the Companies' insurance reserves and led to increases in the Payment Percentage. The large number of Scheme Creditors remaining with relatively low claim values does, however, mean that continuing with the Original Scheme is no longer a cost effective method of supporting further increases in the Payment Percentage.

Run-off costs

- 1.29. As at 31 December 2013, the Companies had incurred over US\$300 million of run-off costs since the start of their provisional liquidations in October 1994. If the Companies remain in run-off under the Original Scheme, it is projected by the Scheme Administrators that the run-off will continue beyond 2035. The Scheme Administrators estimate that, absent the Amending Scheme, the total run-off costs for the period 2014 to 2035 under the Original Scheme could reach US\$200 million (or more). By introducing a mechanism to crystallise future Liabilities, the Amending Scheme seeks to save a large proportion of these future run-off costs. This saving should, in turn, increase the amount of the Companies' assets that are available for distribution to Scheme Creditors in the form of a higher Payment Percentage than would have been the case under the Original Scheme.

Reinsurance collections

- 1.30. Reinsurance cash collections up until 31 December 2013 totalled US\$691 million. With the exception of amounts payable by Lloyds Bank under the Lloyds Bank Agreement (which are referred to in this document as if they were reinsurance proceeds, see paragraph 33 for more details), the majority of the Companies' reinsurance assets in respect of reinsurers who are pure reinsurers or net debtors of the Companies have been commuted. It is therefore likely that, if the Companies remained in run-off under the Original Scheme, the Companies would not make any further significant reinsurance recoveries other than from Lloyds Bank under the Lloyds Bank Agreement.

ING Group demerger

- 1.31. Some significant structural changes are expected to take place in the ING Group in the next few years. In particular, the Companies and NNOFIC are to become part of a sub-group that will be divested by ING Groep N.V. in order to comply with requirements of the European Commission. The base case for this divestment is an initial public offering of shares in Nat-Ned, which is now the Dutch insurance holding company. The sub-group headed by Nat-Ned will include the Companies, NNOFIC, the remainder of ING's European insurance and investment management companies and ING Life Japan. That sub-group will also include 1845. ING Groep N.V. has agreed with the European Commission to dispose of more than 50% of its stake in Nat-Ned by the end of 2015 and to dispose of its remaining interest in Nat-Ned by the end of 2016. It is not expected that these structural changes will affect the operation of the Scheme or the Facility.

2. Background to the Amending Scheme

- 2.1. The possible alternatives to continuing the run-off of the Companies under the Original Scheme are as follows:
- 2.1.1. placing the Companies into insolvent liquidation;
 - 2.1.2. activating the Valuation Option (described in paragraph 1.8); and
 - 2.1.3. proposing the Amending Scheme.
- 2.2. The Scheme Administrators consider that the Amending Scheme is the best alternative out of these three options.

Comparison with liquidation

- 2.3. The Scheme Administrators consider that the Amending Scheme has a number of advantages over putting the Companies into insolvent liquidation. These are as follows:
- 2.3.1. the rules that apply to the winding-up of an insurer (the Insurers (Winding Up) Rules 2001 (SI 2001/3635) and the Insurers (Reorganisation and Winding Up) Regulations 2004 (SI 2004/353)) (together, the "**Winding-Up Rules**") are inflexible and could be disadvantageous to Scheme Creditors. For example, the Winding-Up Rules provide that direct insurance debts (e.g. monies owed to an insurer's own policyholders) are to be paid in priority to all other unsecured debts, except staff remuneration and pensions contributions. This rule does not, however, apply to policyholders of other insurance companies which the insurer has reinsured, or Policyholders of the other Company who might have had a claim under the relevant cross guarantee (referred to in paragraph 1.4). Such policyholders therefore could be significantly disadvantaged as a result of any application of the Winding-Up Rules. The advantage of the Amending Scheme process is that such payment priority provisions of the Winding-Up Rules would not apply;
 - 2.3.2. the prospect of payments being made to Scheme Creditors earlier than would be likely in a liquidation due to a more efficient claims agreement process;
 - 2.3.3. the application of set-off in a manner that is likely to allow payment to Scheme Creditors earlier than would be practicable in a liquidation;
 - 2.3.4. in contrast to a compulsory winding-up by the Court, the Companies will not be required to place their cash assets, as at 31 December 2013 approximately US\$616 million, in the Insolvency Services Account at the Bank of England. Consequently, the Companies would avoid having to pay the statutory investment and handling fees associated with that account;
 - 2.3.5. a more flexible investment policy may be adopted which is suitable to the security, currency, handling and yield requirements of the Companies. For example, under the Amending Scheme it will be possible to maintain funds in different currencies to reflect the need to make payments to Policyholders in the different currencies of their claims. In a compulsory liquidation, however, the cash assets could only be invested in UK government securities to the extent that they were not required in the short-term;
 - 2.3.6. Policyholders can be paid in the currency provided for by their policies. In a liquidation, creditors' claims would be converted into pounds sterling using the exchange rate at the date of the winding-up order, regardless of the fact that many of those claims may not be established for some time. Consequently, in a liquidation, creditors could be exposed to exchange rate movements resulting from currency mismatches between dividends and claims; and
 - 2.3.7. material savings in future legal fees are likely to be achieved as a result of the efficiency gains resulting from the Dispute Resolution Procedure.
- 2.4. Notwithstanding the advantages of the Amending Scheme over liquidation highlighted in paragraph 2.3, the Scheme Administrators consider that it would be unlikely, for the reasons given in paragraphs 2.5 to 2.7, that the Court would, in any event, place the Companies into liquidation.
- 2.5. On 3 March 2004 the Insurers (Reorganisation and Winding Up) Regulations 2004 (the "**2004 Regulations**") came into force in the UK, amending the Insurers (Reorganisation and Winding Up) Regulations 2003 (the "**2003 Regulations**"). The 2003 Regulations were introduced in order to implement in the UK the EU Directive on the reorganisation and winding-up of insurance undertakings (Directive 2001/17/EC). That Directive has two main effects on insurers: (1) an insurance undertaking may only take reorganisation measures or be wound up in the state where it is authorised, and, if it does so, then those measures will be

effective throughout the EU; and (2) in any winding-up of an insurance undertaking, direct policyholders have priority over all other creditors.

- 2.6. The 2004 Regulations and the amendments they introduced are particularly relevant to the Amending Scheme. First, where a scheme of arrangement, such as the Original Scheme, was already in operation on 20 April 2003, the 2004 Regulations now provide that there can be no winding-up of the company subject to that scheme of arrangement without the permission of the Court. This permission will only be granted in exceptional circumstances. This applies both to a creditors' voluntary liquidation and a compulsory liquidation. Second, if such an insurance company is wound up, the assets of that company which are subject to the scheme of arrangement will be distributed directly to policyholders in accordance with the provisions of that scheme of arrangement. These provisions were included in the 2004 Regulations to rectify an unintended consequence of the 2003 Regulations, which was effectively to provide an incentive for direct policyholders to vote against a scheme of arrangement in order to force a company into liquidation and thus to acquire priority over other creditors.
- 2.7. Therefore, there should be little incentive for direct Policyholders to oppose the Amending Scheme in order to try to force the Companies to go into liquidation, in an attempt to obtain a better level of priority over other creditors than that provided by the Original Scheme. In particular, in the opinion of the Scheme Administrators, the Court is most unlikely to authorise the Companies' liquidations as the proposal of the Amending Scheme does not itself create or constitute the "exceptional circumstances" that would justify making a winding-up order in respect of the Companies.

Valuation Option

- 2.8. As described at paragraph 1.8, under the Original Scheme, the Scheme Administrators may, with the agreement of the Creditors' Committee, institute the Valuation Option if they consider it to be in the best interests of the Companies' creditors as a whole.
- 2.9. The Scheme Administrators have concluded that it would be in the interests of the Scheme Creditors as a whole to implement a crystallisation scheme in respect of the Companies, but on terms that are more detailed than those set out in the Valuation Option in the Original Scheme. As noted in paragraph 1.9, more detailed terms are required to reflect changes in the Companies' position since the implementation of the Original Scheme, refinements following experience with other crystallisation schemes and changes to business and communication practices.

Amending Scheme

- 2.10. The Scheme Administrators consider that the Amending Scheme has a number of advantages over continuing the run-off under the Original Scheme.
- 2.11. Most fundamentally, the Scheme Administrators, the Creditors' Committee, NNOFIC, the ILU and the FSCS Scheme Manager all consider that the Amending Scheme will result in an increase in the amount of the Companies' assets being distributed to Scheme Creditors, and that payments will be made to Scheme Creditors earlier in the great majority of cases than would otherwise be the case if the Original Scheme continued in its present form. A detailed list of the advantages and disadvantages of the Amending Scheme is set out in paragraphs 20 and 21.

3. Amending Scheme – Summary

- 3.1. The Amending Scheme provides, subject to certain exceptions, for the crystallisation and agreement of all remaining Scheme Liabilities, based on currently available information and through the application of the Estimation Guidelines.
- 3.2. Under the Amending Scheme, all Scheme Creditors (other than NNOFIC, Opt Out Qualifying ILU Policyholders, Protected Policyholders, Potentially Protected Policyholders, No Notice Individual Creditors and, in certain conditions set out in paragraphs 36.4 to 36.11, Qualifying ILU Policyholders) will need to submit a Claim Form or the information required by paragraphs 23.16 and 23.17 by the Bar Date.
- 3.3. Each such Scheme Creditor will be provided with a personalised Claim Form, setting out details of its Established Liabilities and Agreed Liabilities, as shown by the Companies' records. The Scheme Creditor will be asked to submit details on its Claim Form of any other

claims it considers that it has against the Companies, including Notified Outstanding Liabilities and IBNR Liabilities. The Scheme Creditor will also be required to provide supporting information relating to its policies relevant for agreeing its Gross Liabilities. The Scheme Administrators will use the information contained on a Scheme Creditor's Claim Form to agree the value of that Scheme Creditor's Gross Liabilities.

- 3.4. In then agreeing that Scheme Creditor's Net Liabilities, the Scheme Administrators, in consultation with the Scheme Actuarial Adviser, will take into account, among other things, any discount for the time value of money (in respect of any Notified Outstanding Liabilities and IBNR Liabilities) and any Offset Amount that may be due to the Companies from that Scheme Creditor. If the calculation of Net Liabilities is disputed by the Scheme Administrators or the Scheme Creditor, the matter can be referred to the Scheme Adjudicator for adjudication under the Dispute Resolution Procedure. The Dispute Resolution Procedure is described in more detail in paragraph 28.
- 3.5. In addition to payment of their Net Liabilities in respect of their Qualifying ILU Policies in full (subject to the terms of the CPLA), Qualifying ILU Policyholders (who have not opted out of the crystallisation and payment provisions of the Amending Scheme) may, subject to certain conditions and restrictions, receive a premium, the Qualifying ILU Policyholder Premium, above the amount of their Net Liabilities in respect of their Qualifying ILU Policies. The rationale and conditions for payment of the Qualifying ILU Policyholder Premium are described in paragraphs 30 and 31.
- 3.6. Qualifying ILU Policyholders may instead opt out of the crystallisation and payment provisions of the Amending Scheme and continue to have their claims paid in accordance with the Original Scheme. A Qualifying ILU Policyholder wishing to opt out for this purpose must inform the Scheme Administrators of its decision before the Bar Date.
- 3.7. If over 30% by value of the Qualifying ILU Policyholders decide to opt out, the crystallisation and payment provisions of the Amending Scheme will not take effect. In those circumstances, all Scheme Creditors will revert to run-off under the terms of the Original Scheme. The details of this calculation and the process by which all Scheme Creditors could revert to run-off are set out in more detail in paragraph 32.
- 3.8. If the crystallisation and payment provisions of the Amending Scheme come into effect, there are certain circumstances in which the future claims of Pre-1969 L&O Policyholders may revert to run-off in accordance with the terms of the Original Scheme, in order to maximise the recovery of the Companies' assets for the benefit of all Scheme Creditors. Further details of the circumstances in which this may occur and its implications are given in paragraph 33.

4. Interests of Qualifying ILU Policyholders

- 4.1. Qualifying ILU Policyholders will be treated as follows under the Amending Scheme:
 - 4.1.1. subject to paragraph 4.1.2, Qualifying ILU Policyholders (who are not Opt Out Qualifying ILU Policyholders) can, subject to the terms of the CPLA, expect to receive payment of their claims in full as long as those claims are notified to the Companies before the Bar Date and in each case the Companies receive either:
 - (a) a completed and executed Discharge Letter in accordance with the terms of the CPLA; or
 - (b) where any "top-up" payment is to be paid to an agent (such as a broker) and not directly to the Qualifying ILU Policyholder, an indemnity in respect of such payment in favour of the Companies from that agent in the form specified in the CPLA;
 - 4.1.2. Opt Out Qualifying ILU Policyholders and those Qualifying ILU Policyholders (who are not Opt Out Qualifying ILU Policyholders) whose claims have been accepted by the Companies after the Bar Date in accordance with paragraphs 36.4 to 36.11 can, subject to the terms of the CPLA, expect to receive payment of their claims in full as long as those claims are notified to the Companies before 31 December 2035 and in each case the Companies receive either:

- (a) a completed and executed Discharge Letter in accordance with the terms of the CPLA; or
 - (b) where any "top-up" payment is to be paid to an agent (such as a broker) and not directly to the Qualifying ILU Policyholder, an indemnity in respect of such payment in favour of the Companies from that agent in the form specified in the CPLA;
- 4.1.3. the expected higher Payment Percentage under the Amending Scheme will not improve the position of the Qualifying ILU Policyholders as much as the other Scheme Creditors. This is because, regardless of the level of the Payment Percentage, their claims are, subject to the terms of the CPLA, already being paid out in full as and when they are agreed under the Original Scheme. The Scheme Administrators, NNOFIC and the ILU have therefore agreed that Qualifying ILU Policyholders will, in addition to the full payment of their claims, also receive payment of the Qualifying ILU Policyholder Premium, subject to paragraph 4.1.4 and certain conditions (including the completion and execution of a Discharge Letter in accordance with the terms of the CPLA). The premium is not available under the Original Scheme, as explained at paragraphs 30 and 31. The premium will be funded by NNOFIC. The terms on which NNOFIC is to fund the premium are set out in an agreement between NNOFIC and the Companies, which is separate from the Amending Scheme and the CPLA; and
- 4.1.4. Qualifying ILU Policyholders will be allowed to opt out of the crystallisation and payment provisions of the Amending Scheme before the Bar Date and, subject to the terms of the CPLA, continue to have their claims paid in full in accordance with the Original Scheme. Opt Out Qualifying ILU Policyholders will not receive payment of the Qualifying ILU Policyholder Premium referred to in paragraph 4.1.3.
- 4.2. If the estimated value of the aggregate Net Liabilities of the Opt Out Qualifying ILU Policyholders exceeds 30% of the estimated value of the aggregate Net Liabilities of all Qualifying ILU Policyholders, the crystallisation and payment provisions of the Amending Scheme shall not take effect. In those circumstances, all Scheme Creditors will revert to run-off under the terms of the Original Scheme.
- 4.3. As long as this 30% threshold is not exceeded, allowing Qualifying ILU Policyholders to opt out of the crystallisation and payment provisions of the Amending Scheme is expected to reduce the level of the estimated final Payment Percentage in the Amending Scheme by less than one percentage point (when compared with the estimated final Payment Percentage in the Amending Scheme if there was no opt out). Provided again that the 30% threshold is not exceeded, and subject to the treatment of the Pre-1969 L&O Policyholders described in paragraph 5, it should be possible to determine the final Payment Percentage within three years of the Amending Scheme becoming effective. In contrast, if the 30% threshold is exceeded and all Scheme Creditors revert to run-off, the final Payment Percentage is unlikely to be determined under the Original Scheme until after 2035.

5. Pre-1969 L&O Policyholders

- 5.1. As referred to in paragraph 1.30, amounts remain payable by Lloyds Bank in respect of the Lloyds Bank Agreement. These arrangements are described in more detail in paragraph 33. The expected recovery from Lloyds Bank is estimated to have a significant impact on the level of the final Payment Percentage. Given the size of the estimated recovery, the Scheme Administrators understand that Lloyds Bank may not wish to pay the full amounts that fall due to the Companies under the Lloyds Bank Agreement as a result of the Amending Scheme. In this instance, the Scheme Administrators will then determine, in consultation with the Creditors' Committee, whether the Pre-1969 L&O Policyholders should revert to run-off, so that payment can be requested from Lloyds Bank as and when the claims of Pre-1969 L&O Policyholders are agreed by the Companies in the ordinary course.

- 5.2. If the Pre-1969 L&O Policyholders revert to run-off, the timing and level of the final Payment Percentage for all Scheme Creditors will be dependent on the level of claims submitted in future by the Pre-1969 L&O Policyholders and the level of recoveries made from Lloyds Bank in respect of those claims. In those circumstances:
- 5.2.1. the Payment Percentage is estimated to rise quickly to a level in excess of the estimated final Payment Percentage that would have been payable if the run-off of all of the Companies' business had continued under the Original Scheme;
 - 5.2.2. the level of the final Payment Percentage will be affected by the extent to which the amount of the future claims of the Pre-1969 L&O Policyholders agreed by the Companies and the amount of recoveries made from Lloyds Bank in respect of those claims differ from the amount of such claims and recoveries that would otherwise have occurred under the crystallisation and payment provisions of the Amending Scheme;
 - 5.2.3. it may not be possible to determine the final Payment Percentage for all Scheme Creditors for many years into the future, until all of the claims of the Pre-1969 L&O Policyholders have been agreed and all recoveries in respect of those claims have been made from Lloyds Bank;
 - 5.2.4. the estimated final Payment Percentage is nonetheless around the same as it would have been if the Pre-1969 L&O Policyholders had not reverted to run-off; and
 - 5.2.5. the estimated final Payment Percentage in the Amending Scheme is also higher than the estimated final Payment Percentage under the Original Scheme (in the absence of the Amending Scheme).
- 5.3. The Pre-1969 L&O Policyholders will not revert to run-off in respect of any of their Established Liabilities and Agreed Liabilities. These Liabilities will continue to be dealt with and paid by the Companies in accordance with the crystallisation and payment provisions of the Amending Scheme.

6. Protected Liabilities and Potentially Protected Liabilities

- 6.1. Where a Scheme Creditor has a claim for a Protected Liability or a Potentially Protected Liability, that claim may be submitted using either a Claim Form or in the ordinary course to the Companies.
- 6.2. Where the Scheme Creditor is in any doubt as to whether or not a Liability is a Protected Liability or a Potentially Protected Liability, the Companies strongly recommend that the relevant Scheme Creditor submits details of the relevant Liability to the Companies using a Claim Form so as to be received by the Companies before the Bar Date.
- 6.3. Provided that the Amending Scheme becomes effective, where a Liability is determined to be a Protected Liability and it is reported after the New Effective Date, the claim will be dealt with, and any payment will be made, by the FSCS Scheme Manager.
- 6.4. A payment will be made under the Amending Scheme by the Companies to the FSCS Scheme Manager to reflect the FSCS Scheme Manager's assumption of responsibility for making payments to Protected Policyholders and Potentially Protected Policyholders. The payment will be an amount equal to the then current Payment Percentage applied to (i) the estimated value of the Companies' Potentially Protected Liabilities as at the Valuation Date, plus (ii) the aggregate value of those Protected Liabilities for which the FSCS Scheme Manager has not yet received payment of the Payment Percentage from the Companies. The Scheme Administrators, with the assistance of the Scheme Actuarial Adviser, will determine the amount of the payment under (i) above by applying the same Estimation Guidelines as are used to calculate the Notified Outstanding Liabilities and IBNR Liabilities for other Scheme Creditors. No payments shall be made directly by the Companies to Scheme Creditors in respect of Potentially Protected Liabilities.
- 6.5. Full details of the treatment of Protected Policyholders and Potentially Protected Policyholders are given in paragraph 39.

7. Claims received after the Bar Date

- 7.1. Claims received from Qualifying ILU Policyholders after the Bar Date will be considered in the very limited circumstances set out in paragraph 7.2. These arrangements solely reflect the unique circumstances of the Amending Scheme, including the arrangements entered into with NNOFIC and the ILU in respect of Qualifying ILU Policyholders.
- 7.2. Any Qualifying ILU Policyholder which is not an individual and who can demonstrate to the satisfaction of the No Notice Adjudicator that the reason that it did not submit a Claim Form before the Bar Date was that it neither knew, nor could reasonably be expected to have known, about the Amending Scheme and the requirement to submit a Claim Form before the Bar Date, will be entitled to submit claims after the Bar Date. These Qualifying ILU Policyholders will, subject to certain conditions, receive payment of their claims (to the extent such claims become Net Liabilities) in full in accordance with the Amending Scheme. Details of these conditions are set out at paragraphs 36.4 to 36.11.
- 7.3. Claims received from individuals after the Bar Date will also be considered in the very limited circumstances set out in paragraph 7.4, which reflect the unique circumstances of the Amending Scheme set out in paragraph 7.1.
- 7.4. An individual (whether or not that individual is a Qualifying ILU Policyholder) who can demonstrate to the satisfaction of the No Notice Adjudicator that he or she acquired rights against either or both of the Companies by operation of the law governing his or her rights or under the terms of the relevant policy with the Companies may also submit a claim after the Bar Date, provided that such individual can also demonstrate that:
- 7.4.1. he or she neither knew about, nor could reasonably be expected to have known about, the Amending Scheme before the Bar Date; or
 - 7.4.2. no claim had arisen in his or her favour in connection with the relevant policy before the Bar Date; or
 - 7.4.3. before the Bar Date, he or she neither knew, nor could reasonably be expected to have known, that he or she had suffered significant injury.
- 7.5. Any such individual's claim will remain subject to all the requirements and limitations of all applicable law governing that claim and the provisions of the policy under which the individual claims, including in both respects, limitations in respect of the passage of time with the exceptions that: (i) applicable law shall not include the legal consequences of any injunction against such claims issued by a US Bankruptcy Court under the US Bankruptcy Code in connection with the recognition of the Original Scheme or the Amending Scheme; and additionally (ii) a claim shall not be deemed barred by applicable law solely because the insured entity in respect of whose Insurance Contract the claim against the Companies arises is subject to the crystallisation and payment provisions of the Amending Scheme.
- 7.6. Such No Notice Individual Creditors will receive payment of their claims (to the extent such claims become Net Liabilities) in accordance with the Amending Scheme out of the Post Bar Date Individual Provision at the prevailing Payment Percentage and, if any No Notice Individual Creditor is also a Qualifying ILU Policyholder by virtue of the particular provision of a policy or provision of law under which they are claiming, would receive a "top-up" funded by amounts provided by NNOFIC under the Facility. Once the Post Bar Date Individual Provision is exhausted, further claims from such No Notice Individual Creditors will not be met by the Companies (or by NNOFIC) to any extent. The Scheme Administrators will, however, retain the power to increase the amount of the Post Bar Date Individual Provision, using Scheme Assets, such that the Payment Percentage in respect of all Net Liabilities of No Notice Individual Creditors can be paid in full. The Scheme Administrators consider that the likelihood of this being applicable is extremely small.
- 7.7. Any decision of the No Notice Adjudicator under the provisions of the Amending Scheme will be final and binding (except in the case of fraud or arithmetical error or the No Notice Adjudicator making an irrational determination). For the purposes of this paragraph and paragraph 36.3, an irrational determination would be a determination which was so unreasonable that no reasonable adjudicator, of similar standing, qualification and experience to the No Notice Adjudicator, would have made that same determination.

- 7.8. The costs of the No Notice Adjudicator in relation to Qualifying ILU Policyholders which are not individuals (which exclude any dividend payments to be made by the Companies to any Scheme Creditors) will be paid out of the Post Bar Date Provision described in paragraph 36.9, with any shortfall of such costs (excluding any dividend payments) funded by NNOFIC. The costs of the No Notice Adjudicator in relation to No Notice Individual Creditors will be paid out of the Post Bar Date Individual Provision described in paragraph 36.18 (but any shortfall of such costs will not be funded by NNOFIC). The Amending Scheme also allows for the costs of the No Notice Adjudicator in dealing with a Scheme Creditor's claim to be recovered in certain circumstances from that Scheme Creditor.

8. Payments to Scheme Creditors

- 8.1. The Payment Percentage under the Original Scheme is currently 58%.
- 8.2. As Net Liabilities are agreed, the Payment Percentage will be reviewed by the Scheme Administrators and, if necessary, revised, until the final Payment Percentage is determined. Whenever the Payment Percentage is increased or the final Payment Percentage is determined, Scheme Creditors who have already received payments in respect of their Net Liabilities at the lower Payment Percentage will each receive an additional payment (including compensatory interest) to reflect the increase in the Payment Percentage.
- 8.3. The extent and timing of any revisions to the Payment Percentage and the level of the final Payment Percentage will depend on a number of factors, including the total value of Net Liabilities agreed with Scheme Creditors, the amount recovered from Lloyds Bank under the Lloyds Bank Agreement and whether or not the Pre-1969 L&O Policyholders revert to run-off.
- 8.4. Payments in respect of claims from:
- 8.4.1. Opt Out Qualifying ILU Policyholders;
 - 8.4.2. Protected Policyholders and Potentially Protected Policyholders; and
 - 8.4.3. Qualifying ILU Policyholders (who are not individuals) and individuals (whether or not those individuals are Qualifying ILU Policyholders) whose claims are submitted to the Companies after the Bar Date,

and which become Established Liabilities or Net Liabilities (as the case may be), will be made on a different basis from payments to other Scheme Creditors.

- 8.5. Full details of the payments to be made to Scheme Creditors are set out in paragraph 29.

9. Voting procedure

- 9.1. The ~~notices~~notice convening the Amending Scheme Meetings on 11 December 2014 ~~are~~is set out ~~in~~on pages 231 and 232 of this document.
- 9.2. Each class of Scheme Creditor for each Company will need to approve the Amending Scheme by a majority in number representing at least 75% in value of those Scheme Creditors of each class who, being so entitled, vote in person or by proxy at their respective Amending Scheme Meeting(s).
- 9.3. There will be Amending Scheme Meetings for the following classes of Scheme Creditor:
- 9.3.1. Orion:
 - (a) Policyholders (other than Qualifying ILU Policyholders) with IBNR Liabilities and Notified Outstanding Liabilities;
 - (b) Policyholders (other than Qualifying ILU Policyholders) with Scheme Liabilities (other than IBNR Liabilities and Notified Outstanding Liabilities), Dual Scheme Creditors and Ordinary Creditors; and
 - (c) Qualifying ILU Policyholders.

- 9.3.2. L&O:
- (a) Policyholders (other than Qualifying ILU Policyholders) with IBNR Liabilities and Notified Outstanding Liabilities;
 - (b) Policyholders (other than Qualifying ILU Policyholders) with Scheme Liabilities (other than IBNR Liabilities and Notified Outstanding Liabilities), Dual Scheme Creditors and Ordinary Creditors; and
 - (c) Qualifying ILU Policyholders.
- 9.4. In each meeting that a Scheme Creditor is entitled to attend, its vote will be valued by reference to the value of that Scheme Creditor's estimated Scheme Liabilities in that class.
- 9.5. In valuing a Scheme Creditor's Scheme Liabilities for voting purposes at the Amending Scheme Meetings:
- 9.5.1. in respect of the classes referred to in paragraphs 9.3.1(a) and 9.3.2(a), the value of that Scheme Creditor's claims in respect of Notified Outstanding Liabilities and IBNR Liabilities ~~in respect of policies (other than~~(other than Notified Outstanding Liabilities and IBNR Liabilities arising out of Qualifying ILU Policies) will be combined to give a single value;
 - 9.5.2. in respect of the classes referred to in paragraphs 9.3.1(b) and 9.3.2(b), the value of that Scheme Creditor's Established Liabilities and Agreed Liabilities ~~in respect of policies (other than~~(other than Established Liabilities and Agreed Liabilities arising out of Qualifying ILU Policies) will be combined to give a single value; and
 - 9.5.3. in respect of the classes referred to in paragraphs 9.3.1(c) and 9.3.2(c), the value of that Scheme Creditor's Established Liabilities, Agreed Liabilities, Notified Outstanding Liabilities and IBNR Liabilities in respect of Qualifying ILU Policies will be combined to give a single value.
- 9.6. The amounts referred to in paragraph 9.5 will then be 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. The Voting Form contains guidance notes as to how Scheme Creditors should complete details of their claims for voting purposes. Paragraph 45 sets out in more detail how Scheme Creditors' claims will be valued for voting purposes at the Amending Scheme Meetings.
- 9.7. A Vote Assessor will be appointed to review the values placed on Scheme Creditors' claims for voting purposes. The Vote Assessor will prepare a report for submission to the Court at the sanction hearing on the reasonableness of those voting values. This report will include his determination of the value that should be attributed for voting purposes to any Scheme Creditor's claim, where that Scheme Creditor was unable to agree on the voting value of the claim with the relevant Company. The Chairman of the Amending Scheme Meetings will indicate to the Vote Assessor which, if any, other votes should, in his opinion, be reviewed by the Vote Assessor.
- 9.8. If approved by the Scheme Creditors by the requisite majorities referred to in paragraph 9.2 and sanctioned by the Court, on the New Effective Date the Amending Scheme will become legally binding and effective on all Scheme Creditors, even if they voted against it or did not vote.
- 9.9. Full details of the voting procedure are set out in paragraphs 44 to 49.
- 10. Implementation of the Amending Scheme**
- 10.1. To become legally binding on each of the Companies and their respective Scheme Creditors, a majority in number representing not less than 75% in value of each class of Scheme Creditor voting in person or by proxy at their respective Amending Scheme Meetings must vote to approve the Amending Scheme.

- 10.2. Instructions for voting on the Amending Scheme are set out on the Voting Form. For each Company, there will be one Amending Scheme Meeting for each class of Scheme Creditor. For the Amending Scheme to become effective, it will need to be approved by the requisite majorities of each class of Scheme Creditor. Further details of the classes of Scheme Creditor are given in paragraph 44.
- 10.3. If the Amending Scheme is approved by the requisite majorities of Scheme Creditors, the Court will be asked to sanction it.
- 10.4. A permanent injunction was obtained on 6 March 1997 under section 304 of the US Bankruptcy Code, which, among other things, stayed proceedings against the Companies, and granted recognition of the Original Scheme, in the US. This injunction remains binding and is still in effect. However, the section 304 process for recognition of schemes of arrangement in the US has since been replaced by a new Chapter 15 of the US Bankruptcy Code.
- 10.5. The Scheme Administrators therefore intend to apply under Chapter 15 for: (i) recognition of the English proceedings pending before the Court with respect to the Amending Scheme; and (ii) enforcement of the Amending Scheme itself. An order enforcing the Amending Scheme will prevent Scheme Creditors from proceeding against the Companies in relation to Scheme Liabilities in that jurisdiction and require them instead to rely on the provisions of the Amending Scheme for the satisfaction of such Liabilities. It is proposed that the effectiveness of the Amending Scheme will be dependent on obtaining an order enforcing the Amending Scheme under the US Bankruptcy Code. The Scheme Administrators have taken advice from Chadbourne & Parke LLP. The advice is that a petition for recognition of the English proceedings in respect of the Amending Scheme and an order enforcing the Amending Scheme in the US are likely to succeed.
- 10.6. The Companies will file their Chapter 15 petitions after the conclusion of the Amending Scheme Meetings and will schedule the hearing to consider the Companies' request for an order granting recognition to and enforcing the Amending Scheme for a date after the Court has sanctioned the Amending Scheme. Following the issuance of an order enforcing the Amending Scheme by the US Bankruptcy Court under the US Bankruptcy Code, the Court order sanctioning the Amending Scheme will be delivered to the Registrar of Companies. Upon delivery to the Registrar, the Amending Scheme will become effective and it will be legally binding on all Scheme Creditors. If, for any reason, an order enforcing the Amending Scheme under the US Bankruptcy Code is not issued, the Court order will not be delivered and the Amending Scheme will not become effective.
- 10.7. The Amending Scheme allows the Companies, at any time during the Scheme, to enter into agreements with Scheme Creditors in respect of their claims. Where a Scheme Creditor enters into such an agreement with the Companies, the amount agreed by the Companies with the Scheme Creditor in respect of that Scheme Creditor's claims will be used by the Companies as a basis for determining that Scheme Creditor's Net Liabilities under the Amending Scheme. In those circumstances, that Scheme Creditor will receive the current Payment Percentage in respect of its agreed claim earlier than would have otherwise been the case. The Scheme Administrators will adopt a consistent approach when negotiating and reaching agreement with Scheme Creditors in this way. Furthermore, the Scheme Administrators, in accordance with the terms of the Scheme, will only enter into any such agreement where they consider that to do so would be in the best interests of the Scheme Creditors as a whole.
- 10.8. As soon as possible after the Amending Scheme has become effective, the Scheme Administrators will, wherever possible, advertise that fact in the publications listed at paragraph 26.2. They will inform Scheme Creditors in the same advertisement of the timing of the Bar Date for submitting claims. The timing of the Bar Date will also be advertised on the Website.
- 10.9. Within 60 days of the New Effective Date, the Scheme Administrators will make available on the Website a Claim Form for each Scheme Creditor whom the Companies believe has or may have a claim against either or both of the Companies. The Claim Form will contain details of existing Scheme Liabilities that have been accepted by the Companies (i.e. the Scheme Creditor's Established Liabilities and Agreed Liabilities according to the Companies' records).

- 10.10. Each Scheme Creditor will be provided with a unique login identification ("ID") and password to access the Website and its Claim Form in a form substantially the same as shown in the draft in section H (*Appendices*). Scheme Creditors should, where possible, submit their completed Claim Forms electronically via the Website. This should reduce the Companies' administrative costs, thus maximising the funds available for distribution to Scheme Creditors. Any Scheme Creditor who wishes to receive a hard copy version of the Claim Form by post must make a request to this effect to the Run-off Company in accordance with the instructions described at paragraph 11.3.
- 10.11. Each Scheme Creditor should check the details of its claims set out on its Claim Form. Scheme Creditors should be aware that it is their sole responsibility to verify the accuracy and completeness of any claims information provided by the Companies on the Claim Forms.
- 10.12. If a Scheme Creditor agrees that the information contained in its Claim Form is accurate, it should confirm its agreement by submitting the Claim Form to the Companies in accordance with the Claim Form Guidance Notes set out in draft in section H (*Appendices*).
- 10.13. If a Scheme Creditor disagrees with any information in its Claim Form or wishes to make a claim that is not included in its Claim Form (for example, in respect of Notified Outstanding Liabilities and IBNR Liabilities), then that Scheme Creditor must revise its Claim Form accordingly to include its new claims or amendments to the information relating to its existing claims and submit the revised Claim Form to the Companies before the Bar Date. The Scheme Creditor must submit supporting documentation and evidence to substantiate the information it includes in respect of its claims in accordance with the requirements set out in *Appendices 2 (Estimation Guidelines)* and *3 (Supporting Evidence)* of the Amending Scheme.
- 10.14. The Amending Scheme allows for claims to be submitted by alternative means so long as the Scheme Creditor provides the same information in respect of, and in support of, its claims as would have been required if the Scheme Creditor had submitted its claims on a Claim Form. This can include claim information provided by the Scheme Creditor on the Voting Form, providing that the Scheme Creditor confirms that the information provided on the Voting Form remains true and accurate in all respects and complies with the information requirements set out in the Amending Scheme.
- 10.15. If a Scheme Creditor considers that it is a Potentially Protected Policyholder in respect of some or all of its claim for Notified Outstanding Liabilities and/or IBNR Liabilities, it is requested to notify the Scheme Administrators that part of its Liability is a Potentially Protected Liability (as such Liability may be eligible for payment by the FSCS Scheme Manager). The Scheme Creditor should do so by contacting the Run-off Company by post at the address set out at the beginning of this document, or by email at oiclosurehelpdesk@armourrisk.com. Full details of the circumstances in which a Potentially Protected Policyholder's claims may be paid by the FSCS Scheme Manager are set out in paragraph 39.
- 10.16. Subject to paragraphs 23.16 and 23.17, Scheme Creditors must complete and return their Claim Forms (together with all required supporting information) so as to be received by the Companies before the Bar Date. As noted in paragraph 10.10, Scheme Creditors will have the option of submitting Claim Forms and supporting information to the Companies electronically via the Website or by post but, in each case, the Claim Forms must be received by the Companies before the Bar Date. The Bar Date is midnight (English time) on the first Business Day falling 240 days after (and including) the New Effective Date.
- 10.17. Subject only to certain very limited exceptions referred to in paragraphs 23.16, 23.17 and 36:
- 10.17.1. Claim Forms received by the Companies after the Bar Date will not be considered for the purposes of the Amending Scheme; and
- 10.17.2. any claim notified to the Companies after the Bar Date will therefore not form part of that Scheme Creditor's claim for the purposes of the Amending Scheme.

- 10.18. If the Scheme Administrators become aware (whether before or after the Bar Date but, in any event, before the payment of the final Payment Percentage) that, as a result of an administrative error, they have failed to insert details of any Established Liabilities or Agreed Liabilities of a Scheme Creditor on that Scheme Creditor's Claim Form pursuant to paragraph 23.2, the Scheme Administrators will include the amount of those Established Liabilities and Agreed Liabilities when determining the amount of that Scheme Creditor's Gross Liabilities pursuant to paragraphs 27.1 and 27.2.
- 10.19. If the Companies do not receive an amended or modified Claim Form from a Scheme Creditor before the Bar Date, subject to paragraphs 23.16 and 23.17, the relevant Scheme Creditor will be deemed to have accepted the details of any existing Scheme Liabilities (i.e. their Established Liabilities and Agreed Liabilities) that have been accepted by the Companies and which, subject to paragraph 10.18, are referred to on the Claim Form made available by the Companies to that Scheme Creditor on the Website.
- 10.20. If a Scheme Creditor with only Notified Outstanding Liabilities and/or IBNR Liabilities does not return a Claim Form and appropriate supporting information before the Bar Date, subject to paragraphs 23.16 and 23.17, that Scheme Creditor will be deemed to have no claims against the Companies (subject to the limited exceptions allowing Qualifying ILU Policyholders and individuals to claim after the Bar Date set out in paragraph 36).
- 10.21. The Scheme Administrators have formed the view, with the assistance of the Scheme Actuarial Adviser, that all of the potential Liabilities of the Companies, and therefore all of the potential Liabilities in each class of Scheme Creditor, should be capable of being reasonably estimated using the principles set out in the Estimation Guidelines. It is possible that some Scheme Creditors will decide, for whatever reason, not to submit claims of a particular type or not to provide the supporting information required to substantiate claims of a particular type in the Amending Scheme. All such claims will be valued at zero in the Amending Scheme, either because no claim has been made by the Scheme Creditor, or because, in the opinion of the Scheme Administrators, insufficient supporting information has been supplied by the relevant Scheme Creditor to substantiate its claim.
- 10.22. The Claim Form will be used by the Companies to agree the value of the Gross Liabilities owed by the Companies to that Scheme Creditor. This will involve the agreement of all Liabilities owed by the Companies to that Scheme Creditor (including Established Liabilities, Agreed Liabilities, Notified Outstanding Liabilities and IBNR Liabilities) but before taking into account any discount for the time value of money, Offset Amount and Security Interest. The Gross Liabilities will be determined as at the Valuation Date, after taking into account any new valid information in respect of those Gross Liabilities received by the Scheme Administrators between the Valuation Date and the Bar Date. The Scheme Administrators have set the Valuation Date as 31 December 2013.
- 10.23. The Scheme Administrators will apply the Estimation Guidelines, with the assistance of the Scheme Actuarial Adviser, in seeking to reach agreement with Scheme Creditors in respect of their future claims (i.e. Notified Outstanding Liabilities and IBNR Liabilities). Further details regarding the Estimation Guidelines are set out in paragraphs 27.4 to 27.6.
- 10.24. Once the Gross Liabilities have been determined, the Scheme Administrators will seek to agree the Net Liabilities owed to that Scheme Creditor. The Scheme Creditor's Net Liabilities will be an amount equal to its Gross Liabilities less any discount for the time value of money, Offset Amount and Security Interest.
- 10.25. If the Scheme Administrators and a Scheme Creditor are unable to reach agreement upon the amount of that Scheme Creditor's Gross Liabilities, Offset Amount, future payment pattern for discounting for the time value of money in respect of that Scheme Creditor's Gross Liabilities or any other matter (other than the Estimation Guidelines and the Risk Free Rate) which affects the amount of the Scheme Creditor's Net Liabilities, the matter will be referred to the Scheme Adjudicator for adjudication under the Dispute Resolution Procedure.
- 10.26. In addition, if the Scheme Administrators are unable to reach agreement as to whether or not a Scheme Creditor is a Qualifying ILU Policyholder, that matter will be referred to the Scheme Adjudicator for adjudication under the Dispute Resolution Procedure.

- 10.27. Upon referral, the Scheme Administrators will send a notice to the Scheme Adjudicator setting out the details of the disputed matter. The Scheme Adjudicator will review the matter in accordance with the Dispute Resolution Procedure and issue a determination, together with, at her sole discretion, an appropriate explanation of the reasons for this determination. The Scheme Adjudicator's determination of any disputed matter submitted to her under the provisions of the Amending Scheme will be binding and final on the Companies, the Scheme Administrators and the relevant Scheme Creditor (except in the case of fraud or arithmetical error or the Scheme Adjudicator making an irrational determination). For the purposes of this paragraph and paragraphs 28.4, 35.6 and 36.18 an irrational determination would be a determination which was so unreasonable that no reasonable adjudicator, of similar standing, qualification and experience to the Scheme Adjudicator, would have made that same determination.
- 10.28. The costs of the Scheme Adjudicator will be paid by the Companies as expenses of the Amending Scheme. The Amending Scheme also allows for the costs of the Scheme Adjudicator in dealing with a Scheme Creditor's claim to be recovered in certain circumstances from that Scheme Creditor.
- 10.29. A full description of the Amending Scheme closure process is set out in paragraphs 22 to 43.

11. Electronic communications

- 11.1. The Amending Scheme allows for communications to be sent electronically. The Amending Explanatory Statement, its Appendices, the Amending Scheme, the Short Form Explanatory Statement, the Original Scheme and the Voting Form are all being made available electronically for download via the Website at www.oicrun-offltd.com.
- 11.2. The Companies will make all Claim Forms available on the Website. Each Scheme Creditor will be provided with a unique ID and password to enable it to access its Claim Form, but no other Scheme Creditor's Claim Form, on the Website. It is anticipated that communications between the Scheme Administrators and Scheme Creditors will be conducted primarily through making documentation available for download via the Website and by email.
- 11.3. If any Scheme Creditor wishes to communicate with the Scheme Administrators by post, it must make a Postal Service Request. In that request, the Scheme Creditor must provide the information specified on the Postal Service Request form. A copy of the Postal Service Request form will be sent to Scheme Creditors as part of any notice sent to them informing them that the Amending Scheme has become effective. A Postal Service Request must be made to the Run-off Company at the address set out at the beginning of this document by completing and returning a Postal Service Request form or telephoning or otherwise contacting the Run-off Company to provide them with the information that would otherwise be required on the Postal Service Request form. The Scheme Administrators will instruct the Run-off Company to write to that Scheme Creditor, confirming that it has received the Postal Service Request form and that the Scheme Creditor will receive subsequent communications, including a Claim Form, by post.
- 11.4. Full details of the electronic communication arrangements in connection with the Scheme are in paragraph 40.
- 11.5. These provisions will continue to apply even if the crystallisation and payment provisions of the Amending Scheme do not take effect and all Scheme Creditors revert to run-off under the Original Scheme (see paragraph 3.7).

12. Recommendation

- 12.1. The Scheme Administrators consider that the Amending Scheme has a number of advantages over continuing the run-off under the Original Scheme. A detailed list of the advantages and disadvantages of the Amending Scheme is set out in paragraphs 20 and 21.
- 12.2. The Scheme Administrators consider that the Amending Scheme will result in an increase in the amount of the Companies' assets being distributed to Scheme Creditors, and that payments will be made to Scheme Creditors earlier in the great majority of cases than would otherwise be the case if the Original Scheme continued in its present form.

- 12.3. Subject to certain conditions (including the completion and execution of a Discharge Letter in accordance with the terms of the CPLA), Qualifying ILU Policyholders who participate in the crystallisation and payment provisions of the Amending Scheme will, for the reasons set out in paragraph 4.1.3, receive a Qualifying ILU Policyholder Premium in addition to payment of their Net Liabilities in respect of their Qualifying ILU Policies in full. This premium is not payable under the Original Scheme.
- 12.4. Scheme Creditors who are Qualifying ILU Policyholders may nonetheless consider that they do not want to participate in the crystallisation and payment provisions of the Amending Scheme. The Amending Scheme caters for this possibility by allowing such Qualifying ILU Policyholders to opt out of the crystallisation and payment provisions of the Amending Scheme before the Bar Date and so retain their insurance coverage, whether or not they voted in favour of the Amending Scheme. If a Qualifying ILU Policyholder opts out, its claims will, subject to the terms of the CPLA, continue to be paid in full in accordance with the terms of the Original Scheme. It will not, however, receive payment of the Qualifying ILU Policyholder Premium.
- 12.5. There are also provisions in the Amending Scheme dealing with Protected Policyholders and Potentially Protected Policyholders who are covered under the FSCS Rules.
- 12.6. The Amending Scheme also contains the following provisions that the Scheme Administrators consider to be novel in a crystallisation scheme of arrangement:
- 12.6.1. the opportunity for:
- (a) Qualifying ILU Policyholders (who are not individuals); and
 - (b) individuals (whether or not those individuals are Qualifying ILU Policyholders),
- in certain very limited circumstances to bring a claim against the Companies after the Bar Date (described in more detail in paragraph 36); and
- 12.6.2. the appointment of an Individual Claimant Representative to represent the rights of such individuals (whose claims are submitted and become Net Liabilities after the Bar Date) in the setting of the Post Bar Date Individual Provision.

These features have been included solely to address the unique circumstances of the Amending Scheme, including the nature of the arrangements entered into with NNOFIC and the ILU in respect of Qualifying ILU Policyholders.

- 12.7. It is the opinion of the Scheme Administrators, NNOFIC and the ILU that:
- 12.7.1. the implementation of the Amending Scheme will reduce costs and therefore increase the amount of the Companies' assets available for distribution to Scheme Creditors compared to the amount which would have been available for distribution under the Original Scheme;
- 12.7.2. the level of the Qualifying ILU Policyholder Premium available to Qualifying ILU Policyholders who participate in the crystallisation and payment provisions of the Amending Scheme will reward those Qualifying ILU Policyholders for giving up their coverage; and
- 12.7.3. the availability of an opt out, as described in paragraph 12.4, should deal with the concerns of Qualifying ILU Policyholders who wish to retain their coverage, rather than participate in the crystallisation provisions of the Amending Scheme.

Accordingly, the Scheme Administrators and the ILU have formed the view that the advantages of the Amending Scheme outweigh its disadvantages. Hence they each recommend that all Scheme Creditors who are entitled to do so vote in favour of the Amending Scheme. In addition, the Creditors' Committee supports the Amending Scheme and the FSCS Scheme Manager has also approved and agreed to be bound by the Amending Scheme.

D: PROGRESS TO DATE AND FINANCIAL INFORMATION

13. Summarised Balance Sheet as at 31 December 2013

13.1. Below is a summary of the consolidated audited balance sheets of the Companies as at 31 December 2013 and as at 31 December 1995, adjusted for dividends paid to date. The balance sheet as at 31 December 1995 is consistent with the financial position set out on page 23 of the Explanatory Statement to the Original Scheme (which is presented in sterling and restated in US dollars at the rate applicable on 31 December 1995 of US\$1.55:£1).

	Consolidated 2013 US\$million	Consolidated 1995 US\$million	Consolidated 1995 £million
Assets			
Investments and cash	616	408	263
Reinsurance recoverable (including amounts recoverable in respect of paid claims, Notified Outstanding Liabilities and IBNR Liabilities, net of provisions) and other assets	97	851	549
Scheme dividend payments to date	622	-	-
	1,335	1,259	812
Liabilities			
Reserves – Notified Outstanding Liabilities and IBNR Liabilities (gross)	(460)	(1,604)	(1,035)
Due to NNOFIC	(287)	(160)	(103)
Provision for future run-off costs	(31)	-	-
Creditors excluding NNOFIC	(397)	(186)	(120)
Scheme dividend payments to date	(622)	-	-
	(1,797)	(1,950)	(1,258)
Net Liabilities	(462)	(691)	(446)

13.2. Amounts due to NNOFIC include:

- 13.2.1. amounts that NNOFIC agreed, under the terms of the Original Scheme, would be subordinated to all other claims against the Companies; and
- 13.2.2. amounts drawn down under the Facility, less any dividends paid to NNOFIC in respect of the corresponding Established Liabilities.

13.3. Below is a summary of the amounts due to NNOFIC from the Companies:

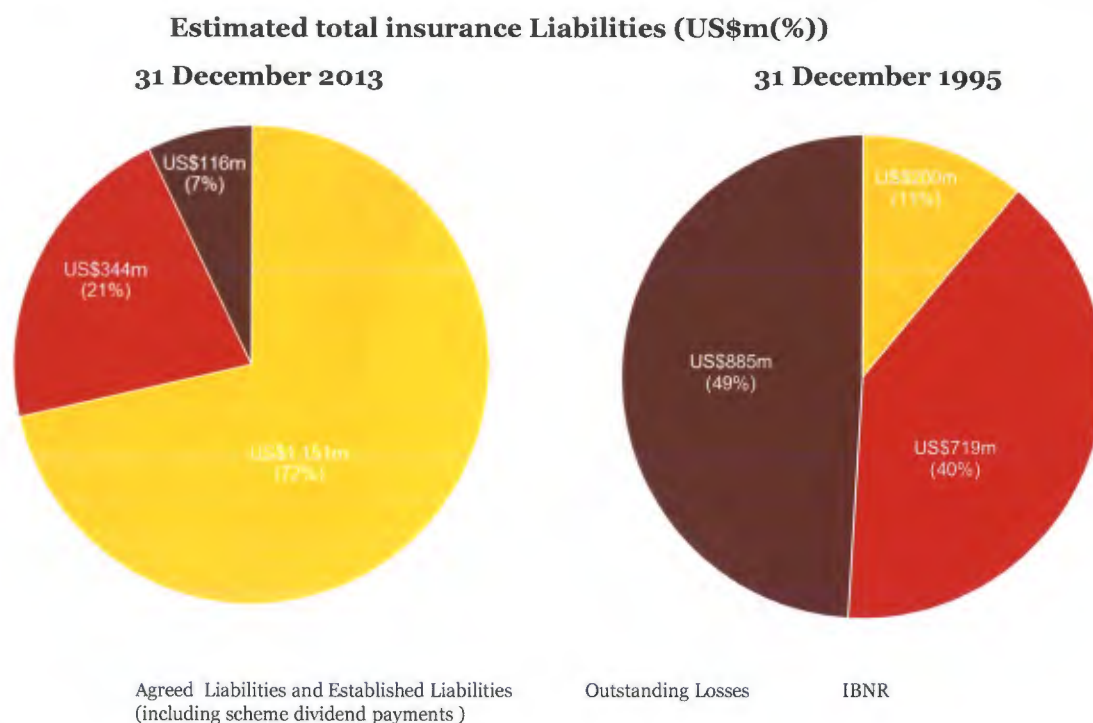
	Consolidated US\$million
Subordinated debt:	
• Original balance in 1995	(142)
• Amounts assigned to NNOFIC from OIM Limited and Orion Insurance General Limited in 1996	(13)
Borrowing under the terms of the Facility	(216)
Less: Scheme dividend payments to date	84
Balance as at 31 December 2013	(287)

13.4. These summarised consolidated balance sheets are not intended to give an estimate of the eventual outcome of the Original Scheme, regardless of whether the Amending Scheme comes into effect.

14. Liabilities

14.1. Since the Original Scheme became effective, a large proportion of the Companies' Liabilities have become Established Liabilities or Agreed Liabilities, either as claims have been submitted in the ordinary course of business or as claims have been agreed by way of bilateral settlement and commutation discussions.

14.2. The following charts illustrate the change in the breakdown of the Companies' Liabilities as at 31 December 2013 compared to 31 December 1995:



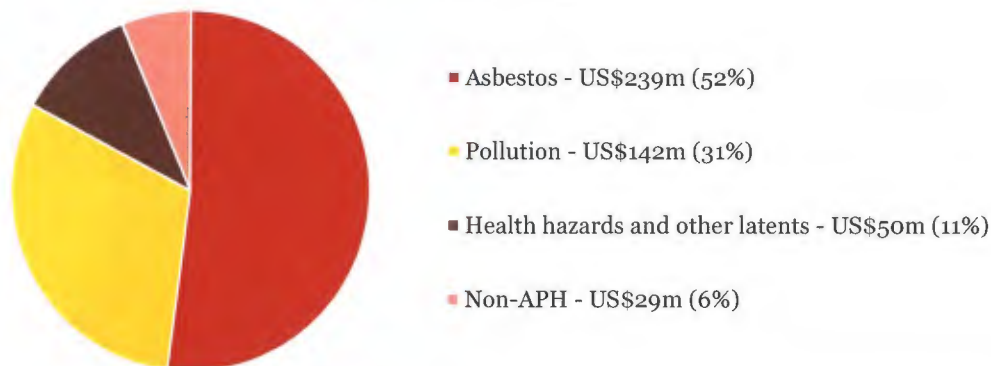
14.3. These charts illustrate that the proportion of the Companies' total insurance Liabilities that have been established or agreed has increased from 11% as at 31 December 1995 to 72% as at 31 December 2013.

15. Reserves

15.1. The Companies' gross reserves include provisions for claims that are yet to be notified or agreed in the form of Notified Outstanding Liabilities and IBNR Liabilities.

15.2. Gross reserves held by the Companies as at 31 December 2013 comprise:

**Gross reserves (US\$m (%))
31 December 2013**



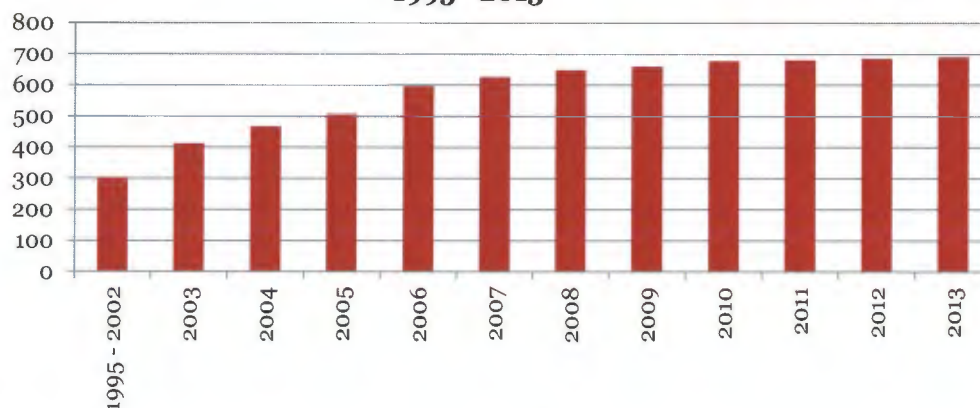
15.3. Over 94% of the Companies' estimated reserves now relate to APH Liabilities (i.e. asbestos, environmental pollution and health hazard and other latent Liabilities), compared to 69% as at 31 December 1995.

16. Reinsurance collections and outwards commutations

16.1. A total of US\$691 million has been recovered by the Companies from its reinsurers (who were net debtors of the Companies) prior to 31 December 2013.

16.2. The following chart shows the cumulative level of reinsurance recoveries made by the Companies since 1995:

**Reinsurance recoveries (\$m)
1995 - 2013**

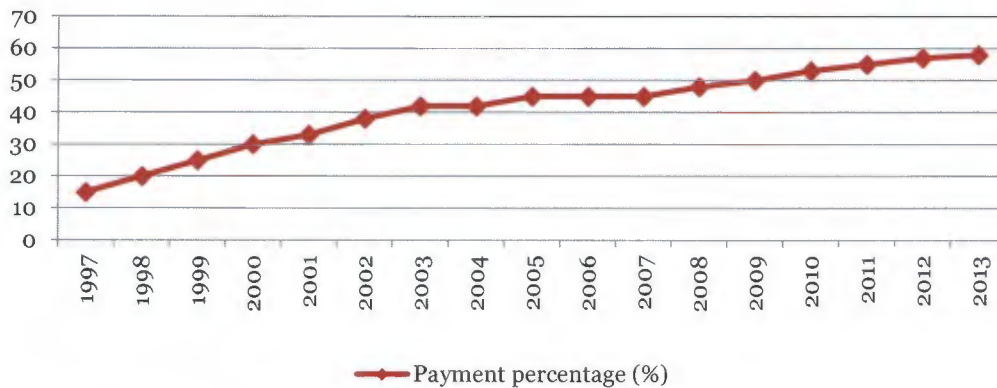


16.3. After discussions with the Creditors' Committee in 2003, the Scheme Administrators embarked on a programme to commute all the major outwards reinsurance contracts of the Companies. The commutation programme has now largely been completed with the exception of amounts recoverable from Lloyds Bank under the Lloyds Bank Agreement. It is therefore unlikely that if the Companies remained in run-off under the Original Scheme, the Companies would make any further significant reinsurance recoveries, other than from Lloyds Bank under the Lloyds Bank Agreement.

17. Payments to Scheme Creditors

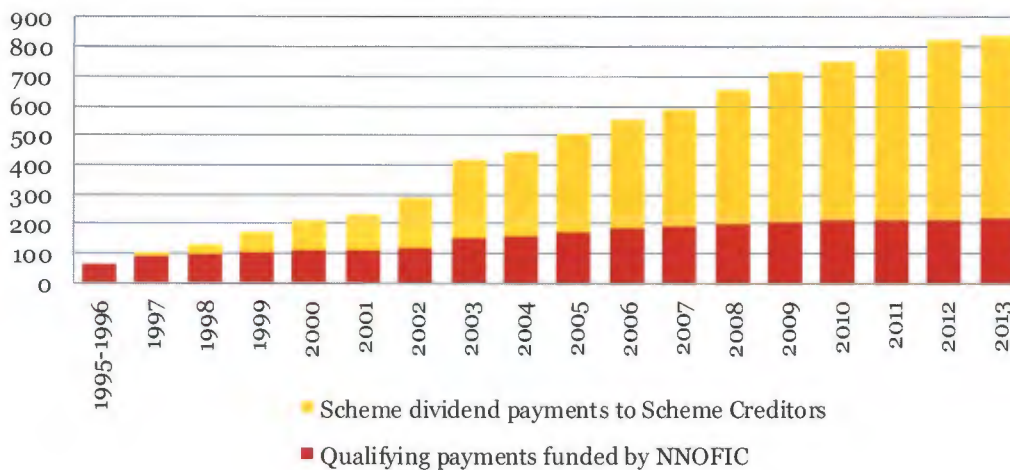
17.1. The Payment Percentage has been increased on a number of occasions over the life of the Original Scheme as illustrated in the chart overleaf. It was last increased in November 2013, to 58%. The increases in the Payment Percentage have resulted from the successful collection of reinsurance recoveries from net debtors and greater certainty with respect to the Companies' total Liabilities.

Payment Percentage (%)
1997 - 2013



- 17.2. From the date that the Original Scheme became effective (i.e. 7 March 1997) to 31 December 2013, US\$622 million has been paid by the Companies by way of Payment Percentage to Qualifying ILU Policyholders, other Scheme Creditors with Established Liabilities and by way of partial repayment of "top-up" payments to NNOFIC in respect of the value of any claims assigned to NNOFIC by Qualifying ILU Policyholders.
- 17.3. In addition, a total of US\$216 million using 2013 year-end exchange rates (or US\$214 million using exchange rates as set out in a letter of credit dated 20 October 1994 given by Nat-Ned and 1845 in favour of the ILU) has been paid by the Companies to Qualifying ILU Policyholders with Established Liabilities from monies borrowed by the Companies from NNOFIC under the Facility.
- 17.4. The cumulative payments made by the Companies to Scheme Creditors (including to Qualifying ILU Policyholders out of funds borrowed from NNOFIC under the Facility) are illustrated in the following chart by year:

Scheme payments (US\$m)
1995 - 2013



18. Receipts and payments

18.1. The receipts and payments of the Companies from 21 October 1994 (the date on which the Companies entered provisional liquidation) to 31 December 2013 can be summarised as follows:

	US\$million
Receipts	
Reinsurance recoveries	691
NNOFIC under the CPLA	216
Interest	422
Group relief and tax repayments	44
Other income	11
	1,384
Payments	
Qualifying ILU Policyholders under the CPLA	(216)
Scheme dividend payments	(622)
Compensatory interest on Scheme dividend payments	(38)
Run-off Companies	(192)
Provisional Liquidators' and Scheme Administrators' fees and expenses	(70)
Legal advisers' fees and expenses	(28)
Other professional fees and charges	(73)
Letter of Credit drawdowns	(13)
	(1,252)
Movements in cash (excluding realised and unrealised gains/losses on investment activities)	132

E: FACTORS TO CONSIDER WHEN VOTING ON THE AMENDING SCHEME

19. Options facing Scheme Creditors

- 19.1. The Companies have been in run-off for 22 years. The Companies have been subject to the terms of the reserving scheme put in place by the Original Scheme for 17 years.
- 19.2. The Companies now have the following options:
- 19.2.1. Continue run-off under the Original Scheme with a forecast closure date of beyond 2035 - claims will be submitted by Scheme Creditors as they arise and will be processed by the Companies. Scheme Creditors will receive the Payment Percentage to the extent that their claims become Established Liabilities under the Original Scheme. The Payment Percentage (currently set at 58%) may increase periodically and additional payments will then be made to Scheme Creditors with Established Liabilities in order to reflect the new Payment Percentage; or
- 19.2.2. Implement a crystallisation under the Amending Scheme with a forecast closure date of 2018 - Scheme Creditors' claims in respect of actual, contingent and prospective Liabilities will be submitted in advance of the Bar Date. When agreement is reached over the valuation of those claims, deductions will be made to effect a discount for the time value of money and any Offset Amount and Security Interest. Scheme Creditors will receive the Payment Percentage to the extent that their claims are determined to be Net Liabilities. The Payment Percentage will be reviewed by the Scheme Administrators and, if necessary, revised, until a final Payment Percentage is determined. It is anticipated that, in the great majority of cases, payments will be made to Scheme Creditors earlier and at a higher Payment Percentage than would have been the case under the Original Scheme.
- 19.3. The implementation of the crystallisation and payment provisions of the Amending Scheme is subject to two key conditions which may significantly alter the effect of the Amending Scheme. These are explained in paragraphs 19.5 and 19.6.
- 19.4. Qualifying ILU Policyholders can elect to opt out of the crystallisation and payment provisions of the Amending Scheme before the Bar Date. Any Qualifying ILU Policyholder who opts out will continue to have its claims determined and paid in accordance with the Original Scheme.
- 19.5. In view of the unique circumstances of the Amending Scheme and the nature of the arrangements entered into with NNOFIC and the ILU in respect of Qualifying ILU Policyholders, the crystallisation and payment provisions of the Amending Scheme will only be implemented if no more than 30% by value of Qualifying ILU Policyholders opt out. In this respect:
- 19.5.1. if no more than 30% by value of Qualifying ILU Policyholders opt out, the crystallisation and payment provisions of the Amending Scheme will be implemented. The claims of the Opt Out Qualifying ILU Policyholders will, however, remain in run-off and they will be dealt with under the provisions of the Original Scheme:
- (a) Opt Out Qualifying ILU Policyholders will, subject to the terms of the CPLA, be paid in full to the extent that their claims become Qualifying Established Liabilities in the ordinary course of business and provided that, where applicable, they have completed and executed a Discharge Letter in accordance with the terms of the CPLA. Opt Out Qualifying ILU Policyholders will be paid, in respect of each such Qualifying Established Liability, an amount equal to the then current Opt Out Payment Percentage. Subject to the terms of the CPLA, each Opt Out Qualifying ILU Policyholder will receive an additional "top-up" payment from the Companies out of monies borrowed and received from NNOFIC under the Facility up to the full amount of its Qualifying Established Liability;

- (b) an amount of the Companies' assets will be set aside by the Scheme Administrators to pay the Opt Out Payment Percentage on the claims of Opt Out Qualifying ILU Policyholders. Those claims (the "**Opt Out Scheme Liabilities**") will be valued by the Scheme Administrators at the same time as the claims of all other Scheme Creditors (who are subject to the crystallisation and payment provisions of the Amending Scheme). The amount of the Companies' assets to be set aside will be equal to the amount of the estimated future claims of the Opt Out Qualifying ILU Policyholders multiplied by the then current Payment Percentage. That amount will be increased if the Payment Percentage increases, by an amount equal to the increase in the Payment Percentage as applied to the Opt Out Scheme Liabilities together with an amount for compensatory interest. The Scheme Administrators will set and revise the Opt Out Payment Percentage from time to time in a similar manner to that used by them to set the Payment Percentage. When setting the Opt Out Payment Percentage, the Scheme Administrators will take into account the amount of the Companies' assets set aside to pay the Opt Out Payment Percentage on the claims of Opt Out Qualifying ILU Policyholders and the level of claims received and likely to be received by the Companies from Opt Out Qualifying ILU Policyholders;
- (c) at the same time, the Scheme Administrators will also set aside an amount from the Companies' assets to meet the future run-off costs of the Companies (excluding dividend payments) in dealing with the claims of the Opt Out Qualifying ILU Policyholders. The run-off costs for the Opt Out Qualifying ILU Policyholders are estimated to be very small in comparison to the total estimated future run-off costs that would be incurred if the Original Scheme proceeded in its unamended form. It is estimated that the amount that the Companies will have to set aside to meet the run-off costs of the Opt Out Qualifying ILU Policyholders will reduce the level of the estimated final Payment Percentage in the Amending Scheme by less than one percentage point (when compared with the estimated final Payment Percentage in the Amending Scheme if there was no opt out);
- (d) the amount of assets set aside referred to in paragraphs (b) and (c) above must be agreed with NNOFIC and the ILU; and
- (e) for so long as the Companies pay the Opt Out Payment Percentage of claims due to Opt Out Qualifying ILU Policyholders pursuant to the Scheme, NNOFIC will top up those payments subject to the terms of the CPLA provided those claims are made to the Companies by 31 December 2035. Once the assets referred to in paragraphs (b) and (c) above have been set aside, if they become insufficient to meet the Opt Out Payment Percentage of claims of Opt Out Qualifying ILU Policyholders (in the case of those assets referred to in paragraph (b) above) or run-off costs in connection with those Opt Out Qualifying ILU Policyholders (in the case of those assets referred to in paragraph (c) above), NNOFIC will make such payment to the Companies to enable the Companies to meet such claims or costs (as the case may be) in full, provided that (i) amounts that NNOFIC so pays to the Companies to enable the Companies to meet claims will count against the Facility and will therefore be paid subject to the terms of the CPLA, whereas the amounts that NNOFIC so pays to the Companies to enable the Companies to meet run-off costs will not count against the Facility and (ii) the claims are submitted to the Companies by 31 December 2035. Once the Established Liabilities of all Opt Out Qualifying ILU Policyholders and all run-off costs incurred in connection with those Opt Out Qualifying ILU Policyholders have been paid in full (and subject to the requirement that all such Policyholders submit their claims to the Companies by 31 December 2035), any such assets remaining in the Companies will be paid to NNOFIC; and

- 19.5.2. if more than 30% by value of Qualifying ILU Policyholders opt out, then the crystallisation and payment provisions of the Amending Scheme shall not take effect. In those circumstances, all Scheme Creditors (including those who are not Qualifying ILU Policyholders) will revert to run-off and have their claims agreed and paid in the ordinary course under and subject to the terms of the Original Scheme.
- 19.6. In certain circumstances as set out below, the future claims of the Pre-1969 L&O Policyholders (i.e. their Notified Outstanding Liabilities and IBNR Liabilities) may revert to run-off and be dealt with in the ordinary course under the Original Scheme. In this respect:
- 19.6.1. the level of future claims of Pre-1969 L&O Policyholders will determine the amounts that are due from Lloyds Bank under the Lloyds Bank Agreement. The arrangements with Lloyds Bank are described in paragraph 33. Should Lloyds Bank not pay the full amounts due under the Lloyds Bank Agreement in respect of the claims once calculated under the Amending Scheme, the Scheme Administrators will determine, in consultation with the Creditors' Committee, whether the Pre-1969 L&O Policyholders should revert to run-off, so that payment can be requested from Lloyds Bank as and when those claims fall due in the ordinary course; and
- 19.6.2. if the Pre-1969 L&O Policyholders revert to run-off:
- (a) the claims of Pre-1969 L&O Policyholders (other than in respect of Established Liabilities and Agreed Liabilities agreed by the Companies prior to the Bar Date) will not be agreed in accordance with the crystallisation and payment provisions of the Amending Scheme. The claims will instead need to be submitted by the Pre-1969 L&O Policyholders to the Companies in the ordinary course of business as they currently are under the Original Scheme. The Pre-1969 L&O Policyholders will receive the same Payment Percentage (plus compensatory interest) as all other Scheme Creditors in respect of their claims as and when they become Established Liabilities under the terms of the Original Scheme. These claims would then form the basis of the claims to be submitted by the Companies to Lloyds Bank for payment under the Lloyds Bank Agreement;
- (b) the Pre-1969 L&O Policyholders will only revert to run-off in respect of their future claims (i.e. Notified Outstanding Liabilities and IBNR Liabilities) under their Pre-1969 L&O Policies (as defined in paragraph 33.1). Any claims of the Pre-1969 L&O Policyholders:
- (i) which are, or which become, Established Liabilities and Agreed Liabilities in respect of Pre-1969 L&O Policies; and
- (ii) are in respect of policies that such Scheme Creditor may have with the Companies other than Pre-1969 L&O Policies,
- will be dealt with and paid in accordance with the crystallisation and payment provisions of the Amending Scheme (unless, in relation to all of its Qualifying ILU Policies only, the relevant Scheme Creditor opts out of those provisions in accordance with the Amending Scheme). Set-off in respect of the Pre-1969 L&O Policyholders will be applied in a similar manner to that applicable to the Opt Out Qualifying ILU Policyholders, as summarised in paragraph 32.8;
- (c) the Payment Percentage payable to all Scheme Creditors, including those Scheme Creditors whose claims are included in the Amending Scheme crystallisation and payment process, will be revised from time to time as any uncertainty over the value of the future claims of the Pre-1969 L&O Policyholders and recoveries from Lloyds Bank under the Lloyds Bank Agreement reduces over time;

- (d) the Payment Percentage is estimated to rise quickly to a level in excess of the estimated final Payment Percentage that would have been payable if the run-off of all of the Companies' business had continued under the Original Scheme;
- (e) the level of the final Payment Percentage will be affected by the extent to which the amount of the future claims of the Pre-1969 L&O Policyholders agreed by the Companies and the amount of recoveries made from Lloyds Bank in respect of those claims differ from the amount of such claims and recoveries that would otherwise have occurred under the crystallisation and payment provisions of the Amending Scheme;
- (f) it may not be possible to determine the final Payment Percentage for all Scheme Creditors for many years into the future, until all of the claims of the Pre-1969 L&O Policyholders have been agreed and all recoveries in respect of those claims have been made from Lloyds Bank;
- (g) the estimated final Payment Percentage is nonetheless around the same as it would have been if the Pre-1969 L&O Policyholders had not reverted to run-off. This is because Lloyds Bank is obliged under the Lloyds Bank Agreement to meet the future costs of the Scheme Administrators in dealing with the Pre-1969 L&O Policyholders in run-off; and
- (h) the estimated final Payment Percentage in the Amending Scheme is also higher than the estimated final Payment Percentage under the Original Scheme (in the absence of the Amending Scheme). This is because of the savings in run-off costs that will be achieved if the Amending Scheme becomes effective, even if the Pre-1969 L&O Policyholders revert to run-off.

20. Advantages and disadvantages of the Amending Scheme

20.1. The Scheme Administrators consider that the Amending Scheme has a number of advantages over the Companies remaining in run-off under the Original Scheme. The principal advantages in applying a crystallisation procedure at this stage are set out at paragraphs 20.2 to 20.4. The advantages of implementing the Amending Scheme, rather than relying on the Valuation Option provisions in the Original Scheme, are set out in paragraph 20.5. The principal disadvantages of the Amending Scheme, which, in the opinion of the Scheme Administrators, are outweighed by the advantages, are set out at paragraphs 20.7 to 20.11. Certain other advantages and disadvantages are noted to be specific to individual categories of Scheme Creditor.

Advantages for all Scheme Creditors

20.2. Reduction in costs resulting in a higher Payment Percentage

20.2.1. The Companies' run-off costs currently include the costs of the Run-off Company, the Scheme Administrators' fees, actuarial fees, legal advisers' fees and other professional fees. The Run-off Company's costs include salaries, property, IT and other overhead costs. The Companies' annual run-off costs, excluding legal fees incurred in relation to the preparation of the Amending Scheme, currently exceed US\$18 million. These costs should be significantly lower under the Amending Scheme than if claims were left to mature in the ordinary course. This is because, save for those matters described in paragraph 20.2.2, it will be unnecessary for the Scheme Administrators to continue to manage the run-off, as would be the case were the Original Scheme to remain unamended. Unless closed earlier, the Original Scheme is projected to continue beyond 2035. The Scheme Administrators estimate that, absent the Amending Scheme, the total run-off costs for the period 2014 to 2035 under the Original Scheme could reach US\$200 million (or more).

20.2.2. There will be a short term increase in the annual costs incurred by the Companies as the majority of the remaining Scheme Liabilities are determined in accordance with the terms of the Amending Scheme. Certain provisions will also be set aside to meet:

- (a) the claims of Qualifying ILU Policyholders (who are not individuals) and individuals (whether or not those individuals are Qualifying ILU Policyholders) which are submitted and become Net Liabilities after the Bar Date (see paragraphs 36.9 and 36.18 respectively);
- (b) the costs of dealing with the claims of (i) Opt Out Qualifying ILU Policyholders and (ii) Qualifying ILU Policyholders (who are not individuals) and individuals (whether or not those individuals are Qualifying ILU Policyholders) admitted after the Bar Date (including the costs of the No Notice Adjudicator) (see paragraphs 32.12, 36.9 and 36.18); and
- (c) the claims of the Pre-1969 L&O Policyholders which have not been agreed should their claims revert to run-off (see paragraph 33).

All the Scheme Administrators' costs (including their professional fees and legal advisers' fees) incurred in dealing with the claims of the Pre-1969 L&O Policyholders should be recoverable from Lloyds Bank under the terms of the Lloyds Bank Agreement. Save for the matters highlighted in this paragraph, where provisions are set aside to deal with the relevant costs, no further significant costs should be incurred by the Companies after 2018 (the forecast date for payment of the final Payment Percentage). The cost savings should mean an increase in the funds available for distribution to Scheme Creditors and a higher Payment Percentage than would have been the case under the Original Scheme.

- 20.2.3. The expected cost savings under the Amending Scheme (when compared to the Original Scheme) are in excess of US\$100 million. The main portion of these cost savings relate to the costs of the Run-off Company and the costs of the Scheme Administrators and professional fees incurred in administering the run-off under the Original Scheme. This benefit is the principal reason why the Scheme Administrators expect that the final Payment Percentage will be higher under the Amending Scheme than under the Original Scheme. As at the date of this Amending Explanatory Statement, the Scheme Administrators estimate that the final Payment Percentage under the Amending Scheme in comparison to the Original Scheme will be as follows:

Estimated final Payment Percentage	
Original Scheme	71%
Amending Scheme	78%

20.3. Faster release of funds

- 20.3.1. Claims that will not under the Original Scheme be agreed for some years should be agreed under the Amending Scheme at a much earlier date. On the projected timetable, the majority of funds will be paid under the Amending Scheme to Scheme Creditors by 2018. This is considerably earlier than currently anticipated under the Original Scheme.
- 20.3.2. If the Original Scheme continues, it is unlikely that there would be a further significant increase in the Payment Percentage in the coming years. This is because the remaining Scheme Liabilities are long tail, and any remaining claims would have to be dealt with over a lengthy period of time.
- 20.3.3. The benefit of the higher estimated final Payment Percentage (78%) under the Amending Scheme (as shown in paragraph 20.2) is therefore increased by the fact that it will be paid to Scheme Creditors at an earlier date than the lower estimated final Payment Percentage under the Original Scheme (71%).

20.4. Early release of safety margin

20.4.1. In accordance with the terms of the Original Scheme, the Scheme Administrators, when calculating the Payment Percentage, have used conservative estimates of future Scheme Liabilities by including an appropriate safety margin. Under the Original Scheme, unless the Companies commuted or settled the remaining Scheme Creditors' claims, this safety margin will have to be retained at some level until all Scheme Liabilities have been quantified. This is projected to occur under the Original Scheme no earlier than 2035.

20.4.2. As the Amending Scheme requires the valuation of future and contingent Scheme Liabilities, the total amount of Scheme Liabilities brought within the Amending Scheme will be determined once and for all. The timetable for implementation of the Amending Scheme assumes that the majority of Scheme Liabilities will have been determined by 2017. Provided that the Pre-1969 L&O Policyholders do not revert to run-off, it will be unnecessary for the Scheme Administrators to retain any safety margin with respect to the Scheme Liabilities when setting the Payment Percentage after that date. Even if the Pre-1969 L&O Policyholders revert to run-off, the Scheme Administrators should be able to retain a much smaller safety margin. As a result, all, or the majority, of the safety margin could be released and the monies distributed to Scheme Creditors earlier under the Amending Scheme than would have otherwise been possible under the Original Scheme.

20.5. Improved terms and administrative features

As noted in paragraph 1.8, the Valuation Option allows for the conversion of the Original Scheme into a crystallisation scheme. However, the Scheme Administrators consider that this conversion will be better effected through implementing the Amending Scheme. The Amending Scheme contains more extensive and complete claims valuation provisions than were set out in the Original Scheme. The Amending Scheme also includes provisions dealing with uncashed cheques, the treatment of agents and pools and new clauses allowing electronic communications. These provisions should improve the implementation of the Scheme.

Advantages specific to Qualifying ILU Policyholders

20.6. Qualifying ILU Policyholder Premium

20.6.1. Under the Amending Scheme, Qualifying ILU Policyholders may, subject to the conditions and restrictions set out in paragraph 31, receive a Qualifying ILU Policyholder Premium. If the Amending Scheme is not approved or otherwise does not take effect, Qualifying ILU Policyholders will be unable to receive a Qualifying ILU Policyholder Premium.

20.6.2. Under the Amending Scheme, individual Qualifying ILU Policyholders, who consider that their interests are best served by foregoing the Qualifying ILU Policyholder Premium and leaving their insurance coverage in place, can elect to opt out of the crystallisation and payment provisions of the Amending Scheme before the Bar Date and continue to submit claims under the Original Scheme.

Disadvantages for all Scheme Creditors (other than Protected Policyholders, Potentially Protected Policyholders and Opt Out Qualifying ILU Policyholders)

20.7. Failure to submit a Claim Form

20.7.1. Save in certain very limited circumstances detailed in paragraph 36, Claim Forms received by the Companies after the Bar Date will not be considered for the purposes of the Amending Scheme. Subject to paragraphs 23.16 and 23.17, Scheme Creditors who have additional Scheme Liabilities (including Notified Outstanding Liabilities and/or IBNR Liabilities): (i) which are not shown on their Claim Form; or (ii) who do not have a Claim Form, and who, in each case, do not submit details of their claims on their Claim Form before the Bar Date, will receive no payment in respect of those additional claims under the Amending Scheme. Any such Scheme

Creditor will only receive payment under the Amending Scheme in respect of any Established Liabilities and Agreed Liabilities that have been accepted by the Companies and which, subject to paragraph 10.18, are set out on its Claim Form made available by the Companies to that Scheme Creditor on the Website.

20.7.2. The effect of this is that, save in certain very limited circumstances detailed in paragraph 36 and subject to paragraphs 10.18, 23.16 and 23.17, Scheme Creditors (including Scheme Creditors with IBNR Liabilities) who become aware only after the Bar Date of potential claims for which they did not make any allowance on a Claim Form will receive no further payment because all rights under their policies will have been extinguished under the Amending Scheme. Such Scheme Creditors would, but for the Amending Scheme, have been able to make a claim against the Companies and, subject to such claim becoming an Established Liability, to have that claim paid under the terms of the Original Scheme. This includes individuals who have statutory claims against the Companies who may not be aware that they have a possible claim against the Companies. However, their position has (solely on account of the unique circumstances of the Amending Scheme, including the arrangements entered into with NNOFIC and the ILU in respect of Qualifying ILU Policyholders) been addressed under the Amending Scheme through the Post Bar Date Individual Provision.

20.8. Estimation of Scheme Liabilities

The claims agreement process under the Amending Scheme will provide for the estimation of Scheme Liabilities which are uncertain in value based on information submitted before the Bar Date, including claims for Notified Outstanding Liabilities and IBNR Liabilities and any Offset Amounts. Any Scheme Creditors whose Scheme Liabilities mature after the Bar Date will not receive payment at the Payment Percentage in respect of those Scheme Liabilities as they fall due. Instead, they will receive a payment based upon the value of their claims for Notified Outstanding Liabilities and IBNR Liabilities (less any Offset Amount) as agreed with the Companies or determined by the Scheme Adjudicator as at the Valuation Date in accordance with the Estimation Guidelines. As explained in paragraph 25.4, this payment will be agreed on a Best Estimate basis. This means that, while Scheme Creditors should benefit from the expected higher Payment Percentage in the Amending Scheme, they will, depending on their actual future claims experience and, if applicable, the Companies' estimation of reinsurance recoveries from Scheme Creditors, ultimately receive an amount in respect of their Scheme Liabilities that is different (either greater or smaller) from the amount that they would have received had the Companies' business remained subject to the terms of the Original Scheme.

20.9. Failure to provide sufficient supporting information

If a Scheme Creditor does not provide sufficient information before the Bar Date to establish part or all of its claim for Notified Outstanding Liabilities and/or IBNR Liabilities against the Companies, its claim (or the relevant part of its claim) for these additional amounts may be valued at nil under the Amending Scheme. In those circumstances, the Scheme Creditor would receive no payment under the Amending Scheme in respect of those additional claims whereas it would have received a payment under the Original Scheme if sufficient evidence in support of its additional claims could have been provided in the future.

20.10. Waiver of legal privilege

In the course of a Scheme Creditor providing information to establish part or all of its claim for additional Agreed Liabilities, Notified Outstanding Liabilities and/or IBNR Liabilities against the Companies, that Scheme Creditor may inadvertently waive any legal privilege that it or a third party has over that information. A Scheme Creditor who is in any doubt as to the effect of waiving such legal privilege is advised to seek its own independent legal advice prior to providing such information.

20.11. Reversion to run-off and Scheme Creditors' costs

If the 30% opt out threshold is exceeded, the Companies will revert to run-off. In this case, while payments under the Original Scheme will have been deferred (see paragraph 32.26), Scheme Creditors will not receive any of the intended benefits of the accelerated claims determination mechanism under the Amending Scheme. Furthermore, prior to such reversion to run-off, Scheme Creditors may have incurred costs in preparing and submitting the Voting Forms and Claim Forms in respect of their claims, which will not be reimbursed by the Companies.

Disadvantage specific to Pre-1969 L&O Policyholders

20.12. Pre-1969 L&O Policyholders may not be subject to the crystallisation and payment process

As set out in paragraph 33, Pre-1969 L&O Policyholders may be required to revert to run-off in respect of their future claims, in order to maximise the final Payment Percentage for all Scheme Creditors. If this is the case, they will not receive the benefits (or suffer the disadvantages) of early claims agreement in the crystallisation process in respect of those claims. Furthermore, prior to such reversion to run-off, Pre-1969 L&O Policyholders may have incurred costs in preparing and submitting the Voting Forms and Claim Forms in respect of those future claims, which will not be reimbursed by the Companies. They will, instead, need to continue the existing process of submitting and agreeing their claims as and when they fall due. They will only receive the Payment Percentage in respect of those claims once they have been submitted, agreed and become Established Liabilities in accordance with the terms of the Original Scheme. Thus, in the event of a reversion to run-off, their position will be as it now is under the Original Scheme save that they will still receive the benefit of any increased Payment Percentage on their claims resulting from the operation of the Amending Scheme.

Disadvantage specific to reinsurers of the Companies

20.13. Operation of set-off

20.13.1. As explained in paragraph 27.9, unlike the Original Scheme, the Amending Scheme allows the Companies to set-off against a Scheme Creditor's Gross Liabilities any present and future, contingent and unliquidated Liabilities of that Scheme Creditor that are owed to the Companies.

20.13.2. The extent to which reinsurers are affected by the set-off provisions will, to a very large extent, depend upon the relative size of their claims against the Companies and their potential reinsurance Liabilities to the Companies. The possible effects for reinsurers in different positions are described in paragraph 27.12.

20.13.3. Any payments made from time to time under the Original Scheme to Scheme Creditors (who are reinsurers) are already reduced on account of the Scheme Administrators' estimation of the Scheme Creditors' contingent reinsurance Liabilities to ensure that they are not overpaid.

20.13.4. Therefore, in practical terms, subject to any potential variations in final payment amounts referred to in paragraph 27.12 (which may be either positive or negative), the accelerated set-off mechanism under the Amending Scheme itself, which includes provisions under which allowance is made for the time value of money and the likely pattern of claims and reinsurance recoveries, should not materially prejudice reinsurers of the Companies generally in this regard.

21. Balance of advantages and disadvantages

21.1. In the opinion of the Scheme Administrators, the advantages of the Amending Scheme significantly outweigh its disadvantages.

All Scheme Creditors

21.2. The Companies have now been in run-off and have not written any new business for 22 years. As explained in paragraph 14.1, the majority of the Companies' Scheme Liabilities by value have been agreed. Most of the claims which the Companies receive now come from US

corporate entities in relation to long-tail Liabilities such as asbestos, environmental pollution and health hazard claims.

- 21.3. The Scheme Administrators consider that continuing with the Original Scheme is no longer a cost effective way of facilitating the orderly conclusion of the Companies' affairs. As explained in paragraph 20.2, one of the principal advantages of the Amending Scheme is the cost savings that should arise as a result of its implementation. These cost savings ought to increase the amount of the Companies' assets available for distribution and lead to all Scheme Creditors receiving a higher Payment Percentage than they would receive if the Amending Scheme did not proceed.
- 21.4. For the reasons set out in paragraph 2, the Scheme Administrators consider that implementing the Amending Scheme is preferable to placing the Companies into insolvent liquidation or activating the Valuation Option.
- 21.5. Furthermore, it is the Scheme Administrators' opinion that the specific safeguards built into the Amending Scheme for Scheme Creditors (including in respect of Qualifying ILU Policyholders, Protected Policyholders, Potentially Protected Policyholders and Pre-1969 L&O Policyholders) ensure that the advantages of the Amending Scheme will outweigh any disadvantages it may have for those Scheme Creditors.
- 21.6. The decision whether or not to vote in favour of the Amending Scheme does, however, depend on the individual circumstances of each Scheme Creditor. Each Scheme Creditor must make its own assessment of how the Amending Scheme could affect its own interests and vote accordingly.

Qualifying ILU Policyholders

- 21.7. The Scheme Administrators recognise that some of the key advantages relating to the final Payment Percentage are less relevant for Qualifying ILU Policyholders than for other Scheme Creditors. This is because Qualifying ILU Policyholders are, subject to the terms of the CPLA, paid in full in respect of their Qualifying Established Liabilities (subject to the satisfaction of certain conditions) under the terms of the Original Scheme and subject to the terms of the CPLA. It is nonetheless the Scheme Administrators' opinion that the specific safeguards built into the Amending Scheme, which allow Qualifying ILU Policyholders to opt out or (subject to satisfying certain conditions) to receive the Qualifying ILU Policyholder Premium if they do not opt out, will ensure that the advantages of the Amending Scheme also outweigh any disadvantages it may have for Qualifying ILU Policyholders.
- 21.8. Paragraph 36 describes a further safeguard, which has been built into the Amending Scheme in respect of Qualifying ILU Policyholders (who are not individuals) who have claims against the Companies and who do not find out about the Amending Scheme until after the Bar Date. That safeguard has been included solely to reflect the unique circumstances of the Amending Scheme, including the arrangements entered into with NNOFIC and the ILU in respect of Qualifying ILU Policyholders. Such Qualifying ILU Policyholders will, if they satisfy the conditions set out in paragraphs 36.5 to 36.7, still be able to bring a claim against the Companies after the Bar Date.
- 21.9. Finally, as set out in paragraphs 32.29 to 32.31, the Scheme Administrators consider, in consultation with the Scheme Actuarial Adviser, that the risk of the Facility being exhausted as a result of the Amending Scheme is extremely remote. The overall security of Qualifying ILU Policyholders should, in all reasonably plausible circumstances, be enhanced by the operation of the Amending Scheme.

Protected Policyholders and Potentially Protected Policyholders

- 21.10. The Scheme Administrators consider that the proposed changes to the way in which Protected Policyholders and Potentially Protected Policyholders will be dealt with under the Amending Scheme will not affect their statutory rights against the FSCS Scheme Manager and thus the recoveries they achieve in respect of their claims.

Pre-1969 L&O Policyholders

- 21.11. Whilst the Pre-1969 L&O Policyholders might be required to revert to run-off, they would still receive the benefit of any increased Payment Percentage on their claims resulting from the operation of the Amending Scheme in those circumstances. The purpose of such reversion to run-off would be solely to maximise the recoveries made by the Companies, and

thereby the Payment Percentage paid to all Scheme Creditors (including the Pre-1969 L&O Policyholders).

Individuals

- 21.12. Despite the proposed widespread advertising of the Bar Date (described in paragraph 26), individuals (whether or not those individuals are Qualifying ILU Policyholders) who may have claims against the Companies may not find out about the Amending Scheme until after the Bar Date and therefore would potentially lose the chance they would otherwise have had to make a claim against the Companies. Solely to address the unique circumstances of the Amending Scheme, including the nature of the arrangements entered into with NNOFIC and the ILU in respect of Qualifying ILU Policyholders, a specific safeguard has been built into the Amending Scheme in respect of such individuals by allowing them, if they satisfy certain conditions, to bring a claim against the Companies after the Bar Date (see paragraphs 36.12 to 36.19 for more detail).

F: THE PROPOSED CLOSURE PROCESS

22. Effectiveness and notifications

- 22.1. The Amending Scheme will become effective if the requisite majorities of each class of Scheme Creditors vote in favour of it at each of the Amending Scheme Meetings, the Court makes an order sanctioning the Amending Scheme, the US Bankruptcy Court issues an order enforcing the Amending Scheme under the US Bankruptcy Code and the Court's order sanctioning the Amending Scheme is filed with the Registrar of Companies. The date of that filing will be the New Effective Date.
- 22.2. The Scheme Administrators will contact by post, as soon as reasonably practicable after the New Effective Date, every person whom the Companies believe to be a Scheme Creditor (including all persons who were sent notice of the Amending Scheme Meetings) and brokers, agents and representatives known to have placed business with the Companies. The Scheme Administrators will request that those brokers and any other intermediaries who receive notice of the Amending Scheme should notify all possible Scheme Creditors of whom they are aware so as to enable all Claim Forms to be returned to the Companies before the Bar Date.
- 22.3. The Scheme Administrators' letter will include a notice stating that the Amending Scheme has become effective and will provide details of the Bar Date. The letter will also explain that any further copies of the Amending Scheme and this Amending Explanatory Statement may be downloaded from the Website or obtained free of charge from the Scheme Administrators at the contact details set out at the beginning of this document. A further letter with, where applicable, details of the relevant Scheme Creditor's login ID and password for accessing its Claim Form on the Website will be sent by post within 60 days of the New Effective Date. The Scheme Creditor may then amend its Claim Form using the Website. Claim Forms will be sent by post to any person who has made a Postal Service Request.
- 22.4. The Scheme Administrators will, wherever possible, as soon as possible after the New Effective Date, also advertise in the publications set out at paragraph 26.2 that the Amending Scheme has become effective and provide details of the timing of the Bar Date. These advertisements will contain a request from the Scheme Administrators that any Scheme Creditor who has not received any of the documents referred to in paragraph 22.3 should contact the Scheme Administrators as soon as possible.
- 22.5. Each Scheme Creditor should, where possible, access, amend and submit its individual Claim Form via the Website at www.oicrun-offltd.com. Any Scheme Creditor who wishes to receive a hard copy Claim Form and to communicate with the Companies by post, must make a request to this effect to the Run-off Company in accordance with the instructions described in paragraph 11.3.

23. Completing the Claim Form

- 23.1. The Claim Form will contain a number of empty data fields for Scheme Creditors to complete and may also contain some details inserted by the Scheme Administrators. Details of the data fields on the Claim Form for Scheme Creditors to check and complete, including those that must be completed for a claim to be accepted, are attached in draft in section H (*Appendices*).
- 23.2. The Scheme Administrators will insert in the Claim Form, to the extent known by the Companies, details of:
- 23.2.1. certain policies held by that Scheme Creditor according to the Companies' records;
 - 23.2.2. the relevant Scheme Creditor's Agreed Liabilities; and
 - 23.2.3. the relevant Scheme Creditor's Established Liabilities (subject to paragraph 23.3.3).
- 23.3. The Scheme Administrators will not insert in the Claim Form any details relating to:
- 23.3.1. the relevant Scheme Creditor's Notified Outstanding Liabilities or IBNR Liabilities;

- 23.3.2. claims where the Scheme Administrators are unable to identify the Scheme Creditor, for example where policies have been issued on the Companies' behalf by third parties under binding authorities, brokers' covers or lineslips, but where any relevant information such as the name or address of the Scheme Creditor concerned has not been supplied to the Scheme Administrators and details of the relevant Scheme Creditor have not subsequently become known to the Scheme Administrators for any reason whatsoever; and
- 23.3.3. claims that the Scheme Administrators are aware have been assigned by that Scheme Creditor to a third party (for example, Qualifying ILU Policyholders who have received payment in full will have assigned their claim to NNOFIC).
- 23.4. The Claim Form will indicate where information, documentation or other materials must be provided by Scheme Creditors if they wish to make a claim in respect of: (1) Agreed Liabilities and/or Established Liabilities not already appearing on the Claim Form; (2) Notified Outstanding Liabilities; or (3) IBNR Liabilities.
- 23.5. Each Scheme Creditor should complete its Claim Form, inserting relevant details and providing amended details of its claims where it disagrees with the details inserted by the Scheme Administrators. Scheme Creditors are encouraged to use the Website to confirm or amend their Claim Forms. If a Scheme Creditor wishes to return its Claim Form by post, it must do so using the Claim Form provided to it by the Scheme Administrators, using continuation sheets where necessary. Subject to certain exceptions set out in paragraphs 23.16 and 23.17, claims that are not made using a Claim Form may be rejected.
- 23.6. Scheme Creditors will not be able to amend the details for certain data fields through the Website. Instead, Scheme Creditors wishing to amend data fields in the Claim Form that cannot be directly edited by the user (e.g. adding new policies) should contact the Run-off Company before the Bar Date at the address set out at the beginning of this document. They should request the Run-off Company to update those data fields or they should provide such information to the Run-off Company by post before the Bar Date.
- 23.7. If any claim is notified by a Scheme Creditor to the Companies before the New Effective Date, but does not become an Established Liability before the New Effective Date, the relevant Scheme Creditor should ensure that details of that claim are properly inserted on its Claim Form and, if applicable, the relevant supporting information is provided to the Companies.
- 23.8. If a Scheme Creditor wishes to correct Established Liabilities and Agreed Liabilities appearing on a Claim Form, it must amend the relevant field of the Claim Form. If a Scheme Creditor wishes to make a claim for additional Agreed Liabilities which are not already appearing on the Claim Form, it must amend the relevant field of the Claim Form to include details of the value of those additional claims.
- 23.9. If a Scheme Creditor wishes to make a claim in respect of Notified Outstanding Liabilities, it must insert details of the value of those Notified Outstanding Liabilities in the required field of the Claim Form.
- 23.10. If a Scheme Creditor wishes to make a claim in respect of IBNR Liabilities, it must insert details of the value of those IBNR Liabilities in the relevant fields of the Claim Form.
- 23.11. For example, claims for IBNR Liabilities might be made by a Scheme Creditor if:
- 23.11.1. it has a history of claims under a policy for which the policy limits have not been exhausted and the Scheme Creditor expects that further claims will be received; or
- 23.11.2. it has not previously claimed under a policy but has received claims on lower layer policies which it expects to develop adversely so that higher layer policies written by the Companies are expected to be affected; or
- 23.11.3. it has not previously claimed under a policy but is aware of risk factors that commonly give rise to Liabilities of a known type on policies written by the Companies; or

- 23.11.4. it has evidence that its policies may be vulnerable to currently unknown claim types that will have a reasonable chance of affecting policies written by the Companies (for example, a pharmaceutical company with a history of different product claims such that there is a reasonable chance of a new type of claim emerging in the future that will affect policies written by the Companies).
- 23.12. If a Scheme Creditor considers that it is a Potentially Protected Policyholder in respect of some or all of its claim for all or any of its Notified Outstanding Liabilities or IBNR Liabilities, it is requested to notify the Scheme Administrators (by contacting the Run-off Company) that part or all (as the case may be) of its claim is a Potentially Protected Liability. The Run-off Company can be contacted at the address set out at the beginning of this document.
- 23.13. Where claims are being made by a Scheme Creditor that are in addition to or differ from the claims included on a Claim Form by the Companies, that Scheme Creditor must provide the supporting documentation required by the Scheme Administrators, in accordance with the Estimation Guidelines and Supporting Evidence Appendices to the Amending Scheme and the guidance notes to the Claim Form. Where a market settlement agreement is used by a Scheme Creditor as evidence to support any additional claims that it may have, the Scheme Administrators may, depending upon the period of time for which the market settlement agreement has been in force and the value of those additional claims, require the Scheme Creditor to submit further information in support of those additional claims (including, where applicable, information in accordance with the Estimation Guidelines and Supporting Evidence Appendices).
- 23.14. Without appropriate supporting evidence, or where insufficient information or other materials are provided by a Scheme Creditor to support its additional claim, the Scheme Administrators may reject such additional claim or assess it as having no value for the purposes of valuation under the Amending Scheme. If that Scheme Creditor has no other claims against the Companies, it will receive no payment under the Amending Scheme other than in respect of those claims that, subject to paragraph 26.8, were included by the Companies on its Claim Form in respect of Established Liabilities and Agreed Liabilities.
- 23.15. Scheme Creditors whose Scheme Liabilities mature after the Bar Date will receive no further payment as all rights under their policies will have been extinguished under the Amending Scheme (except where they are Protected Policyholders, Potentially Protected Policyholders, Opt Out Qualifying ILU Policyholders, NNOFIC and those Qualifying ILU Policyholders and No Notice Individual Creditors whose claims are agreed by the Companies in accordance with paragraphs 36.4 to 36.19 and, if applicable, Pre-1969 L&O Policyholders).
- 23.16. Where a Scheme Creditor does not submit a Claim Form via the Website or by post but does otherwise provide the same information to the Companies before the Bar Date, then that information will be accepted as the Claim Form for that Scheme Creditor provided that the Scheme Creditor confirms that the information is to be used with respect to its claim in the Amending Scheme.
- 23.17. This can include information provided by the Scheme Creditor on the Voting Form, provided that the Scheme Creditor confirms that the information on the Voting Form remains true and accurate in all respects, and complies with the information requirements set out in the Amending Scheme.

24. Submitting the Claim Form

- 24.1. The Claim Form may be amended and resubmitted any number of times by the Scheme Creditor before the Bar Date. The last Claim Form received from a particular Scheme Creditor will be considered to be the relevant Claim Form, unless the Scheme Administrators consider, in their discretion, that this Claim Form was not intended to prevail. Documentation and any other materials may be submitted by post to the Run-off Company at the address set out at the beginning of this document or to the Run-off Company c/o Armour Risk Management Inc, 1880 JFK Boulevard, Suite 801, Philadelphia PA 19103, USA. Such documentation may also be submitted electronically via the Website or to ois.run-offlimited@uk.pwc.com.

- 24.2. Once received, the Scheme Administrators, with assistance from the Scheme Actuarial Adviser if necessary, will review the relevant Claim Form and supporting documentation returned by each Scheme Creditor with a view to determining that Scheme Creditor's Net Liabilities.

25. The Valuation Date

- 25.1. In order to be fair to all Scheme Creditors, a single reference date will be used to calculate all Scheme Liabilities.
- 25.2. All Scheme Liabilities dealt with under the Amending Scheme will be valued initially as at the Valuation Date. The Valuation Date is 31 December 2013.
- 25.3. Notwithstanding the cut-off imposed on information concerning claims development by the adoption of the Valuation Date, the Scheme Administrators will take account of information in relation to claims development after the Valuation Date up until the Bar Date. Each Scheme Creditor should, therefore, when completing its Claim Form, estimate any Notified Outstanding Liabilities and IBNR Liabilities as at the Valuation Date and then adjust them to allow for:
- 25.3.1. any losses that have been notified to or discovered by the Scheme Creditor between the Valuation Date and the Bar Date;
 - 25.3.2. any Established Liabilities and/or Agreed Liabilities of that Scheme Creditor arising between the Valuation Date and the New Effective Date; and
 - 25.3.3. any new information received by the Scheme Creditor between the Valuation Date and the Bar Date in respect of its Notified Outstanding Liabilities and IBNR Liabilities.
- 25.4. In all cases, Scheme Creditors should value their Scheme Liabilities as a Best Estimate.

26. The Bar Date

- 26.1. The Bar Date is midnight (English time) on the first Business Day falling 240 days after (and not including) the New Effective Date.
- 26.2. The Bar Date will, wherever possible, be advertised in the following newspapers and periodicals as soon as practicable after the New Effective Date:
- 26.2.1. in the International Editions of Financial Times and Wall Street Journal;
 - 26.2.2. in the United Kingdom: Financial Times, The Times, Lloyd's List, Post Magazine, The Irish News, The Belfast Newsletter, Daily Record, The Scottish Sun, South Wales Evening Post and insuranceday;
 - 26.2.3. in the United States of America: Wall Street Journal, Business Insurance, International New York Times, The Washington Post, New York Times, Los Angeles Times, San Francisco Chronicle, San Jose Mercury News, The Dallas Morning News, Houston Chronicle, Fort Worth Star-Telegram, Tampa Bay Times, Orlando Sentinel, Sun Sentinel, The Miami Herald, Chicago Tribune, Milwaukee Wisconsin Journal Sentinel, Wisconsin State Journal, The Times-Picayune, New Orleans City Business, The Des Moines Register, The Gazette (Iowa), Quad-City Times, TimesCitizen, Hartford Courant, New Haven Register, Connecticut Post, The Providence Journal, The Newport Daily News, The Bergen Record, APP Asbury Park Press, Beaumont Enterprise, The Advocate, The Columbia Star, Pittsburgh Post-Gazette, Midland Daily News, The Florida Times-Union, The Atlanta Journal-Constitution, The Plain Dealer, Tulsa World, Richmond Times-Dispatch and USA Today;
 - 26.2.4. in Puerto Rico: El Nuevo Dia;
 - 26.2.5. in Guam: Pacific Daily News;
 - 26.2.6. in Canada: The Globe and Mail and La Presse;

- 26.2.7. in France: Les Echos and Le Parisien/Aujourd'hui en France;
 - 26.2.8. in Belgium: De Tijd and Les Echos;
 - 26.2.9. in Germany: Bild and Frankfurter Allgemeine Zeitung fur Deutschland;
 - 26.2.10. in Italy: La Repubblica;
 - 26.2.11. in the Netherlands: NRC Handelsblad and De Volkskrant;
 - 26.2.12. in Spain: El Pais;
 - 26.2.13. in Australia: Australian Financial Review;
 - 26.2.14. in Aviation Week and Space Technology, TradeWinds, New York Law Journal, The National Law Journal, Insurance Journal Magazine, Risk Magazine, Maritime Market Magazine, Maritime Reporter and Engineering News, Maritime Professional, MJ Maritime Journal and American Shipper Magazine International Trade & Logistics;
 - 26.2.15. in The Insurance Receiver; and
 - 26.2.16. in the Andrews–Westlaw publications: Westlaw Journal Asbestos, Westlaw Journal Environmental and Westlaw Journal Toxic Torts.
- 26.3. The advertisements will, wherever possible, be placed in the hard copy version (and, where available, the online version) of each of the publications listed in paragraph 26.2. The publications have been selected by reference to:
- 26.3.1. those jurisdictions where the Scheme Administrators believe the Companies' Policyholders are located. The Scheme Administrators have reached their views on Policyholder location based upon the Companies' records and the information they have obtained since the Companies' provisional liquidation began on 21 October 1994;
 - 26.3.2. those jurisdictions where individuals might be able to bring direct claims against either or both of the Companies (see paragraph 36.12); and
 - 26.3.3. the nature of the businesses which the Companies have insured.
- 26.4. The Bar Date will also be published on the Website at www.oicrun-offltd.com.
- 26.5. Subject to paragraphs 23.16 and 23.17, Scheme Creditors must complete and return their Claim Forms (together with all required supporting information) so as to be received by the Companies before the Bar Date.
- 26.6. Subject only to certain very limited exceptions detailed in paragraphs 23.16, 23.17 and 36:
- 26.6.1. Claim Forms received by the Companies after the Bar Date will not be considered for the purposes of the Amending Scheme; and
 - 26.6.2. any claim notified to the Companies after the Bar Date will therefore not form part of that Scheme Creditor's claim for the purposes of the Amending Scheme.
- 26.7. It will be each Scheme Creditor's responsibility to ensure that all of its claims are recorded on its Claim Form so as to be received by the Companies before the Bar Date.
- 26.8. Notwithstanding paragraph 26.7, if the Scheme Administrators become aware (whether before or after the Bar Date but, in any event, before the payment of the final Payment Percentage) that, as a result of an administrative error, they have failed to insert details of any Established Liabilities or Agreed Liabilities of a Scheme Creditor on that Scheme Creditor's Claim Form pursuant to paragraph 23.2, the Scheme Administrators will include the amount of those Established Liabilities and Agreed Liabilities when determining the amount of that Scheme Creditor's Gross Liabilities pursuant to paragraphs 27.1 and 27.2.

- 26.9. If the Companies do not receive an amended or modified Claim Form from a Scheme Creditor before the Bar Date, save where information is provided in accordance with paragraphs 23.16 and 23.17, the relevant Scheme Creditor will be deemed to have accepted the details of any existing Scheme Liabilities (i.e. their Established Liabilities and Agreed Liabilities) that have been accepted by the Companies and which, subject to paragraph 26.8, are referred to on the Claim Form made available by the Companies to that Scheme Creditor on the Website.

27. Calculation of Gross Liabilities and Net Liabilities

- 27.1. The Scheme Administrators, in consultation with the Scheme Actuarial Adviser, will calculate the Gross Liabilities owed by the Companies to the relevant Scheme Creditor from the information on the relevant Claim Form or, where applicable, the relevant Voting Form or other form accepted in place of the Claim Form in accordance with the Amending Scheme. If that Scheme Creditor has made a claim for any Notified Outstanding Liabilities and/or IBNR Liabilities, the Scheme Administrators will apply the Estimation Guidelines to determine the value of such claims.
- 27.2. The Scheme Administrators will then seek to agree with each Scheme Creditor the value of the Gross Liabilities owed by the Companies to that Scheme Creditor. This will involve the agreement of all Scheme Liabilities owed by the Companies to that Scheme Creditor (including Established Liabilities, Agreed Liabilities, Notified Outstanding Liabilities and IBNR Liabilities).
- 27.3. At the same time, the Scheme Administrators will also seek to agree with each Scheme Creditor the value of any deductions to be made to the value of that Scheme Creditor's claims, including:
- 27.3.1. any discount to be applied for the time value of money in respect of that Scheme Creditor's Gross Liabilities; and
 - 27.3.2. any Offset Amount (i.e. any amounts owed by that Scheme Creditor to the Companies).

Estimation Guidelines

- 27.4. The Estimation Guidelines comprise those principles, policies and assumptions which are set out in Appendix 2 to the Amending Scheme.
- 27.5. These guidelines are designed to assist Scheme Creditors with the claims agreement process under the Amending Scheme. They provide Scheme Creditors with detailed guidance on how claims for Notified Outstanding Liabilities and IBNR Liabilities should be calculated and supported for the purposes of submission under the Amending Scheme. The Scheme Administrators will apply the Estimation Guidelines, with the assistance of the Scheme Actuarial Adviser, in seeking to reach agreement with Scheme Creditors in respect of such future claims. If the Scheme Administrators are unable to reach agreement with a Scheme Creditor as to any of these amounts, they will be referred to the Scheme Adjudicator for determination by her in accordance with the Dispute Resolution Procedure. Scheme Creditors will be able to challenge the proper application of the Estimation Guidelines by the Scheme Administrators, but not the Estimation Guidelines themselves.
- 27.6. The Estimation Guidelines are designed to be flexible. The intention behind the Estimation Guidelines is to ensure that, as far as possible, a fair estimate of its claims is obtained for each Scheme Creditor. The Estimation Guidelines therefore provide for the possibility of Scheme Creditors using their own models for assessing their Scheme Liabilities, so long as, in the opinion of the Scheme Administrators, such methods are well supported and justified and the assumptions that they use can be reasonably justified by the Scheme Creditor.

Discount for the time value of money

- 27.7. The Scheme Administrators will calculate the discount for the time value of money for each Scheme Creditor by applying the Risk Free Rate to expected future payment patterns, as at the Valuation Date, that the Scheme Administrators consider are appropriate to the nature of that Scheme Creditor's Liabilities. The Scheme Administrators will also apply this discounting approach when calculating any Offset Amounts.

- 27.8. No Scheme Creditor may dispute or challenge the Risk Free Rate applied to its Gross Liabilities and any Offset Amounts. A Scheme Creditor may, however, suggest an alternative payment pattern for discounting provided that the Scheme Creditor can supply a calculation in support of that alternative payment pattern which, in the opinion of the Scheme Administrators, is fully supported and includes justifiable underlying assumptions.

Offset Amounts: set-off

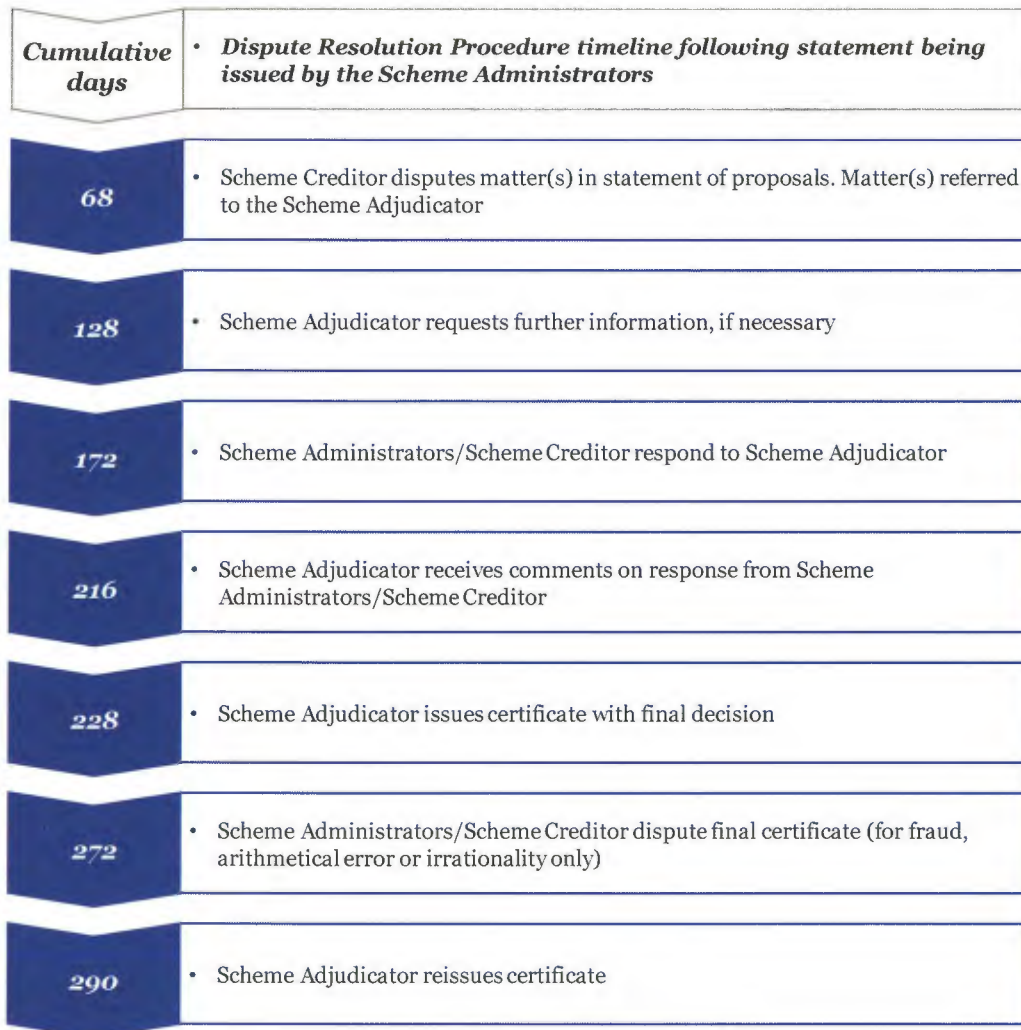
- 27.9. Under the Amending Scheme, all claims in each direction between the Companies and a Scheme Creditor, both present and contingent, will be determined and brought into account by way of set-off for the purposes of agreeing a final net balance between the Companies and the relevant Scheme Creditor and thereby determining that Scheme Creditor's Net Liabilities.
- 27.10. The set-off mechanism under the Amending Scheme will therefore differ from that operated under the Original Scheme. Unlike the set-off process under the Original Scheme (which allowed the Companies to revise their estimate of a Scheme Creditor's future Liabilities to the Companies at any time during the duration of the Original Scheme), the Offset Amount (once calculated under the Amending Scheme) will not be revised to take account of any new information or any change of circumstances (thereby reflecting the crystallising nature of the Amending Scheme). The set-off provisions under the Amending Scheme will provide for the accelerated estimation and determination of future and contingent amounts owed by Scheme Creditors to the Companies, mirroring the mechanism used for establishing the Companies' own Liabilities to them.
- 27.11. The Scheme Administrators will calculate the value of the Offset Amount (if any) to be applied to a Scheme Creditor's claim in consultation with the Scheme Actuarial Adviser and in accordance with the Estimation Guidelines. This may include the processing of the Companies' Gross Liabilities through the Companies' reinsurance systems to determine any reinsurance recoveries due to the Companies from that Scheme Creditor. The Scheme Administrators will seek to agree the value of the Companies' outwards claims against the relevant Scheme Creditor at the same time as they agree that Scheme Creditor's Gross Liabilities under the Amending Scheme.
- 27.12. The effect of the set-off provisions on reinsurers of the Companies will depend to a very large extent upon the relative size of their respective claims against the Companies and their reinsurance Liabilities to the Companies. Each Offset Amount will be calculated as part of the crystallisation process and will not be revised to take into account any new information or change of circumstances thereafter. Some reinsurers (who are net Scheme Creditors) may receive an increased payment under the Amending Scheme as their contingent reinsurance Liability to the Companies might ultimately have increased in the ordinary course. However, other reinsurers (who are net Scheme Creditors) may receive a reduced, or no, payment under the Amending Scheme as their contingent reinsurance Liability to the Companies might ultimately have reduced in the ordinary course.

Agreement of Net Liabilities

- 27.13. Once the Gross Liabilities, Offset Amount, any discount for the time value of money in respect of Gross Liabilities and any other deduction (such as a Security Interest) have been determined, by agreement between the Scheme Administrators and the Scheme Creditor, the Scheme Administrators will send to each Scheme Creditor a statement confirming that Scheme Creditor's Net Liabilities no later than 360 days after the Bar Date.
- 27.14. If the Scheme Administrators and a Scheme Creditor have not reached agreement in respect of that Scheme Creditor's Net Liabilities within 360 days of the Bar Date, the Scheme Administrators will send to the Scheme Creditor a statement of proposals setting out (among other things) the amount of that Scheme Creditor's Net Liabilities which the Scheme Administrators are willing to agree. If, within 30 days of receipt of that statement, the Scheme Creditor gives notice to the Scheme Administrators that it disputes any matter in the statement (other than the Estimation Guidelines and the Risk Free Rate), then that matter will be referred by the Scheme Administrator to the Scheme Adjudicator for adjudication under the Dispute Resolution Procedure.

28. Dispute Resolution Procedure

- 28.1. The notice issued by the Scheme Administrators will set out details of the disputed matters that have been referred to the Scheme Adjudicator.
- 28.2. A conservative timeline for the Dispute Resolution Procedure, as from 360 days after the Bar Date, is outlined in the following diagram:



- 28.3. To assist in her review of the disputed matter(s), the Scheme Adjudicator will have access to the Companies' records, and may require further documents or other materials to be supplied to her. The Scheme Adjudicator may also require any of the relevant parties, including the Scheme Creditor (or its authorised representative), to appear before the Scheme Adjudicator to give further information and/or explanation regarding the disputed matter(s).
- 28.4. The Scheme Adjudicator's determination in respect of the disputed matter(s) will, insofar as the law allows, be binding and final on the Companies, the Scheme Administrators and the relevant Scheme Creditor (except in the case of fraud, arithmetical error or the Scheme Adjudicator making an irrational determination). The Scheme Adjudicator will issue her determination, together with, at her sole discretion, an appropriate explanation of the reasons for this determination, no later than 890 days after the New Effective Date.

- 28.5. The Scheme Adjudicator may also make a determination as to who should bear the costs of the referral to adjudication. It is anticipated that the costs of the referral to adjudication will be borne by the relevant Scheme Creditor where that referral is vexatious or spurious or otherwise unreasonable. Where she considers it appropriate, the Scheme Adjudicator may ask the relevant Scheme Creditor to provide such security for costs as the Scheme Adjudicator deems necessary to cover the Scheme Adjudicator's costs in dealing with the Scheme Creditor's claim.
- 28.6. The Scheme Adjudicator cannot review or determine any matter relating to any Qualifying ILU Policyholder Premium, other than in respect of the manner in which such premium may be limited. See paragraph 31 for the circumstances in which the Qualifying ILU Policyholder Premium may be limited.
- 28.7. All Net Liabilities of the Scheme Creditors will be determined by the Scheme Administrators, whether by agreement or under the Dispute Resolution Procedure, no later than 1,010 days after the New Effective Date.
- 28.8. The Scheme Administrators acknowledge that, as a result of adopting the Dispute Resolution Procedure and the terms of the Amending Scheme, Scheme Creditors (other than Opt Out Qualifying ILU Policyholders, Protected Policyholders, Potentially Protected Policyholders, NNOFIC and/or the ILU (in relation to their respective rights in relation to any breach by either of the Companies of its obligations to NNOFIC or the ILU under the CPLA) and Pre-1969 L&O Policyholders whose claims revert to run-off) will be prohibited from commencing or continuing any form of legal proceedings against the Companies in order to obtain payment or to establish the existence or amount of a claim against the Companies. However, notwithstanding this, the Scheme Administrators consider that the Dispute Resolution Procedure sets out a practical and cost-effective process for resolving any disputes regarding Scheme Creditors' claims in an independent, fair and efficient manner.

29. Distributions

- 29.1. The Companies will make payments to Scheme Creditors in respect of their Net Liabilities (and any Scheme Liabilities that apply, as referred to in paragraph 29.12, if not paid earlier) at the then current Payment Percentage.
- 29.2. Qualifying ILU Policyholders will be paid in respect of their Net Liabilities in the manner described in paragraphs 30 and 31.
- 29.3. In some cases the Companies (or, where funds are provided by NNOFIC, NNOFIC as a consequence of law or regulation that is directly or indirectly applicable to it) may be prevented by a law or regulation (such as sanctions regulations) from making payment to a Scheme Creditor under the Amending Scheme. In such a case, the Companies will deal with such Blocked Monies in accordance with the relevant law or regulation, or as instructed by the relevant authority. In the absence of any instructions as to how to deal with the Blocked Monies, the Companies will hold them in an account with a United Kingdom clearing bank until the Companies receive instructions from the relevant authority, or it becomes legal to pay the monies to the relevant Scheme Creditor (which, in the case of monies advanced by NNOFIC, will require additional prior written approval from NNOFIC and the ILU). If neither of these matters has occurred upon the termination of the Scheme, the Blocked Monies will be paid by the Companies to one or more registered UK charities selected at the discretion of the Scheme Administrators. The Scheme Liabilities in respect of which such Blocked Monies would otherwise have been payable shall then be deemed to be cancelled and the relevant Scheme Creditor shall have no rights in respect of them.
- 29.4. Payment by the Companies in respect of Net Liabilities will be in full and final settlement of all claims of the relevant Scheme Creditor against the Companies. In addition, by accepting payment, the relevant Scheme Creditor warrants as at the date of termination of the Scheme that it has not received any other payment in respect of the same Liability as a result of which a third party may have a claim against the Companies and agrees to indemnify the Companies against all losses, damages, costs, claims, Liabilities, proceedings, demands and expenses (including legal fees) incurred by the Companies pursuant to a breach of such warranty.

- 29.5. After the Bar Date, the Payment Percentage will be reviewed and, if deemed appropriate by the Scheme Administrators, increased in accordance with the relevant provisions of the Original Scheme. However, the Payment Percentage will not be increased until sometime after the Bar Date when there is more certainty about the ultimate value of claims submitted against the Companies under the Amending Scheme. In any event, the Payment Percentage will not be increased until after the Scheme Administrators have determined whether the crystallisation and payment provisions of the Amending Scheme will come into effect, which depends upon the proportion by value of Qualifying ILU Policyholders who opt out. See paragraphs 32.18 to 32.28 for further details.
- 29.6. Thereafter, the Payment Percentage may be increased a number of times as and when Net Liabilities are agreed.
- 29.7. The extent and timing of any revisions to the Payment Percentage and the level of the final Payment Percentage will depend upon a number of factors. These factors will include the total value of the Net Liabilities agreed with Scheme Creditors, the amount recovered by the Companies from Lloyds Bank (as to which see paragraph 33) and whether or not the Pre-1969 L&O Policyholders revert to run-off. The manner in which the level of the Payment Percentage might be affected by the treatment of the Pre-1969 L&O Policyholders is set out in paragraph 29.8. If the Pre-1969 L&O Policyholders revert to run-off, the Pre-1969 L&O Policyholders will receive the Payment Percentage (referred to in paragraph 29.1) in respect of their claims, but only as and when the Liabilities of the Companies to those Pre-1969 L&O Policyholders become Established Liabilities.
- 29.8. The Payment Percentage will be affected by the treatment of the Pre-1969 L&O Policyholders under the Amending Scheme. However, regardless of whether the Pre-1969 L&O Policyholders revert to run-off, the estimated final Payment Percentage:
- 29.8.1. will be higher, and will be reached more quickly, than the estimated final Payment Percentage under the Original Scheme (in the absence of the Amending Scheme); and
- 29.8.2. will vary slightly, depending on the proportion by value of Qualifying ILU Policyholders who opt out, but it is estimated that this variation will always be less than one percentage point (when compared with the estimated final Payment Percentage where no Qualifying ILU Policyholders opt out).
- 29.9. If the Pre-1969 L&O Policyholders revert to run-off:
- 29.9.1. the Payment Percentage payable to all Scheme Creditors, including those Scheme Creditors whose claims are included in the Amending Scheme crystallisation and payment process, will be revised from time to time as any uncertainty over the value of the future claims of the Pre-1969 L&O Policyholders and recoveries from Lloyds Bank under the Lloyds Bank Agreement reduces over time;
- 29.9.2. the Payment Percentage is estimated to rise quickly to a level in excess of the estimated final Payment Percentage that would have been payable if the run-off of all of the Companies' business had continued under the Original Scheme;
- 29.9.3. the level of the final Payment Percentage will be affected by the extent to which the amount of the future claims of the Pre-1969 L&O Policyholders agreed by the Companies and the amount of recoveries made from Lloyds Bank in respect of those claims differ from the amount of such claims and recoveries that would otherwise have occurred under the crystallisation and payment provisions of the Amending Scheme;
- 29.9.4. it may not be possible to determine the final Payment Percentage for all Scheme Creditors for many years into the future, until all the claims of the Pre-1969 L&O Policyholders have been agreed and all recoveries in respect of those claims have been made from Lloyds Bank;
- 29.9.5. the estimated final Payment Percentage is nonetheless around the same as it would have been if the Pre-1969 L&O Policyholders had not reverted to run-off; and

- 29.9.6. the estimated final Payment Percentage in the Amending Scheme is also higher than the estimated final Payment Percentage under the Original Scheme (in the absence of the Amending Scheme).
- 29.10. Following the termination of the Scheme, no Scheme Creditor will have any claim of any nature (so far as is permitted by law) against the Companies, the Scheme Administrators, the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator, the Individual Claimant Representative, NNOFIC, the ILU, the FSCS Scheme Manager (except in relation to Protected Liabilities), the Trustee, Nat-Ned, 1845 or any other member of the ING group in respect of a Scheme Liability.
- 29.11. Under the terms of the Scheme, Scheme Creditors (other than Qualifying ILU Policyholders) receive compensatory payments in the event of an increase in the Payment Percentage. If required under current tax law, the Companies will withhold basic rate tax from any compensatory payments made to Scheme Creditors under the Scheme. In that event, US resident Scheme Creditors may be entitled to receive such amounts gross, or to receive a refund of any UK tax withheld at source, provided the relevant Her Majesty's Revenue & Customs forms are duly completed and authorised by the Internal Revenue Service.
- 29.12. Payments in respect of claims from:
- 29.12.1. Opt Out Qualifying ILU Policyholders;
- 29.12.2. Protected Policyholders and Potentially Protected Policyholders; and
- 29.12.3. Qualifying ILU Policyholders (who are not individuals) or individuals (whether or not those individuals are Qualifying ILU Policyholders) whose claims are submitted to the Companies after the Bar Date,
- which become Established Liabilities or Net Liabilities (as the case may be) will be made on a different basis from payments to other Scheme Creditors.
- 29.13. Opt Out Qualifying ILU Policyholders will, subject to the terms of the CPLA, continue to have their claims paid in full after the Bar Date as and when their claims fall due and become Qualifying Established Liabilities under the Original Scheme. This payment will consist of the Opt Out Payment Percentage plus an amount borrowed by the Companies from NNOFIC under the Facility and subject to the terms of the CPLA. Subject to the terms of the CPLA, NNOFIC will bear the risk of the actual claim and run-off expense amounts of the Opt Out Qualifying ILU Policyholders differing from the amounts estimated in the Amending Scheme.
- 29.14. Protected Policyholders and Potentially Protected Policyholders will continue to be paid after the Bar Date by the FSCS Scheme Manager as and when their claims fall due.
- 29.15. Qualifying ILU Policyholders whose claims are submitted and become Net Liabilities after the Bar Date will be paid in the manner set out in, and subject to the requirements of, paragraphs 36.4 to 36.11. Individuals whose claims are submitted and become Net Liabilities after the Bar Date will be paid in the manner set out in, and subject to the requirements of, paragraphs 36.12 to 36.19.
- 29.16. The Companies may, at the Scheme Administrators' discretion and at any time during the Scheme, enter into an agreement with a Scheme Creditor for which payment may be made to agree the value of that Scheme Creditor's claims against the Companies. The amount agreed by the Companies with the Scheme Creditor will be used by the Companies as a basis for determining that Scheme Creditor's Net Liabilities under the Amending Scheme. The Scheme Administrators will endeavour to adopt and maintain a consistent approach when negotiating and reaching agreement with Scheme Creditors in this way. Furthermore, the Scheme Administrators, in accordance with the terms of the Scheme, will only enter into any such agreement where they consider that to do so would be in the best interests of the Scheme Creditors as a whole.

30. Payments to Qualifying ILU Policyholders (including the Qualifying ILU Policyholder Premium)

30.1. Under the Original Scheme, Qualifying ILU Policyholders receive 100% of their Established Liabilities subject to the conditions set out in paragraph 4.1.1. This is as a result of the arrangements described on page 4 of the Explanatory Statement to the Original Scheme whereby Qualifying ILU Policyholders are paid by the Companies in respect of their Qualifying Established Liabilities:

30.1.1. the current Payment Percentage payable to all Scheme Creditors; and

30.1.2. a further "top-up" payment up to the full amount of their Qualifying Established Liabilities using funds borrowed by the Companies for that purpose from NNOFIC under the Facility and subject to the terms of the CPLA. NNOFIC then steps into the shoes of the Scheme Creditor, with a claim equal to the total amount of the relevant Qualifying Established Liabilities, to the extent only that it is entitled to receive any future payments arising from increases in the Payment Percentage and the associated compensatory interest.

30.2. An example is set out below of the way in which Qualifying ILU Policyholders are paid under the Original Scheme in respect of their Qualifying Established Liabilities:

30.2.1. a Qualifying Established Liability that is agreed for a value of US\$100 receives a payment of US\$58 from the Companies (based on the current Payment Percentage of 58%) and a further US\$42 from the Companies, using funds borrowed from NNOFIC under the Facility;

30.2.2. the total payment to the Qualifying ILU Policyholder is therefore increased to US\$100 (the full value of its claim); and

30.2.3. NNOFIC then steps into the shoes of the Scheme Creditor for US\$100 in respect of that Established Liability but is deemed to have received the US\$58 paid by the Companies by way of the existing Payment Percentage. NNOFIC is entitled to receive future payments in respect of any increases in the Payment Percentage (subject to a cap of US\$42) and the associated compensatory interest.

30.3. Under the Amending Scheme, in addition to receiving, subject to the terms of the CPLA, 100% of their Net Liabilities in respect of their Qualifying ILU Policies, Qualifying ILU Policyholders (who are not Opt Out Qualifying ILU Policyholders) will, subject to the conditions and restrictions described in paragraph 31, also receive a Qualifying ILU Policyholder Premium (which, as is explained in paragraph 30.9, will be funded by NNOFIC) which will be an amount equal to:

30.3.1. the discount for the time value of money applied to that Qualifying ILU Policyholder's Notified Outstanding Liabilities and IBNR Liabilities under its Qualifying ILU Policies; plus

30.3.2. 10% of the undiscounted value of that Qualifying ILU Policyholder's Notified Outstanding Liabilities and IBNR Liabilities.

Paragraph 31 sets out the conditions and restrictions which may apply to the payment of the Qualifying ILU Policyholder Premium.

30.4. In the same manner as is currently required under the existing CPLA for the Original Scheme, prior to making any "top-up" payments under the revised CPLA for the Amending Scheme in respect of Qualifying ILU Policyholders' claims, the Companies must receive either:

30.4.1. a Discharge Letter executed by the relevant Qualifying ILU Policyholder in the form specified in the CPLA (as amended to reflect the Amending Scheme); or

- 30.4.2. where the "top-up" payment is to be paid to an agent (such as a broker) and not directly to the Qualifying ILU Policyholder, an indemnity in respect of such payment in favour of the Companies from that agent in the form specified in the CPLA.
- 30.5. The Scheme Administrators recognise that Qualifying ILU Policyholders will not benefit as materially as other Scheme Creditors from the expected increase in the Payment Percentage under the Amending Scheme. This is because their Qualifying Established Liabilities are, subject to the terms of the CPLA, already being paid out in full as and when they are agreed under the Original Scheme. Subject to the conditions described in paragraph 31, the payment of the Qualifying ILU Policyholder Premium provides additional benefits to Qualifying ILU Policyholders in this position and incentivises them to support the Amending Scheme.
- 30.6. As the Qualifying ILU Policyholder Premium includes an element for the discount for the time value of money applied to a Qualifying ILU Policyholder's claim, the benefit of the Qualifying ILU Policyholder Premium will be much higher for Qualifying ILU Policyholders with long-tail claims (that will not settle for many years) than for Qualifying ILU Policyholders with short-tail claims (that are close to settlement). This is intended to reflect the much greater uncertainty regarding the future quantum and payment of such long-tail claims.
- 30.7. The Qualifying ILU Policyholder Premium will, subject to the conditions and restrictions set out in paragraph 31 (and, where applicable, the completion and execution of a Discharge Letter in accordance with the terms of the CPLA), be payable to all Qualifying ILU Policyholders. However, where the Qualifying ILU Policyholder is a net debtor of the Companies and it does not pay those debts (in whole or in part) that the Scheme Administrators consider are due from it to the Companies, the Scheme Administrators may retain such amount of the Qualifying ILU Policyholder Premium (which would otherwise be payable to that Qualifying ILU Policyholder) to discharge those debts.
- 30.8. The Qualifying ILU Policyholder Premium will be calculated before any Offset Amount is deducted from the Qualifying ILU Policyholder's Gross Liabilities. As a simple example, where: (i) a Qualifying ILU Policyholder has no Established Liabilities and Agreed Liabilities; (ii) that Qualifying ILU Policyholder has Notified Outstanding Liabilities of US\$50 and IBNR Liabilities of US\$50; (iii) both the Notified Outstanding Liabilities and IBNR Liabilities are subject to a 30% discount for the time value of money; and (iv) an Offset Amount of US\$50 applies (including a discount for the time value of money):
- 30.8.1. the Qualifying ILU Policyholder Premium will be an amount equal to $(US\$100 \times 30\%) + (US\$100 \times 10\%) = US\$40$;
- 30.8.2. the Net Liabilities will be an amount equal to the Gross Liabilities (US\$100) less the discount for the time value of money (US\$30) less the Offset Amount (US\$50) = US\$20; and
- 30.8.3. the Qualifying ILU Policyholder receives US\$60 in total, made up of the Qualifying ILU Policyholder Premium of US\$40 and its Net Liabilities of US\$20.
- 30.9. The Qualifying ILU Policyholder Premium:
- 30.9.1. will be funded entirely by NNOFIC and not by the Companies. The payment of this premium will not therefore affect the level of the Payment Percentage; and
- 30.9.2. will not be paid out of the Facility and so will leave unaffected the ability of the Companies to make any "top-up" payments to Qualifying ILU Policyholders described in paragraph 30.1.2 out of the Facility and under and subject to the terms of the CPLA.
- 30.10. The terms on which NNOFIC is to pay the Qualifying ILU Policyholder Premium are set out in a separate agreement between NNOFIC and the Companies (the "**Premium and Expenses Agreement**").
- 30.11. If the Amending Scheme is not approved, the Original Scheme will continue to operate and Qualifying ILU Policyholders will receive no Qualifying ILU Policyholder Premium.

31. Qualifying ILU Policyholder Premium conditions and restrictions

- 31.1. There are certain conditions and restrictions on the payment of the Qualifying ILU Policyholder Premium. These are:
- 31.1.1. the Qualifying ILU Policyholder Premium will not be paid to Opt Out Qualifying ILU Policyholders;
 - 31.1.2. subject to paragraph 31.1.3, the payment of the Qualifying ILU Policyholder Premium is conditional upon the relevant Qualifying ILU Policyholder warranting to the Companies that the Liabilities which are the subject matter of the Qualifying ILU Policyholder's Claim Form have not been assigned (in whole or in part) to an Assignee;
 - 31.1.3. where the Liabilities that are the subject matter of the Qualifying ILU Policyholder's Claim Form have been assigned to an Assignee and notice of that Assignment has been received by the Companies, then the Qualifying ILU Policyholder Premium will not be paid to the Assignor, but, subject to the other conditions and limitations set out in this paragraph 31.1, to the Assignee;
 - 31.1.4. a Qualifying ILU Policyholder Premium will only be paid to those Qualifying ILU Policyholders who are, or who have at any time been, liable to pay (in whole or in part) any of the underlying Liabilities which gave rise to their respective claims against the Companies. Those Qualifying ILU Policyholders who are free of any obligation to pay any such Liabilities will not receive the Qualifying ILU Policyholder Premium. For example, a debt trader who has acquired a Qualifying ILU Policyholder's claim as a Qualifying Assignee but is free of any Liability to pay any underlying claims would not be entitled to receive the Qualifying ILU Policyholder Premium; likewise, an individual who is a Qualifying ILU Policyholder may not have a corresponding obligation to pay a Liability and therefore would not be entitled to receive the Qualifying ILU Policyholder Premium;
 - 31.1.5. when a claim is agreed in the Amending Scheme on the basis of an agreed structured market settlement:
 - (a) if all payments have not yet been made, and there are no uncertainties regarding the amounts or timing of future payments, then the claim for future payments in the Amending Scheme will be discounted in full and no Qualifying ILU Policyholder Premium will be paid; or
 - (b) if there are residual uncertainties regarding the amounts and timings of payments to be made under the market settlement, for example because of the existence of underlying claim thresholds that must be met before payments can be made, then assumptions may be made regarding such issues in valuing the claim in the Amending Scheme. Depending on those issues, some or all of the Qualifying ILU Policyholder Premium may be paid; and
 - 31.1.6. a Qualifying ILU Policyholder's Gross Liabilities (plus the Qualifying ILU Policyholder Premium) must not exceed any limit or other restriction imposed by the relevant policy (after the application of a discount on the policy limits to reflect the time value of money). When calculating whether policy limits have been exceeded for this purpose, the Scheme Administrators will take into account all claims received under the relevant policy, whether received before or after the New Effective Date. Where a Qualifying ILU Policyholder's Gross Liabilities are at or near that Policyholder's remaining policy exposure, the Qualifying ILU Policyholder Premium will be reduced to zero or a much smaller amount as described in paragraphs 31.2 and 31.3.
- 31.2. The manner in which the Qualifying ILU Policyholder Premium may be reduced as a result of a Qualifying ILU Policyholder's Gross Liabilities being at or near its remaining policy exposure is demonstrated in the illustrative examples given on pages 56 to 58. In most cases,

the Qualifying ILU Policyholder Premium will not be reduced because the value of the Qualifying ILU Policyholder's claim in the Amending Scheme will fall well short of the remaining available policy exposure.

31.2.1. Example 1 is based on this type of situation where:

- (a) the Qualifying ILU Policyholder purchased a single policy with limits of US\$100 (no reinstatements);
- (b) Established Liabilities of US\$35 have been paid in full on this policy, made up of the Payment Percentage plus a further payment by the Companies out of monies borrowed from NNOFIC under the Facility (as described in paragraph 30.1.2);
- (c) Agreed Liabilities on this policy have been valued at US\$5;
- (d) Notified Outstanding Liabilities and IBNR Liabilities on this policy have been valued under the Amending Scheme at US\$20 (before any discount for the time value of money); and
- (e) the discount of the Notified Outstanding Liabilities and IBNR Liabilities (assumed also to apply to the discounting of the exposure that may be affected by Notified Outstanding Liabilities and IBNR Liabilities) reduces those undiscounted amounts by 30%.

31.2.2. In example 2, it has been assumed that the Notified Outstanding Liabilities and IBNR Liabilities are valued at US\$50 (rather than US\$20 as in example 1). The total exhaustion on the policy is US\$90 (US\$35+US\$5+US\$50), i.e. close to the exhaustion of policy limits.

31.2.3. In example 3, it has been assumed that the Notified Outstanding Liabilities and IBNR Liabilities are valued at US\$60, such that the policy is totally exhausted as the total estimated claim amounts are US\$100 (US\$35+US\$5+US\$60).

31.2.4. The calculation of the Qualifying ILU Policyholder's:

- (a) total undiscounted claim;
- (b) total discounted claim; and
- (c) Qualifying ILU Policyholder Premium (before and after any limitation)

in examples 1, 2 and 3 is shown on pages 56 to 58.

31.2.5. These examples are not exhaustive of all of the scenarios that may apply and the underlying assumptions adopted in the examples are not intended to reflect the assumptions that will necessarily be appropriate in respect of any particular claim from any Qualifying ILU Policyholder.

Example 1: Maximum Qualifying ILU Policyholder Premium (all amounts US\$)

Policy Limits	100
Undiscounted Claim	
Established Liabilities previously paid under the policy	35
Agreed Liabilities	5
Notified Outstanding Liabilities and IBNR Liabilities	20
Total Claim	25
Discount to Notified Outstanding Liabilities and IBNR Liabilities	
Established Liabilities previously paid under the policy	35
Agreed Liabilities	5
Notified Outstanding Liabilities and IBNR Liabilities	20
Actuarially assessed discount for time value of money (30% x 20)	-6
Total Claim after discount	(A) 19
Calculation of Qualifying ILU Policyholder Premium	
Discount applied to Notified Outstanding Liabilities and IBNR Liabilities	6
10% x Notified Outstanding Liabilities and IBNR Liabilities (10% x 20)	2
Premium before limitation	(B) 8
Total Claim plus Premium before limitation	(A)+(B) 27
Discounted remaining policy exposure	
Established Liabilities previously paid under the policy	35
Agreed Liabilities	5
Exposure at risk from Notified Outstanding Liabilities and IBNR Liabilities	60
Actuarially assessed discount for time value of money (30% x 60)	-18
Discounted remaining policy exposure	(C) 47
Total claim after discount plus Premium before limitation	(A)+(B) 27
Discounted remaining policy exposure	(C) 47
Compare (A) + (B) with (C): Adjustment to Premium (zero because 47>27)	0
Revised Total Claim after discount plus adjusted Premium (27-0)	27
Made up of: Discounted Claim (19)	19
Adjusted Premium (8-0)	8

The table shows that the discounted remaining policy exposure (US\$47) is well in excess of the value of the total claim discounted for the time value of money (US\$19) plus the Qualifying ILU Policyholder Premium before limitation (US\$8). The Qualifying ILU Policyholder Premium is therefore paid in full (US\$8).

Example 2: Limited Qualifying ILU Policyholder Premium (all amounts US\$)

Policy Limits		100
Undiscounted Claim		
Established Liabilities previously paid under the policy		35
Agreed Liabilities		5
Notified Outstanding Liabilities and IBNR Liabilities		50
Total Claim		55
Discount to Notified Outstanding Liabilities and IBNR Liabilities		
Established Liabilities previously paid under the policy		35
Agreed Liabilities		5
Notified Outstanding Liabilities and IBNR Liabilities		50
Actuarially assessed discount for time value of money (30% x 50)		-15
Total Claim after discount	(A)	40
Calculation of Qualifying ILU Policyholder Premium		
Discount applied to Notified Outstanding Liabilities and IBNR Liabilities		15
10% x Notified Outstanding Liabilities and IBNR Liabilities (10% x 50)		5
Premium before limitation	(B)	20
Total Claim plus Premium before limitation	(A)+(B)	60
Discounted remaining policy exposure		
Established Liabilities previously paid under the policy		35
Agreed Liabilities		5
Exposure at risk from Notified Outstanding Liabilities and IBNR Liabilities		60
Actuarially assessed discount for time value of money (30% x 60)		-18
Discounted remaining policy exposure	(C)	47
Total claim after discount plus Premium before limitation	(A)+(B)	60
Discounted remaining policy exposure	(C)	47
Compare (A) + (B) with (C): Adjustment to Premium (-13 because 47<60)		-13
Revised Total Claim after discount plus adjusted Premium (60-13)		47
Made up of: Discounted Claim (40)		40
Adjusted Premium (20-13)		7

The discounted remaining policy exposure (US\$47) is less than the value of the total claim discounted for the time value of money (US\$40) plus the Qualifying ILU Policyholder Premium before limitation (US\$20). The Qualifying ILU Policyholder Premium is therefore limited to US\$7.

Example 3: No Qualifying ILU Policyholder Premium payable (all amounts US\$)

Policy Limits		100
Undiscounted Claim		
Established Liabilities previously paid under the policy		35
Agreed Liabilities		5
Notified Outstanding Liabilities and IBNR Liabilities		60
Total Claim		65
Discount to Notified Outstanding Liabilities and IBNR Liabilities		
Established Liabilities previously paid under the policy		35
Agreed Liabilities		5
Notified Outstanding Liabilities and IBNR Liabilities		60
Actuarially assessed discount for time value of money (30% x 60)		-18
Total Claim after discount	(A)	47
Calculation of Qualifying ILU Policyholder Premium		
Discount applied to Notified Outstanding Liabilities and IBNR Liabilities		18
10% x Notified Outstanding Liabilities and IBNR Liabilities (10% x 60)		6
Premium before limitation	(B)	24
Total Claim plus Premium before limitation	(A)+(B)	71
Discounted remaining policy exposure		
Established Liabilities previously paid under the policy		35
Agreed Liabilities		5
Exposure at risk from Notified Outstanding Liabilities and IBNR Liabilities		60
Actuarially assessed discount for time value of money (30% x 60)		-18
Discounted remaining policy exposure	(C)	47
Total claim after discount plus Premium before limitation	(A)+(B)	71
Discounted remaining policy exposure	(C)	47
Compare (A) + (B) with (C): Adjustment to Premium (-24 because 47<71)		-24
Revised Total Claim after discount plus adjusted Premium (71-24)		47
Made up of: Discounted Claim (47)		47
Adjusted Premium (24-24)		0

The discounted remaining policy exposure (US\$47) is equal to the value of the total claim discounted for the time value of money (US\$47). Therefore no Qualifying ILU Policyholder Premium is payable in this example.

- 31.3. The following examples explain how the phrase "remaining policy exposure" in paragraph 31.1.6 and the manner in which that "remaining policy exposure" is to be discounted will be interpreted:

- 31.3.1. if adjacent vertical layers have been written by the Companies so that the lower policy is almost exhausted by the total undiscounted claims (including Notified Outstanding Liabilities and IBNR Liabilities) but the higher policy is claim free, then the remaining policy exposure will take into account the remaining exposure on both policies at an aggregate level. Subject to the conditions and restrictions set out in paragraph 31.1, the calculation of the Qualifying ILU Policyholder Premium will not consider the remaining exposure on each policy in isolation (when the Qualifying ILU Policyholder Premium might otherwise be limited by the fact that the lower layer policy is exhausted by the Qualifying ILU Policyholder's claim);
- 31.3.2. if a claim arises on a policy where reinstatements apply, so that there is notional remaining exposure from these reinstatements but the claims experience is such that only the current policy is affected by total undiscounted claims (including Notified Outstanding Liabilities and IBNR Liabilities) and it is almost impossible that a reinstatement will lead to future Liabilities being incurred, then the remaining policy exposure will not take into account exposure relating to reinstatements. For example, where a specific catastrophe exhausts a policy but where no other catastrophe is likely to affect the reinstatement cover, no Qualifying ILU Policyholder Premium will be paid;
- 31.3.3. if a claim arises on a policy where reinstatements apply, and future claims implicit in the estimated Notified Outstanding Liabilities and IBNR Liabilities are likely to affect those reinstatements (e.g. a policy giving reinsurance cover to an insurer's coverage of underlying asbestos assureds where future claims may emerge from the identification of new underlying assureds), then the remaining policy exposure will take into account exposure relating to reinstatements. Subject to the conditions and restrictions set out in paragraph 31.1, the Qualifying ILU Policyholder Premium will not be reduced in this situation;
- 31.3.4. if a claim arises on a policy where there is only a small chance of the policy being affected but, in that event, the policy will be fully exhausted, then the estimate of Notified Outstanding Liabilities and IBNR Liabilities will be based on the exhaustion of the policy multiplied by the chance of the policy being affected. In this situation, there will still be uncertainty surrounding the estimate of the possibility that the policy will be affected. Subject to the conditions and restrictions set out in paragraph 31.1, the Qualifying ILU Policyholder Premium will not be reduced in this situation; and
- 31.3.5. if a claim arises on a policy which is exhausted by total undiscounted indemnity claims, but defence costs are paid in addition to the policy limits, the remaining policy exposure may need to take into account the remaining exposure to those defence costs. In this situation, the Qualifying ILU Policyholder Premium is likely to be reduced to zero in respect of the indemnity component of the claim but, subject to the conditions and restrictions set out in paragraph 31.1, there will be no such limitation on the defence cost component of the claim.

32. Qualifying ILU Policyholder opt out

- 32.1. Qualifying ILU Policyholders are, subject to the terms of the CPLA, entitled to receive payment of their Qualifying Established Liabilities in full under the Original Scheme provided that they have notified such claims to the Companies by no later than 31 December 2035.

- 32.2. The Amending Scheme sets out proposals for the agreement and payment of those claims by 2018. It also offers the additional benefit to Qualifying ILU Policyholders over and above those provided by the Original Scheme of, subject to certain conditions, the payment of the Qualifying ILU Policyholder Premium, as described in paragraphs 30 and 31. If a Qualifying ILU Policyholder should, however, not wish to take advantage of this benefit, then it can opt out of the crystallisation and payment provisions of the Amending Scheme and have its claims paid in full under the terms of the Original Scheme.
- 32.3. Qualifying ILU Policyholders will be allowed to opt out of the crystallisation and payment provisions of the Amending Scheme as the Scheme Administrators recognise and acknowledge that such policyholders may wish to leave their existing coverage in place (where their claims will, subject to the terms of the CPLA, still be paid in full under the Original Scheme). Only Qualifying ILU Policyholders will be allowed to opt out of the crystallisation and payment provisions of the Amending Scheme. The Scheme Administrators consider that it is appropriate to limit the availability of the opt out feature in this manner as it is only Qualifying ILU Policyholders who will be guaranteed (subject to the terms of the CPLA then in force) to have their Qualifying Established Liabilities paid in full under the Original Scheme. In contrast, other Scheme Creditors will only receive the Payment Percentage.
- 32.4. To opt out of the crystallisation and payment provisions of the Amending Scheme, a Qualifying ILU Policyholder must submit an Opt Out Form, either electronically or by post to be received by the Companies before the Bar Date. A Qualifying ILU Policyholder will only be entitled to opt out in respect of all its Qualifying ILU Policies. The Scheme Administrators consider that to allow Qualifying ILU Policyholders to opt out of the Amending Scheme in respect of some of their claims under certain Qualifying ILU Policies (but not others) would make the operation of the Amending Scheme excessively complex and expensive. Therefore, a Qualifying ILU Policyholder will be unable to opt out in respect of any individual Qualifying ILU Policies or type of claim.
- 32.5. A Qualifying ILU Policyholder will be unable to opt out in respect of any other policies (which are not Qualifying ILU Policies) that it may also have with the Companies. Claims under those policies will be dealt with under the crystallisation and payment provisions of the Amending Scheme (if it comes into effect).

Treatment of Opt Out Qualifying ILU Policyholders

- 32.6. The future claims of all Opt Out Qualifying ILU Policyholders will be estimated by the Scheme Administrators with the assistance of the Scheme Actuarial Adviser. This will allow the final Payment Percentage to be calculated and paid to all other Scheme Creditors.
- 32.7. After the Bar Date, Opt Out Qualifying ILU Policyholders will, subject to the terms of the CPLA, continue to have their claims paid in full as and when such claims become Qualifying Established Liabilities under the Original Scheme.
- 32.8. Where an Opt Out Qualifying ILU Policyholder is also a Scheme Creditor with claims that do not relate to its Qualifying ILU Policy or Qualifying ILU Policies, any claims that the Companies may have against such Scheme Creditor will be determined in accordance with the Amending Scheme to produce an Offset Amount. This Offset Amount may be set off, at the Scheme Administrators' discretion, against either that Scheme Creditor's:
- 32.8.1. Gross Liabilities under the Amending Scheme; or
- 32.8.2. future claims as and when they arise in the ordinary course in its capacity as an Opt Out Qualifying ILU Policyholder.
- 32.9. Opt Out Qualifying ILU Policyholders will be paid, in respect of each such Qualifying Established Liability, an amount equal to the then current Opt Out Payment Percentage. Each Opt Out Qualifying ILU Policyholder will also receive an additional "top-up" payment from the Companies (out of monies borrowed and received from NNOFIC under the Facility) up to the full amount of its Qualifying Established Liability. Opt Out Qualifying ILU Policyholders will not be paid the Qualifying ILU Policyholder Premium.

- 32.10. Within 360 days of the Bar Date, an amount will be estimated by the Scheme Administrators and set aside from the Companies' assets to pay the Opt Out Payment Percentage on the claims of the Opt Out Qualifying ILU Policyholders as and when they fall due. This amount, set aside to meet the Opt Out Scheme Liabilities, as referred to in paragraph 19.5.1(b), will be equal to the estimated aggregate future claims of the Opt Out Qualifying ILU Policyholders multiplied by the then Payment Percentage. The amount set aside will be subject to the review and agreement of NNOFIC and the ILU. This is on the basis that any shortfall between the Opt Out Payment Percentage and the Qualifying Established Liabilities of an Opt Out Qualifying ILU Policyholder will be paid out of the Facility. In the event that there is any disagreement between the Scheme Administrators, NNOFIC and the ILU regarding the calculation, the dispute will be referred to the Scheme Adjudicator for final determination. The amount so set aside described above will be increased if the Payment Percentage increases, by an amount equal to the increase in the Payment Percentage as applied to the amount of the Opt Out Scheme Liabilities together, where applicable, with an amount for compensatory interest.
- 32.11. To assist the Scheme Administrators in estimating the value of their claims, Opt Out Qualifying ILU Policyholders are requested to provide as much information as possible with respect to their policies and claims that they may have against the Companies and send such information to the Run-off Company at the contact details set out at the beginning of this document.
- 32.12. The Scheme Administrators will also estimate an amount to be set aside from the Companies' assets to meet the future run-off costs of the Companies (excluding dividend payments) in dealing with the Opt Out Qualifying ILU Policyholders. This amount, together with the amount also set aside referred to in paragraph 32.10, will be the "**Opt Out Scheme Assets**".
- 32.13. This amount will again be subject to the review and agreement of NNOFIC and the ILU. In the event that there is any disagreement between the Scheme Administrators, NNOFIC and the ILU regarding the calculation, the dispute will be referred to the Scheme Adjudicator for final determination. Any shortfall in the amount set aside to meet those costs will be funded by NNOFIC to ensure that the run-off costs are met in full. Any funds advanced by NNOFIC to the Companies to meet that shortfall will not come from the Facility and will therefore not affect the security of the Qualifying ILU Policyholders to receive "top-up" payments.
- 32.14. For so long as the Companies pay the Opt Out Payment Percentage of claims due to Opt Out Qualifying ILU Policyholders pursuant to the Scheme, NNOFIC will top up those payments subject to the terms of the CPLA (with the top up payments therefore counting against the Facility Limit), provided those claims are made to the Companies by 31 December 2035. Subject to paragraph 32.15, NNOFIC will not, however, be entitled to any repayment of amounts which it advances to the Companies under the CPLA to fund payments to Opt Out Qualifying ILU Policyholders as a result of any subsequent increase to the Opt Out Payment Percentage.
- 32.15. Once the Established Liabilities of all Opt Out Qualifying ILU Policyholders and all run-off costs incurred in connection with those Opt Out Qualifying ILU Policyholders have been paid in full (and subject to the requirement that all such Policyholders submit their claims to the Companies by 31 December 2035), any Opt Out Scheme Assets remaining in the Companies will be paid to NNOFIC.
- 32.16. As noted in paragraph 20.2, the Scheme Administrators have calculated (with the assistance of the Scheme Actuarial Adviser) that the estimated final Payment Percentage under the Amending Scheme will be higher than the estimated final Payment Percentage under the Original Scheme. The amount set aside from the Companies' assets to meet the run-off costs in dealing with the Opt Out Qualifying ILU Policyholders will be significantly less than the amount of the run-off expenses that would have otherwise been incurred under the Original Scheme. This is because:
- 32.16.1. the total estimated run-off costs for the period 2014 to 2035 (were the Companies to remain in run-off under the Original Scheme) are greater than US\$200 million;

- 32.16.2. as at 31 December 2013, the total estimated value of the Companies' Scheme Liabilities in respect of claims from Qualifying ILU Policyholders is US\$105 million (7% in value of the total estimated value of the Companies' Scheme Liabilities); and
- 32.16.3. no more than 30% by value of Qualifying ILU Policyholders can opt out of the Amending Scheme if the crystallisation and payment provisions of the Amending Scheme are to proceed.
- 32.17. Accordingly, the proportion of the Companies' estimated Scheme Liabilities that will need to be covered by the costs for dealing with the Opt Out Qualifying ILU Policyholders is very small in comparison to the Companies' total estimated Scheme Liabilities. When this proportion is applied to the total run-off costs, the estimated value of the costs in dealing with the Opt Out Qualifying ILU Policyholders will be very low compared to the estimated level of run-off expenses under the Original Scheme. The Scheme Administrators have calculated that the amount that the Scheme Administrators will have to set aside for the costs of dealing with the Opt Out Qualifying ILU Policyholders will reduce the level of the estimated final Payment Percentage in the Amending Scheme by less than one percentage point (when compared with the estimated final Payment Percentage in the Amending Scheme if there was no opt out).
- Opt Out Threshold**
- 32.18. NNOFIC and the ILU consider that the benefits of the Amending Scheme to Scheme Creditors could be substantially reduced if a large proportion by value of Qualifying ILU Policyholders opt out.
- 32.19. The circumstances of the Amending Scheme are unique, including the nature of the arrangements entered into with NNOFIC and the ILU in respect of Qualifying ILU Policyholders. In view of these matters, the Scheme Administrators will only implement the crystallisation and payment provisions of the Amending Scheme if no more than 30% by value of Qualifying ILU Policyholders opt out of the Amending Scheme.
- 32.20. This 30% threshold calculation will be determined on the basis of estimates of claim values as at the Valuation Date that may arise from:
- 32.20.1. Opt Out Qualifying ILU Policyholders plus the Post Bar Date Provision (excluding the Post Bar Date Expenses) (X);
- 32.20.2. Qualifying ILU Policyholders who submit a Claim Form under the terms of the Amending Scheme and do not opt out (Y); and
- 32.20.3. Qualifying ILU Policyholders who do not submit a Claim Form under the terms of the Amending Scheme, minus the Post Bar Date Provision (excluding the Post Bar Date Expenses) (Z).

In each case the estimates will be revised to reflect information, if any, submitted by Qualifying ILU Policyholders prior to the Bar Date. This, together with the fact that the number and identity of Opt Out Qualifying ILU Policyholders will not be known until the Bar Date, means that the Scheme Administrators will only be able to undertake the calculation once the Bar Date deadline for the submission of claims has passed.

If the proportion (expressed as a percentage) of $X/(X+Y+Z)$ exceeds 30% then the crystallisation and payment provisions of the Amending Scheme will not be implemented and all claims of Scheme Creditors, including claims from Scheme Creditors who are not Qualifying ILU Policyholders, will revert to run-off and be administered in accordance with the Original Scheme.

- 32.21. Methodologies have been set out in Appendix 4 to the Amending Scheme to determine the manner in which different subsets of IBNR Liabilities are to be reflected in the calculation described in paragraph 32.20.
- 32.22. The Scheme Administrators have agreed that the calculation (including the Scheme Administrators' estimates of future claims of Opt Out Qualifying ILU Policyholders) should be reviewed by, and agreed with, NNOFIC and the ILU. In the event that there is any

disagreement between the Scheme Administrators, NNOFIC and the ILU regarding the calculation, the dispute will be referred to the Scheme Adjudicator for final determination.

- 32.23. The 30% threshold has been set with reference to an assessment of the risk that the Facility Limit provided by NNOFIC under and subject to the terms of the CPLA would be insufficient to top up payments due to Opt Out Qualifying ILU Policyholders. An analysis undertaken by external actuarial advisers who have advised NNOFIC and the ILU indicates that, if the Amending Scheme is implemented:
- 32.23.1. at opt out levels lower than 27%, the security of Opt Out Qualifying ILU Policyholders in relation to the sufficiency of the Facility Limit under the CPLA would be greater than it would be under the CPLA without the Amending Scheme;
 - 32.23.2. at opt out levels greater than 30%, the security of Opt Out Qualifying ILU Policyholders in relation to the sufficiency of the Facility Limit under the CPLA would be lower than it would be without the Amending Scheme (were the 30% threshold to be removed from the Amending Scheme to allow it to proceed in those circumstances); and
 - 32.23.3. at opt out levels of between 27% and 30%, it is not certain that the security of Opt Out Qualifying ILU Policyholders in relation to the sufficiency of the Facility Limit under the CPLA would be greater than it would be under the CPLA without the Amending Scheme. This uncertainty arises from corresponding uncertainties in the various assumptions made when assessing that security and, in particular, uncertainty about how precisely that security would vary for different levels of opt out.
- 32.24. Overall, the actuarial advisers who have advised NNOFIC and the ILU estimate that the risk of exhaustion of the Facility Limit under and subject to the terms of the CPLA is less than one in 200 for all levels of opt out of less than 30%.
- 32.25. The calculation referred to in paragraph 32.20 should be finalised and agreed with NNOFIC and the ILU (whether by adjudication or otherwise) within 150 days of the Bar Date. This should be the latest date on which it could be determined that the crystallisation and payment provisions of the Amending Scheme would not come into effect and all Scheme Creditors would be required to revert to run-off under the Original Scheme.
- 32.26. The Scheme Administrators acknowledge that, if the Amending Scheme becomes effective, there will therefore be a period of time thereafter (which should, at the most, last 390 days, as shown in the timeline on page 8) during which Scheme Creditors will not know whether and when their claims will ultimately be determined and paid out under the Amending Scheme or will instead revert to run-off under the Original Scheme.
- 32.27. The Scheme Administrators consider, however, that this period of time is necessary to ensure that the calculation (referred to in paragraph 32.20) as to whether the 30% opt out threshold has been exceeded has been carried out fairly. They are also of the opinion that, given its importance, the calculation should be subject to a rigorous review process and, where necessary, independent adjudication.
- 32.28. The Scheme Administrators also consider that this process will not adversely affect the practical operations of the Companies and the Scheme Administrators' review and handling of Scheme Creditors' claims during that period of time.

Facility exhaustion

- 32.29. In consultation with NNOFIC and the ILU, the Scheme Actuarial Adviser has undertaken a number of detailed calculations to determine whether there is a greater risk that the Facility Limit might be exceeded as a result of the Amending Scheme than would have been the case were the Companies to remain in run-off under the Original Scheme. The Scheme Administrators, NNOFIC and the ILU all agree that an important pre-requisite for the Amending Scheme to proceed is that it does not, in any material way, undermine the security of the Qualifying ILU Policyholders and their ability to receive "top-up" payments out of the Facility up to the full amount of their Qualifying Established Liabilities. If the Facility Limit was exceeded as a result of the Amending Scheme, it could lead to a delay in payment of

Qualifying ILU Policyholders' claims (where those claims exceeded the US\$3.5 million annual payment in any one year under and subject to the terms of the CPLA).

- 32.30. However, the Scheme Administrators consider, in consultation with the Scheme Actuarial Adviser, that the risk of the Facility Limit being exceeded under the Amending Scheme is very remote and that the overall security of Qualifying ILU Policyholders should, in all reasonably plausible circumstances, be enhanced by the Amending Scheme. This is due, in part, to the effect of any claims under the Amending Scheme being discounted for the time value of money and the increased Payment Percentage expected under the Amending Scheme. This, in turn, would reduce the level of the "top-up" payments that would need to be made under the Facility. Furthermore, any deterioration in settlement values of the claims of the Opt Out ILU Qualifying Policyholders would have been mirrored in any event by an equivalent deterioration in the Original Scheme.
- 32.31. The external actuarial advisers who have advised NNOFIC and the ILU have estimated that for Qualifying ILU Policyholder opt out levels of less than 30%, the likelihood of exhaustion of the Facility Limit under and subject to the terms of the CPLA is less than one in 200; in other words, they have estimated that Opt Out Qualifying ILU Policyholders have a likelihood of their Qualifying Established Liabilities being paid in full from the Facility in those circumstances that is greater than 99.5%. This is similar to the tolerance level that is currently applied when setting the financial resources requirements of UK insurance companies with reference to the likelihood that they will not be able to pay their claims as they fall due.

33. Pre-1969 L&O Policyholders

- 33.1. All Liabilities arising from claims submitted by Pre-1969 L&O Policyholders under policies underwritten by L&O with an inception date before 20 March 1969 ("**Pre-1969 L&O Policies**") are covered by the Lloyds Bank Agreement. Any payments received by the Companies from Lloyds Bank under the Lloyds Bank Agreement are treated as assets of the Companies' general estate, which are therefore available for distribution to all Scheme Creditors. Based on current estimates of those Liabilities, the amounts recoverable from Lloyds Bank are likely to have a material effect on the level of the final Payment Percentage under the Amending Scheme.
- 33.2. Pre-1969 L&O Policyholders are not Qualifying ILU Policyholders due to the different policy inception dates that apply to each category of policyholder.
- 33.3. Based on the claims submissions that are made by Pre-1969 L&O Policyholders and the Gross Liabilities of those claims subsequently agreed by the Companies under the Amending Scheme, the Companies will submit a claim to Lloyds Bank for payment under the Lloyds Bank Agreement.
- 33.4. Given the size of the estimated recovery from Lloyds Bank, the Scheme Administrators understand that Lloyds Bank may not wish to pay the full amount arising under the Lloyds Bank Agreement as a result of the Amending Scheme. In this instance, if Lloyds Bank does not pay the full amount of that claim within 90 days of receipt of the claim (or such longer period of time as the Scheme Administrators may determine in consultation with the Creditors' Committee), the Scheme Administrators will then determine, in consultation with the Creditors' Committee, whether:
- 33.4.1. despite non-payment by Lloyds Bank of the full amount of the claim, the agreed Net Liabilities of the Pre-1969 L&O Policyholders should be included within the Amending Scheme crystallisation process and a final Payment Percentage be paid to all Scheme Creditors; or
- 33.4.2. the future claims of the Pre-1969 L&O Policyholders (i.e. Notified Outstanding Liabilities and IBNR Liabilities) should not be included in the Amending Scheme crystallisation process and should instead revert to run-off to be agreed or determined (as the case may be) and paid under the terms of the Original Scheme. In this case, set-off will be applied in a similar manner to that applicable to the Opt Out Qualifying ILU Policyholders described in paragraph 32.8.

- 33.5. The considerations that the Scheme Administrators will take into account when determining whether the Pre-1969 L&O Policyholders will revert to run-off will include the following matters:
- 33.5.1. whether the reversion to run-off would be in the best interests of all Scheme Creditors;
 - 33.5.2. the uncertainty regarding the level and timing of the final Payment Percentage for the reasons set out in paragraphs 33.6.5 and 33.6.6;
 - 33.5.3. the recovery from Lloyds Bank being dependent upon the continued solvency of Lloyds Bank;
 - 33.5.4. any costs of the Scheme Administrators incurred in dealing with the future claims of the Pre-1969 L&O Policyholders in run-off will not be borne by the Companies. Such costs will be payable by Lloyds Bank under the Lloyds Bank Agreement. Those costs should not therefore affect the overall level of the final Payment Percentage; and
 - 33.5.5. the obligation of the Pre-1969 L&O Policyholders to continue to submit claims in the ordinary course in order for their claims to become Established Liabilities and receive the Payment Percentage.
- 33.6. Any reversion to run-off of the Pre-1969 L&O Policyholders' future claims will have a bearing on the level and timing of the final Payment Percentage. It will also affect the timing of any increases to the Payment Percentage. If the Pre-1969 L&O Policyholders revert to run-off:
- 33.6.1. the claims of Pre-1969 L&O Policyholders under Pre-1969 L&O Policies (other than in respect of Established Liabilities and Agreed Liabilities agreed by the Companies prior to the Bar Date) will not be agreed in accordance with the crystallisation and payment provisions of the Amending Scheme. The claims will instead need to be submitted by the Pre-1969 L&O Policyholders to the Companies in the ordinary course of business in the same way as is currently done under the Original Scheme. The Pre-1969 L&O Policyholders will receive the same Payment Percentage (plus compensatory interest) as all other Scheme Creditors in respect of their claims as and when they become Established Liabilities under the terms of the Original Scheme. These claims would then form the basis of the claims to be submitted by the Companies to Lloyds Bank for payment under the Lloyds Bank Agreement;
 - 33.6.2. the Pre-1969 L&O Policyholders will only revert to run-off in respect of their future claims (i.e. Notified Outstanding Liabilities and IBNR Liabilities) under their Pre-1969 L&O Policies. Any claims of the Pre-1969 L&O Policyholders:
 - (a) which are, or which become, Established Liabilities and Agreed Liabilities in respect of Pre-1969 L&O Policies; and
 - (b) are in respect of policies that such Scheme Creditor may have with the Companies other than Pre-1969 L&O Policies,will be dealt with and paid in accordance with the crystallisation and payment provisions of the Amending Scheme (unless, in relation to all of its Qualifying ILU Policies only, the relevant Scheme Creditor opts out of those provisions in accordance with the Amending Scheme). Set-off in respect of the Pre-1969 L&O Policyholders will be applied in a similar manner to that applicable to the Opt Out Qualifying ILU Policyholders, as summarised in paragraph 32.8;
 - 33.6.3. the Payment Percentage payable to all Scheme Creditors, including those Scheme Creditors whose claims are included in the Amending Scheme crystallisation and payment process, will be revised from time to time as any uncertainty over the value of the future claims of the Pre-1969 L&O Policyholders and recoveries from Lloyds Bank under the Lloyds Bank Agreement reduces over time;

- 33.6.4. the Payment Percentage is estimated to rise quickly to a level in excess of the estimated final Payment Percentage that would have been payable if the run-off of all of the Companies' business had continued under the Original Scheme;
 - 33.6.5. the level of the final Payment Percentage will be affected by the extent to which the amount of the future claims of the Pre-1969 L&O Policyholders agreed by the Companies and the amount of recoveries made from Lloyds Bank in respect of those claims differ from the amount of such claims and recoveries that would otherwise have occurred under the crystallisation and payment provisions of the Amending Scheme;
 - 33.6.6. it may not be possible to determine the final Payment Percentage for all Scheme Creditors for many years into the future, until all the claims of the Pre-1969 L&O Policyholders have been agreed and all recoveries in respect of those claims have been made from Lloyds Bank;
 - 33.6.7. the estimated final Payment Percentage is nonetheless around the same as it would have been if the Pre-1969 L&O Policyholders had not reverted to run-off; and
 - 33.6.8. the estimated final Payment Percentage in the Amending Scheme is also higher than the estimated final Payment Percentage under the Original Scheme (in the absence of the Amending Scheme).
- 33.7. The Scheme Administrators' decision as to whether the Pre-1969 L&O Policyholders revert to run-off will not affect the implementation of the crystallisation and payment provisions of the Amending Scheme with regard to all other Scheme Creditors (including Qualifying ILU Policyholders).
- 33.8. The Scheme Administrators acknowledge that the process outlined in paragraphs 33.3 to 33.7 introduces an element of uncertainty for the Pre-1969 L&O Policyholders as to how their future claims will be dealt with under the Amending Scheme. The Scheme Administrators acknowledge that, if the Amending Scheme becomes effective, there may be a considerable period of time thereafter (which could last nearly three years, as shown in the timeline on page 8) during which the Pre-1969 L&O Policyholders will not know whether their future claims might be required to revert to run-off under the Original Scheme or will instead be determined under the Amending Scheme. The Scheme Administrators also acknowledge that any reversion to run-off of such claims would affect the level (either higher or lower) and timing of the Payment Percentage.
- 33.9. Notwithstanding this, however, the Scheme Administrators are strongly of the opinion that this process is appropriate to ensure that the Companies maximise their recoveries in the Amending Scheme from Lloyds Bank under the Lloyds Bank Agreement. The Scheme Administrators' strong belief is that this process benefits and is in the best interests of all Scheme Creditors (including Pre-1969 L&O Policyholders, as such Policyholders receive the same Payment Percentage (plus compensatory interest) on their Established Liabilities as all other Scheme Creditors and therefore benefit in the same way as all other Scheme Creditors from increased recoveries from Lloyds Bank). The Scheme Administrators consider that the period of time (referred to in paragraph 33.8) for determining whether the future claims of the Pre-1969 L&O Policyholders will revert to run-off is unavoidable. This is because the claim to be submitted by the Companies to Lloyds Bank for payment under the Lloyds Bank Agreement will be based on the level of claims that are made by the Pre-1969 L&O Policyholders under the Amending Scheme and subsequently agreed (by adjudication if necessary) by the Companies. The Companies will not therefore be able to calculate the amount of the claims to be submitted to Lloyds Bank until all of the claims of the Pre-1969 L&O Policyholders have been agreed or determined under the Amending Scheme.
- 33.10. In summary, the Scheme Administrators believe that the proposed treatment of Pre-1969 L&O Policyholders under the Amending Scheme is in the best interests of the general body of Scheme Creditors, will have no significant effect on the estimated final Payment Percentage and imposes no significant disadvantage on the Pre-1969 L&O Policyholders over and above a limited period of uncertainty as to whether or not their claims will revert to run-off.

34. Scheme Creditors' duty to provide assistance

- 34.1. Scheme Creditors are required by the Amending Scheme to provide such co-operation and assistance as the Scheme Administrators, the Scheme Actuarial Adviser, the Scheme Adjudicator and the No Notice Adjudicator may reasonably require, for example in relation to:
- 34.1.1. the production of information relevant to the processing of claims;
 - 34.1.2. the release of (the balance of) funds held as collateral in respect of any Security Interest(s) held by that Scheme Creditor once the relevant Scheme Liability has been paid;
 - 34.1.3. the recovery of any of the Companies' assets; and
 - 34.1.4. the enforcement of obligations owed to the Companies.

35. Scheme Actuarial Adviser, Scheme Adjudicator, No Notice Adjudicator and Individual Claimant Representative

- 35.1. The Amending Scheme provides for the appointment of a Scheme Actuarial Adviser, a Scheme Adjudicator, a No Notice Adjudicator and an Individual Claimant Representative.
- 35.2. Each of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative may be removed by a resolution passed at a meeting of Scheme Creditors convened in accordance with clauses 47 to 52 of the Original Scheme. The resolution must name a replacement who, in the reasonable opinions of the Scheme Administrators, NNOFIC and the ILU, is duly and adequately qualified to discharge his or her respective functions as Scheme Actuarial Adviser, Scheme Adjudicator, No Notice Adjudicator or Individual Claimant Representative (as the case may be) under the Amending Scheme. The appointment of such replacement must also be approved in writing by the Scheme Administrators, NNOFIC and the ILU.
- 35.3. If there is a vacancy in the office of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator or the Individual Claimant Representative (otherwise than by reason of his or her removal from office in the manner referred to in paragraph 35.2), the Scheme Administrators may, with the consent of the Creditors' Committee, NNOFIC and the ILU, fill that vacancy by appointing another individual or person with the relevant qualifications for that office.

Scheme Actuarial Adviser

- 35.4. The Scheme Actuarial Adviser must be a member of an actuarial body that is affiliated to the International Actuarial Association and have suitable experience.
- 35.5. The first Scheme Actuarial Adviser will be Mark Allen of PricewaterhouseCoopers LLP. A summary of his qualifications and experience is set out at section H (*Appendices*). He will be responsible for, among other things, assisting the Scheme Administrators in agreeing the Net Liabilities of Scheme Creditors.

Scheme Adjudicator

- 35.6. The first Scheme Adjudicator will be Raji Bhagavatula of Milliman, Inc. A summary of her qualifications and experience is set out at section H (*Appendices*). She will be responsible for, among other things, adjudicating on the resolution of disputed matters in accordance with the Dispute Resolution Procedure. Insofar as the law allows, her decision will be binding on all parties (except in the case of fraud, arithmetical error or her making an irrational determination).

No Notice Adjudicator

- 35.7. The first No Notice Adjudicator will be Leo J. Jordan Sr. A summary of his qualifications and experience is set out at section H (*Appendices*). He will be responsible for determining whether certain claims may be submitted against the Companies by Qualifying ILU Policyholders (who are not individuals) and individuals (whether or not those individuals are Qualifying ILU Policyholders) after the Bar Date.

Individual Claimant Representative

- 35.8. The first Individual Claimant Representative will be Charles E. Bates, Chairman of Bates White Economic Consulting. A summary of his qualifications and experience is set out at section H (*Appendices*). He will be responsible for representing the rights and interests of those individuals who may have a right to bring claims after the Bar Date as No Notice Individual Creditors during the process of determining the Post Bar Date Individual Provision.

Independence

- 35.9. Each of the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative is independent of the Companies, in that he or she has had no previous employment with them and will not be remunerated on any form of contingency basis. In particular, none of the Scheme Adjudicator, the No Notice Adjudicator or the Individual Claimant Representative is engaged under an arrangement whereby they would receive any financial bonus or other payment conditional upon the Amending Scheme becoming effective.
- 35.10. In the event of conflicts of interest arising between the Scheme Actuarial Adviser, the Vote Assessor, the No Notice Adjudicator, the Scheme Adjudicator or the Individual Claimant Representative and the Companies or a Scheme Creditor, the Scheme Actuarial Adviser, the Vote Assessor, the No Notice Adjudicator, the Scheme Adjudicator or the Individual Claimant Representative (as the case may be) may continue to act with the informed consent of the relevant parties, or a suitably qualified alternate may be appointed by the Scheme Administrators in respect of the conflicted matter. Where the conflicted matter relates to a Qualifying Liability, the appointment of any alternate must also be approved in writing by NNOFIC and the ILU.
- 35.11. Each of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative will be paid for their respective roles under the Amending Scheme on a time and cost basis. The costs of the Scheme Actuarial Adviser and the Scheme Adjudicator will be paid by the Companies as expenses of the Amending Scheme. Pursuant to paragraph 51 of the Amending Scheme, expenses of the Amending Scheme are paid by the Companies in full out of the Companies' assets as Priority Liabilities (i.e. in priority to Scheme Creditors' claims). The future run-off costs of the Companies (excluding dividend payments) in dealing with the Opt Out Qualifying ILU Policyholders will be paid out of the amount to be set aside from the Companies' assets to meet those costs as Priority Liabilities (see paragraph 32.12). The costs of the No Notice Adjudicator (which exclude any dividend payments to be made by the Companies to any Scheme Creditors) in relation to Qualifying ILU Policyholders that are not individuals will be paid out of the Post Bar Date Provision as Priority Liabilities, with any shortfall of these costs (excluding any dividend payments) being funded by NNOFIC. The costs of the No Notice Adjudicator in relation to No Notice Individual Creditors will be paid out of the Post Bar Date Individual Provision as Priority Liabilities, which NNOFIC will not top up or otherwise contribute to. The costs of the Individual Claimant Representative will be paid as Priority Liabilities.

36. Time periods and claims received after the Bar Date

- 36.1. The Scheme Administrators have the unilateral discretion to extend any time periods under the Amending Scheme, other than the Bar Date.
- 36.2. The Amending Scheme allows for only the following circumstances described in paragraphs 36.4 to 36.19 in which claims received after the Bar Date may be considered for payment.
- 36.3. Any decision of the No Notice Adjudicator referred to in this paragraph 36 will, insofar as the law allows, be binding on all parties (except in the case of fraud or the No Notice Adjudicator making an irrational determination).

Qualifying ILU Policyholders

- 36.4. Under and subject to the terms of the CPLA, in addition to the Payment Percentage received by all Scheme Creditors, Qualifying ILU Policyholders are entitled to receive a further payment or payments up to the full amount of their Qualifying Established Liabilities, provided that such claims are notified to the Companies by no later than 31 December 2035. Taking account of the unique circumstances of the Amending Scheme, including the nature of the arrangements entered into with NNOFIC and the ILU in respect of Qualifying ILU Policyholders, the Scheme Administrators have therefore agreed that, to ensure that the operation of the Amending Scheme does not prejudice Qualifying ILU Policyholders, the Scheme Administrators will consider claims received after the Bar Date from Qualifying ILU Policyholders (who are not individuals) in certain very limited circumstances (as described in paragraphs 36.5 to 36.8).
- 36.5. Any Qualifying ILU Policyholder (who is neither an Opt Out Qualifying ILU Policyholder nor an individual) who can demonstrate that the reason that it did not submit a Claim Form before the Bar Date was that it neither knew, nor could reasonably be expected to have known, about the Amending Scheme and of such requirement, will be entitled to submit a claim against the Companies after the Bar Date.
- 36.6. The decision as to whether such a Qualifying ILU Policyholder will be entitled to submit a claim after the Bar Date will be taken by the No Notice Adjudicator.
- 36.7. In addition to satisfying the requirement set out in paragraph 36.5, such a Qualifying ILU Policyholder will also have to satisfy the No Notice Adjudicator that it has complied with the following conditions before it may submit a claim after the Bar Date:
- 36.7.1. the Qualifying ILU Policyholder must have delivered to the No Notice Adjudicator one or more policy documents in its name written by either or both of the Companies and issued by the ILU which clearly demonstrate, to the satisfaction of the No Notice Adjudicator, that such policyholder is a Qualifying ILU Policyholder;
 - 36.7.2. the Qualifying ILU Policyholder must have entered into a costs agreement with the No Notice Adjudicator in respect of the No Notice Adjudicator's costs for reviewing the Qualifying ILU Policyholder's claim; and
 - 36.7.3. the Qualifying ILU Policyholder must have provided all supporting information and documentation that the No Notice Adjudicator may require to determine whether the Qualifying ILU Policyholder is entitled to submit a claim against the Companies.
- 36.8. Those Qualifying ILU Policyholders who are allowed by the No Notice Adjudicator to submit claims after the Bar Date will have their claims agreed or determined by the Scheme Administrators and, where applicable, by the Scheme Adjudicator in accordance with the terms of the Amending Scheme.
- 36.9. Such claims of Qualifying ILU Policyholders of the type referred to in paragraph 36.5 (to the extent they are agreed or determined (as the case may be) by the Scheme Administrators to be Net Liabilities) will be paid out of a provision set aside from the Companies' assets by the Scheme Administrators. The amount of this provision will be US\$750,000 (as adjusted to take account of changes in reserves between 31 December 2007 and the Valuation Date, any new information received between the Valuation Date and the Bar Date and discounted for the time value of money in accordance with the Estimation Guidelines). This amount (before adjustments and excluding any adjudication expenses) of US\$750,000 has been set by the Scheme Administrators in consultation with the Scheme Actuarial Adviser and has been agreed with NNOFIC and the ILU. The amount of any adjustments to this amount of US\$750,000, and also the amount of the provision to be established to cover the Post Bar Date Expenses, will be agreed between the Scheme Administrators, NNOFIC and the ILU and, in the event of any dispute, referred to the Scheme Adjudicator for final determination. The amount of the Post Bar Date Provision will be this amount of US\$750,000 (as adjusted and discounted in the manner set out above) plus a provision for the Post Bar Date Expenses.

- 36.10. Any surplus of the Post Bar Date Provision (after all claims submitted by Qualifying ILU Policyholders after the Bar Date and all costs in dealing with such claims (including, but not limited to, the costs of the No Notice Adjudicator) have been paid in full), will be paid to NNOFIC. Any shortfall in the Post Bar Date Provision to meet the claims submitted by Qualifying ILU Policyholders after the Bar Date will be paid by the Companies out of funds borrowed from NNOFIC under the Facility, subject to the terms of the CPLA. Any shortfall in the Post Bar Date Provision to meet the costs of dealing with such claims (including the costs of the No Notice Adjudicator) will also be paid by the Companies out of funds provided by NNOFIC, but such funds will not come out of the Facility and will therefore not count against the Facility Limit.
- 36.11. A Qualifying ILU Policyholder who is allowed by the No Notice Adjudicator to submit a claim after the Bar Date will not be able to opt out of the Amending Scheme.

Individuals

- 36.12. In certain circumstances, individuals based in certain jurisdictions who are not Policyholders might be able to bring direct claims against either or both of the Companies, for example, in the UK under the Third Parties (Rights Against Insurers) Act 1930 and in a number of states of the US under the various laws which apply in those states.
- 36.13. Taking account of the matters set out in paragraph 36.12, the Amending Scheme provides that any individual who can demonstrate to the No Notice Adjudicator that he or she acquired rights against either or both of the Companies by law or under the terms of the relevant policy with the Companies may also submit a claim after the Bar Date, provided that such individual can also demonstrate that:
- 36.13.1. he or she neither knew, nor could reasonably be expected to have known, about the Amending Scheme before the Bar Date; or
 - 36.13.2. no claim had arisen in his or her favour in connection with the relevant policy before the Bar Date; or
 - 36.13.3. before the Bar Date, he or she neither knew, nor could reasonably be expected to have known, that he or she had suffered significant injury,

(each such individual being a "**No Notice Individual Creditor**"). These provisions have been included solely to address the unique circumstances of the Amending Scheme, including the nature of the agreements entered into by NNOFIC and the ILU in respect of Qualifying ILU Policyholders.

- 36.14. The No Notice Adjudicator will decide in each case whether an individual will be entitled to submit a claim as a No Notice Individual Creditor against the Companies after the Bar Date.
- 36.15. Any such individual's claim will remain subject to all the requirements and limitations of all applicable law governing that claim and the provisions of the Insurance Contract under which the individual claims, including in both respects, limitations in respect of the passage of time, with the exceptions that (i) applicable law shall not include the legal consequences of any injunction against such claims issued by a US Bankruptcy Court under the US Bankruptcy Code in connection with the recognition of the Original Scheme or the Amending Scheme and additionally (ii) a claim shall not be deemed barred by applicable law solely because the insured entity in respect of whose Insurance Contract the claim against the Companies arises is subject to the crystallisation and payment provisions of the Amending Scheme.
- 36.16. In addition to satisfying the requirement set out in paragraph 36.13, an individual will also have to provide all supporting information and documentation that the No Notice Adjudicator may require to determine whether that individual is entitled to submit a claim against the Companies as a No Notice Individual Creditor.
- 36.17. No Notice Individual Creditors will have their claims agreed or determined by the Scheme Administrators and, where applicable, by the Scheme Adjudicator in accordance with the terms of the Amending Scheme.

- 36.18. Such claims (to the extent they are agreed or determined (as the case may be) by the Scheme Administrators or the Scheme Adjudicator (as the case may be) to be Net Liabilities), and the costs of such claims (including the relevant costs of the No Notice Adjudicator), will be paid out of a provision set aside from the Companies' assets by the Scheme Administrators (the "**Post Bar Date Individual Provision**"). The amount of the Post Bar Date Individual Provision will be determined by the Scheme Administrators after the Bar Date on the basis that it is a fair and equitable estimate (taking into account the interests of both No Notice Individual Creditors and all other Scheme Creditors) of the amount which will be required to meet claims by No Notice Individual Creditors submitted after the Bar Date and such related costs. The Scheme Administrators, in view of the matters set out in paragraph 36.12, have appointed a representative to represent the rights and interests of those individuals who may have a right to bring claims in the future as No Notice Individual Creditors (the "**Individual Claimant Representative**"). The amount of the Post Bar Date Individual Provision determined by the Scheme Administrators will therefore be subject to the review and agreement of both NNOFIC and the Individual Claimant Representative. In the event that there is any disagreement between the Scheme Administrators, NNOFIC and the Individual Claimant Representative regarding the amount of the Post Bar Date Individual Provision, the dispute will be referred to the Scheme Adjudicator for final determination. Each of the Scheme Administrators, NNOFIC and the Individual Claimant Representative will be given a full and fair opportunity to present their respective positions to the Scheme Adjudicator before the amount of the Post Bar Date Individual Provision is determined. The Scheme Adjudicator's determination will be final and binding on the Companies, the Scheme Administrators, NNOFIC, the Individual Claimant Representative and the No Notice Individual Creditors (to the extent permitted by law and except in the case of arithmetical error or the Scheme Adjudicator making an irrational determination).
- 36.19. As and when such claims are agreed or determined (as the case may be) by the Scheme Administrators or the Scheme Adjudicator (as the case may be) to be Net Liabilities, they will be paid out of the Post Bar Date Individual Provision at the then current Payment Percentage. If any No Notice Individual Creditor is, in his capacity as such, also a Qualifying ILU Policyholder by virtue of the particular provision of a policy or provision of law under which they are claiming, that individual would also receive a "top-up" funded by amounts provided by NNOFIC under the Facility and subject to the terms of the CPLA. However, once the Post Bar Date Individual Provision is exhausted, further claims from such No Notice Individual Creditors (whether or not they are Qualifying ILU Policyholders) will not be met by the Companies (nor in any amount by NNOFIC), subject to the Scheme Administrators' power to increase the amount of the Post Bar Date Individual Provision referred to in paragraph 36.20.
- 36.20. As is the case for Qualifying ILU Policyholders generally under the CPLA, other than for Opt Out Qualifying ILU Policyholders and Qualifying ILU Policyholders whose claims are admitted in the manner set out in paragraph 36.5, a No Notice Individual Creditor who is also a Qualifying ILU Policyholder will not receive a "top-up" payment if the amount he or she would receive from the Companies would still be inadequate to meet the full amount of his or her Net Liability. This means that if the Companies are unable to pay the full Payment Percentage out of the Post Bar Date Individual Provision, a No Notice Individual Creditor who is also a Qualifying ILU Policyholder will not receive any additional payment funded by NNOFIC (or otherwise from the Companies). The Scheme Administrators will, however, retain the power to increase the amount of the Post Bar Date Individual Provision to ensure that the Payment Percentage in respect of all Net Liabilities of No Notice Individual Creditors can be paid in full. The Scheme Administrators consider therefore that the likelihood of such No Notice Individual Creditors (who are also Qualifying ILU Policyholders) being affected in this way is remote.
- 36.21. It follows from the above description of the arrangements relating to No Notice Individual Creditors, who may also be Qualifying ILU Policyholders, and to Qualifying ILU Policyholders who are not individuals, that may allow them to bring claims after the Bar Date, that Qualifying ILU Policyholders who are individuals and Qualifying ILU Policyholders that are not individuals are subject to different treatment under the Amending Scheme in a number of respects.

- 36.22. In particular, the conditions which Qualifying ILU Policyholders must satisfy in order to bring such claims differ according to whether or not they are individuals (see, in particular, paragraphs 36.5 to 36.7 and 36.13 to 36.20). The Scheme Administrators consider that this difference is appropriate, given the likely contrasts in circumstances between the two groups (for example, an individual may, due to the nature of his or her illness, not realise that he or she has suffered significant injury until after the Bar Date).
- 36.23. In addition, their claims would be paid from different provisions (the Post Bar Date Individual Provision for individuals and the Post Bar Date Provision for Qualifying ILU Policyholders who are not individuals). The Post Bar Date Provision will be replenished by NNOFIC to the extent that it is ultimately insufficient to pay the Payment Percentage of claims that are permitted and made after the Bar Date by Qualifying ILU Policyholders which are not individuals and/or the costs of the No Notice Adjudicator in connection with such claims. No such replenishment will take place in relation to the Post Bar Date Individual Provision where it is insufficient to pay the Payment Percentage of claims made after the Bar Date by Qualifying ILU Policyholders who are individuals and/or the costs of the No Notice Adjudicator in connection with such claims. However, as noted in paragraph 7.6, the Scheme Administrators will retain the power to increase the amount of the Post Bar Date Individual Provision, using Scheme Assets, so that the Payment Percentage of such claims can be paid in full. The Scheme Administrators consider that the likelihood of this being applicable is extremely small; however, they also consider that its existence means that this latter distinction in the treatment between Qualifying ILU Policyholders who are individuals and Qualifying ILU Policyholders who are not individuals is likely to have no practical effect.
- 36.24. Any surplus in the Post Bar Date Individual Provision, after all claims of No Notice Individual Creditors (to the extent they become Net Liabilities) have been paid at the Payment Percentage and such related costs have been paid in full, will be released back to the Companies and made available for distribution to Scheme Creditors with valid claims brought against the Companies before the Bar Date.

37. The position for reinsurers

The Scheme Administrators will continue to pursue collections from the Companies' remaining reinsurers, to the extent that the Companies consider them to be net debtors of the Companies, to ensure that maximum funds are realised for the benefit of Scheme Creditors.

38. Withdrawal of a Claim Form

In the absolute discretion of the Scheme Administrators, they may withdraw and reissue a Claim Form to a Scheme Creditor at any time before the Bar Date and the withdrawn Claim Form will no longer be valid.

39. Policyholders Protection Board and FSCS Scheme Manager

- 39.1. Protected Policyholders are Scheme Creditors who may be eligible to receive payments from the FSCS Scheme Manager in respect of their Established Liabilities pursuant to the Policyholders Protection Act 1975 and/or the FSCS Rules. Potentially Protected Policyholders are Scheme Creditors with claims for (i) Agreed Liabilities and (ii) Notified Outstanding Liabilities and/or IBNR Liabilities which would, when matured, be similarly protected under the Policyholders Protection Act 1975 and/or the FSCS Rules and which would fall due for payment by the FSCS Scheme Manager.

Position under the Original Scheme - PPB

- 39.2. The PPB was established under the Policyholders Protection Act 1975 to protect certain policyholders who might be prejudiced as a result of the inability of authorised insurance companies carrying on business in the United Kingdom to meet certain of their Liabilities.
- 39.3. The Policyholders Protection Act 1975 imposed an obligation on the PPB, on a liquidation of such an insurance company, to pay 90% (or, in limited cases, 100%) of such company's Liabilities to certain categories of policyholder in respect of certain types of insurance policy (see paragraphs 39.11 to 39.16).

- 39.4. Section 16 of the Policyholders Protection Act 1975 gave the PPB discretion to provide financial assistance to companies in financial difficulty. In order to assist those Scheme Creditors who would have been protected under the Policyholders Protection Act 1975 in the event of the liquidation of the Companies, the PPB agreed to be bound by the Original Scheme and has continued to make payments to such Scheme Creditors in accordance with the terms of the Original Scheme.
- 39.5. There is an overall limitation on the obligation of the PPB under the Original Scheme in respect of any Scheme Creditor or Liability of the Companies by reference to the obligations it would have had if the Companies had been in liquidation.
- 39.6. The PPB participated in the Original Scheme on the basis that once a Scheme Liability had become an Established Liability under the terms of the Original Scheme, subject to the PPB being satisfied that the claimant in question was eligible to receive compensation payments from the PPB pursuant to the Policyholders Protection Act 1975 and subsequently the FSCS Rules, it would pay the Established Liability of that claim up to the Protected Percentage (i.e. the maximum percentage of the claim which the PPB would be statutorily obliged to pay if the Companies had been placed in liquidation). In consideration for making such payment, the PPB would take an assignment of the Scheme Creditor's Scheme Liability (and be paid the relevant Payment Percentage in respect of that Scheme Liability), including the right to receive further payments from the Companies in respect of such Scheme Liability in the event that the Payment Percentage was increased.
- 39.7. Clause 29.3(n) of the Original Scheme requires the Companies to obtain the approval of the Scheme Administrators, the PPB, NNOFIC and the ILU in relation to a Qualifying Liability, prior to entering into contractual arrangements with any Scheme Creditor under which all or part of the Companies' total Scheme Liabilities to the relevant Scheme Creditor:
- 39.7.1. are discharged in full consideration for a payment by either or both of the Companies; or
- 39.7.2. become, subject to the terms of the Original Scheme, an Established Liability otherwise than by agreement of claims in the ordinary course and such approval shall not be given unless such arrangements include terms to the effect that no other claims may be made in respect of such Liability or that part of such Liability.
- 39.8. Clause 29.4(b) of the Original Scheme provides that no such arrangement can be entered into unless, among other things, the PPB has consented in writing to the arrangement (except in circumstances in which the Scheme Creditor has confirmed, in a legally binding form, satisfactory to the PPB, that he is not a Protected Policyholder or that he waives any rights which he may have against the PPB) and agrees to this discharge of the Liability.

Position under the Original Scheme – FSCS Scheme Manager

- 39.9. On 1 December 2001, the Policyholders Protection Act 1975 was repealed by the Financial Services and Markets Act 2000 (Consequential Amendments and Repeals) Order 2001. However, the Policyholders Protection Act 1975 continued to apply in respect of certain of the Companies' Liabilities under the Original Scheme. The PPB's statutory functions, rights and obligations in relation to the Companies and their policies under the Policyholders Protection Act 1975 and the Original Scheme were transferred to the FSCS Scheme Manager.
- 39.10. The FSCS Scheme Manager's obligations under the Original Scheme have continued to be determined principally by reference to its duties under the Policyholders Protection Act 1975. The relevant duties are those, which, in the event of the liquidation of the Companies on the Record Date (being 20 November 1996) to which the Policyholders Protection Act 1975 would have applied, the FSCS Scheme Manager would have owed certain of the Companies' Policyholders or security holders in respect of policies issued or securities given by the Companies. There are two categories of Liabilities of the Companies towards such Policyholders or security holders which would qualify for protection under the Policyholders Protection Act 1975:
- 39.10.1. those where the Liability may be protected as to 100% of its amount; and
- 39.10.2. those where the Liability may be protected as to 90% of its amount.

100% protection

- 39.11. Subject to the relevant provisions of the Policyholders Protection Act 1975, in a liquidation to which the Policyholders Protection Act 1975 applies, and, therefore, in the Original Scheme (and the Amending Scheme should it come into effect), it is the duty of the FSCS Scheme Manager to secure that a sum equal to the full amount of any "liability subject to compulsory insurance" of a company in liquidation towards any policyholder (who need not be for these purposes a "private policyholder") or security holder under the terms of any policy or security which satisfies the requirements of specified enactments is paid to the policyholder or security holder as soon as is reasonably practicable after the beginning of the liquidation. For such purposes, as well as for the purposes of the 90% insurance referred to below, a policy must have been a policy of insurance which was a "United Kingdom policy" at the time when the liquidation of the company began.
- 39.12. "A liability subject to compulsory insurance" is a Liability required under specified enactments to be covered by insurance (or some other provision ensuring for its discharge). The specified enactments are section 1(4)(d) of the Riding Establishments Act 1964, section 1 of the Employers' Liability (Compulsory Insurance) Act 1969, Part VI of the Road Traffic Act 1988 and the equivalent provisions applicable in Northern Ireland. Policies evidencing contracts of insurance effected for the purpose of section 19 of the Nuclear Installations Act 1965 are also covered.
- 39.13. The FSCS Scheme Manager also has a duty, in a liquidation to which the Policyholders Protection Act 1975 applies (and accordingly the Amending Scheme should it become effective), subject to the relevant provisions of the Policyholders Protection Act 1975, to secure that a sum equal to the full amount of the Liability of a company in liquidation in respect of a sum payable to a person entitled to the benefit of a judgment under certain legislation (section 149 Road Traffic Act 1972, section 151 Road Traffic Act 1988 or the equivalent provisions in force in Northern Ireland) is paid to that person as soon as is reasonably practicable after the beginning of a liquidation.

90% protection

- 39.14. The 90% protection is available only in respect of the Liabilities of a company in liquidation towards "private policyholders". Subject to the relevant provisions of the Policyholders Protection Act 1975, in a liquidation to which the Policyholders Protection Act 1975 applies, it is the duty of the FSCS Scheme Manager to ensure that a sum equal to 90% of the amount of the Liability of an authorised insurance company in liquidation towards a "private policyholder" under the terms of the relevant policy is paid to that policyholder as soon as is reasonably practicable after the beginning of the liquidation.
- 39.15. A Liability will not qualify for the 90% protection unless the relevant policy is a "general policy". A "general policy" means any policy evidencing a contract the effecting of which constituted the carrying on of general business within the meaning of the Insurance Companies Act 1982, with the exception of reinsurance and certain specified classes of business. The categories of "general business" which are relevant for the 90% protection are accident, sickness, land vehicles, railway rolling stock, fire and natural forces, damage to property, motor vehicle liability, general liability, credit, suretyship, miscellaneous financial loss and legal expenses.

Employers' liability (90% protection)

- 39.16. The FSCS Scheme Manager has further obligations as a result of the Financial Services and Markets Act 2000 (Transitional Provisions, Repeals and Savings) (Financial Services Compensation Scheme) Order 2001 (2001 No 2967). In particular, the order extends protection to individuals with claims in respect of employers' liability policies which otherwise would have given rise to compensation payments under the Policyholders Protection Act 1975 if they had been underwritten after the Employers' Liability (Compulsory Insurance) Act 1969 came into force.

Position under the Amending Scheme – FSCS Scheme Manager

- 39.17. The implementation of a crystallisation scheme does not affect the Liability of the FSCS Scheme Manager to compensate Protected Policyholders and Potentially Protected Policyholders for the protected element of their claims which subsequently arise.

- 39.18. The FSCS Scheme Manager has agreed to the amendment of the Original Scheme and to be bound by and to participate in the Amending Scheme (if it becomes effective) subject to and upon the terms set out in paragraphs 39.19 to 39.34. This will be achieved through the FSCS Scheme Manager undertaking to the Court by a letter of consent to be bound by the Amending Scheme at the hearing to sanction the Amending Scheme (if it is approved by the requisite majorities of Scheme Creditors at the Amending Scheme Meetings).
- 39.19. The FSCS Scheme Manager will consent to the Amending Scheme and will continue to participate in the Scheme (i.e. the Original Scheme, as amended by the Amending Scheme) pursuant to its discretionary powers under section 16(4) of the Policyholders Protection Act 1975 to take such measures as it considers appropriate, for the purposes of assisting policyholders of a company in financial difficulties, to enable the company to carry on insurance business. The FSCS Scheme Manager has the power to make payments pursuant to section 16(4) of the Policyholders Protection Act 1975 on such terms and on such conditions as it thinks fit.
- 39.20. The basis on which the FSCS Scheme Manager will participate in the Amending Scheme will not differ substantially from its participation in the Original Scheme, as far as the exercise of its compensation functions are concerned. Thus there should be no difference insofar as Protected Policyholders and Potentially Protected Policyholders (as and when their claims mature) should continue to receive the Protected Percentage of their Scheme Liabilities after they have fallen due for payment in the ordinary course of business.
- 39.21. Protected Policyholders' and Potentially Protected Policyholders' claims will not be subject to automatic valuation and determination under the Amending Scheme. Instead, Protected Policyholders and Potentially Protected Policyholders will be allowed to continue to present their claims to the Companies (and after payment of the final Payment Percentage, to the FSCS Scheme Manager) as they fall due in the ordinary course of business.
- 39.22. Potentially Protected Liabilities will be valued by the Scheme Administrators in consultation with the Scheme Actuarial Adviser, irrespective of whether Scheme Creditors submit Claim Forms under the Amending Scheme in respect of such Liabilities. Scheme Creditors with Potentially Protected Liabilities will, however, be requested to give details of such Liabilities on their Claim Form.
- 39.23. If the Scheme Administrators do not agree with any information submitted by a Scheme Creditor in relation to a Potentially Protected Liability, the Scheme Administrators will be entitled to request further information or documents from the Scheme Creditor and will communicate this to the Scheme Actuarial Adviser. The Scheme Actuarial Adviser will, after consultation with the FSCS Scheme Manager, determine the value of Potentially Protected Liabilities for the purpose of the payment to the FSCS Scheme Manager, as referred to in paragraph 39.25.
- 39.24. On the basis of information currently known to the Scheme Administrators and the Scheme Actuarial Adviser, it is considered that Potentially Protected Liabilities may arise on certain employers' liability policies.
- 39.25. It is proposed that when the Companies make a distribution under the Amending Scheme to non-protected Scheme Creditors, they will make a corresponding payment to the FSCS Scheme Manager, who will then be in a position, having assessed eligibility under the Policyholders Protection Act 1975 and the FSCS Rules, to meet the claims of any remaining Protected Policyholders and Potentially Protected Policyholders. The payment will be an amount equal to the then current Payment Percentage applied to (i) the estimated value of the Companies' Potentially Protected Liabilities as at the Valuation Date plus (ii) the aggregate value of those Protected Liabilities for which the FSCS Scheme Manager has not yet received payment of the Payment Percentage from the Companies (together the "**Aggregate Amount**"). Under the Amending Scheme, Scheme Creditors with Potentially Protected Liabilities agree to such amount being paid to the FSCS Scheme Manager.
- 39.26. The amount of the payment will be calculated by the Scheme Administrators, with the assistance of the Scheme Actuarial Adviser. The amount of the payment under (i) in paragraph 39.25 will be calculated by applying the same Estimation Guidelines as are used to calculate the Notified Outstanding Liabilities and IBNR Liabilities for other Scheme Creditors. To ensure that the FSCS Scheme Manager is treated fairly and consistently with all

Scheme Creditors, further payments will be made by the Companies to the FSCS Scheme Manager to reflect any subsequent increases in the Payment Percentage.

- 39.27. Until the final Payment Percentage has been paid under the Amending Scheme, Scheme Creditors may submit and agree further claims against the Companies that come within the terms of policies issued by the Companies and which may be eligible for protection under the FSCS Rules. Those claims should be presented, as they have been throughout the Original Scheme, to the Run-off Company, who will (at no cost to the FSCS Scheme Manager) review the claims prior to submitting them, if agreed by the Companies, to the FSCS Scheme Manager. If and when the FSCS Scheme Manager is satisfied as to the validity, amount and eligibility for protection under the FSCS Rules of the claim, it will pay to the Scheme Creditor (or person entitled to payment in respect of that claim) the Protected Percentage of that amount.
- 39.28. When all amounts available for payment by the Companies under the Amending Scheme have been paid, the Companies will go into liquidation and the Amending Scheme will be terminated. Thereafter the rights of Policyholders in respect of any claims eligible for protection by the FSCS Scheme Manager will be dealt with in the liquidation of the Companies, subject to the terms of and in accordance with the FSCS Rules.
- 39.29. On payment of the final Payment Percentage, all rights of Policyholders whose claims may be eligible for such protection and have not yet matured will be assigned to the FSCS Scheme Manager under the Amending Scheme. This assignment is conditional upon the FSCS Scheme Manager subsequently paying eligible Policyholders at the rate set out in the FSCS Rules in respect of such claims when they mature and are agreed, subject to eligibility and other matters as set out in the FSCS Rules.
- 39.30. After the payment of the final Payment Percentage, Policyholders who consider their claims may be eligible for protection should present their claims directly to the FSCS Scheme Manager, who will be responsible for handling the claims. Payment to Policyholders under the FSCS Rules will depend on the application of the terms of the FSCS Rules to the claim, including those as to the validity, amount and eligibility of the claim and that the Liability giving rise to the claim in question is a Liability under a policy issued by either or both of the Companies.
- 39.31. In order to have their claims agreed, Policyholders will be required to provide documentary and other relevant evidence to support their claim, similar to that required by an insurer. In particular but without limitation, where either or both of the Companies has a lead solvent co-insurer, the Policyholder will be required to agree its claim with that lead solvent co-insurer and to provide evidence of the co-insurer's agreement to establish its claim against the relevant Company. The Policyholder will also need to satisfy the FSCS Scheme Manager that there are no circumstances in which the Companies would be likely to form a different view on the merits, Liability or quantum of the claim.
- 39.32. In order to give effect to the above provisions, each Scheme Creditor will be asked to confirm that it believes that it is a Protected Policyholder and if and to the extent that its claim against either or both of the Companies includes Potentially Protected Liabilities, it waives any right to receive any payment from the Companies in respect of its claims and it agrees that it will instead be entitled to a payment, subject to eligibility under and other terms and conditions of the FSCS Rules, from the FSCS Scheme Manager. Any Scheme Creditor who has already received a payment from the PPB or FSCS Scheme Manager and who has duly assigned its rights to the PPB or FSCS Scheme Manager will not be entitled to vote on the Amending Scheme in respect of that Established Liability.
- 39.33. Scheme Creditors are not obliged to notify the Scheme Administrators by the Bar Date of any future Potentially Protected Liabilities when submitting Claim Forms, but it would be helpful to the Scheme Administrators if Scheme Creditors would do so. It would also be prudent for Scheme Creditors to do so for the reasons set out at paragraph 39.34. If they choose not to do so, Scheme Creditors may instead wait until the Potentially Protected Liabilities actually mature, and then submit claims in the ordinary course to the Companies until the payment of the final Payment Percentage, and thereafter to the FSCS Scheme Manager in accordance with the terms of the Amending Scheme as set out at paragraph 39.30.

- 39.34. Scheme Creditors who mistakenly consider themselves to be Protected Policyholders but who do not notify the Scheme Administrators of their Notified Outstanding Liabilities and IBNR Liabilities on a Claim Form (together with supporting information) before the Bar Date will not be entitled to any payments from the Companies or from the FSCS Scheme Manager should those claims become agreed and turn out to be unprotected.

40. Electronic communication and notices

- 40.1. Where the Amending Scheme requires something to be done by a certain date, the applicable deadline is midnight, English time, on that date. Where Scheme Creditors are sending communications to the Companies or the Scheme Administrators, the time of receipt will be the time of actual receipt by the Companies or the Scheme Administrators (as the case may be).
- 40.2. The Amending Scheme allows for communications to be sent electronically. The Amending Explanatory Statement, its Appendices, the Amending Scheme, the Original Scheme, the Voting Form, the Short Form Explanatory Statement, the ~~notices~~notice for the Amending Scheme Meetings and the Postal Service Request form are all being made available electronically for download via the Website at www.oicrun-offltd.com. The Companies will make available all Claim Forms using the facilities offered through the Website, and if a Scheme Creditor wishes to amend the Claim Form or make new claims, it may do so via the Website. It is also anticipated that communications between the Scheme Administrators and Scheme Creditors will be conducted primarily through documentation being made available for download using the facilities available through the Website and by electronic mail.
- 40.3. If any Scheme Creditor wishes to continue to communicate by post, they must make a Postal Service Request in accordance with the instructions in paragraph 11.3. Scheme Creditors who wish to make a Postal Service Request are encouraged to make that election as soon as possible, to ensure that they receive all relevant communications.

41. Uncashed cheques

- 41.1. The Amending Scheme provides a mechanism for dealing with uncashed and returned cheques.
- 41.2. Any uncashed cheques as at the New Effective Date and any cheque issued on or after the New Effective Date (other than in respect of the final Payment Percentage) will, if not presented within six months of the date of issue, be cancelled.
- 41.3. The funds represented by any cancelled cheques shall be available for distribution to all other Scheme Creditors and for return to NNOFIC to the extent that the funds represented by the cheque were provided by NNOFIC under and subject to the terms of the CPLA.
- 41.4. However, the Companies will retain the discretion to reissue any cheque at the written request of the Scheme Creditor concerned at any time up until the earlier of six years after the date of issue of the relevant cheque and the date the final Payment Percentage is paid by the Companies.
- 41.5. Any cheque in respect of any payment relating to the final Payment Percentage will, if not presented within six months of the date of issue, be cancelled and subject to appropriate legal and tax advice on the consequences for the Companies, any funds represented by those uncashed cheques will be either distributed by the Scheme Administrators as a further dividend or paid to one or more registered UK charities selected at the discretion of the Scheme Administrators.

42. Payments to agents and pool managers

The Companies will have the discretion to make payments to any underwriting agent of the Companies (such as holders of binding authorities, brokers' covers and line-slips) or managers of pools where the Companies have a Liability to such pools if, for example, that agent or pool manager has identified a claim but, after making reasonable efforts, neither the Companies nor the underwriting agent or pool manager is able to identify the Scheme Creditor for whom the policy was written. Any such payment will bind each underlying Scheme Creditor in respect of that Liability as if payment had been made to each of them individually.

43. Payments in respect of Assignments

- 43.1. Assignees will be entitled to receive the Payment Percentage under the Amending Scheme in respect of their assigned claims (which have not yet become Established Liabilities), subject to the following conditions:
- 43.1.1. notice of the Assignment must have been provided to the Scheme Administrators;
 - 43.1.2. the Scheme Administrators must be satisfied (having received such information and documentation as they may require in respect of the Assignment) that the Assignment was legally valid; and
 - 43.1.3. the Scheme Administrators have determined that the assigned claim is a Net Liability under the terms of the Amending Scheme.
- 43.2. Qualifying Assignees will also be entitled to receive "top-up" payments under the Amending Scheme in respect of their assigned claims (which have not yet become Qualifying Established Liabilities), subject to the following conditions:
- 43.2.1. where applicable, the Qualifying Assignee (and, where required by the Scheme Administrators, the Assignor) must have executed a Discharge Letter in respect of the assigned claims;
 - 43.2.2. the Scheme Administrators are of the opinion that the Assignment satisfies the conditions set out in paragraphs 43.1.1 and 43.1.2; and
 - 43.2.3. the Scheme Administrators have determined that the assigned claim is a Net Liability arising under a Qualifying ILU Policy under the terms of the Amending Scheme.
- 43.3. A Qualifying Assignee will not receive payment of the Qualifying ILU Policyholder Premium (see paragraph 31.1.4) if it is not, or has not been at any time, liable to pay (in whole or in part) any of the underlying Liabilities that gave rise to its claim against the Companies.
- 43.4. Where an Assignment has taken place:
- 43.4.1. any Liability of the Companies to the relevant Assignee in respect of a claim that was assigned pursuant to such Assignment shall be extinguished to the extent that either of the Companies have, in accordance with the terms of the Scheme, already made any payment in respect of the same claim to the relevant Assignor; and
 - 43.4.2. any Liability of the Companies to the relevant Assignor in respect of a claim that was assigned pursuant to such Assignment shall be extinguished to the extent that either of the Companies have, in accordance with the terms of the Scheme, already made any payment in respect of the same claim to the relevant Assignee.

G: VOTING PROCEDURE

44. Approval of the Amending Scheme

- 44.1. Before the Amending Scheme can become effective and legally binding, it must be approved by the requisite majority of Scheme Creditors at each Amending Scheme Meeting. The requisite majority is a majority in number representing not less than 75% in value of those Scheme Creditors (or class thereof) who, at each Amending Scheme Meeting, being so entitled, are present in person or by proxy and vote.
- 44.2. There will be Amending Scheme Meetings for the following classes of Scheme Creditor:
- 44.2.1. Orion:
- (a) Policyholders (other than Qualifying ILU Policyholders) with IBNR Liabilities and Notified Outstanding Liabilities;
 - (b) Policyholders (other than Qualifying ILU Policyholders) with Scheme Liabilities (other than IBNR Liabilities and Notified Outstanding Liabilities), Dual Scheme Creditors and Ordinary Creditors; and
 - (c) Qualifying ILU Policyholders.
- 44.2.2. L&O:
- (a) Policyholders (other than Qualifying ILU Policyholders) with IBNR Liabilities and Notified Outstanding Liabilities;
 - (b) Policyholders (other than Qualifying ILU Policyholders) with Scheme Liabilities (other than IBNR Liabilities and Notified Outstanding Liabilities), Dual Scheme Creditors and Ordinary Creditors; and
 - (c) Qualifying ILU Policyholders.
- 44.3. If any Scheme Creditor is a Scheme Creditor within more than one class against a particular Company then he will be entitled to vote at both meetings for that Company.
- 44.4. Qualifying ILU Policyholders and other Scheme Creditors have been placed into separate classes because of the difference between the payment arrangements for Qualifying ILU Policyholders and other Scheme Creditors. In addition, the opt out election is only available to Qualifying ILU Policyholders.
- 44.5. The Scheme Administrators will arrange for a facility to be made available for each class of Scheme Creditor where the members of that class may consult together in respect of the Amending Scheme prior to the Amending Scheme Meetings.
- 44.6. If the Amending Scheme is passed by the requisite majorities, sanctioned by the Court as referred to in paragraph 50 and an order enforcing the Amending Scheme is issued by the US Bankruptcy Court, the Amending Scheme will then become legally binding on all Scheme Creditors, even if they voted against the Amending Scheme or did not vote. The Amending Scheme will be binding regardless of whether a Scheme Creditor's Scheme Liabilities are accepted, rejected or valued as having a nominal or no value under the Amending Scheme, whether for voting or distribution purposes.
- 44.7. A notice convening the Amending Scheme Meetings on 11 December 2014 is at pages 231 and 232 of this document. That notice will, wherever possible, be advertised in the newspapers and periodicals listed in paragraph 26.2. The notice will also be published on the Website at www.oicrun-offltd.com.

45. Valuation of claims for voting purposes

- 45.1. In order to determine whether the requisite majorities for voting purposes have been reached, the Companies must be notified of the value of the claim of each Scheme Creditor who votes in person or by proxy.

- 45.2. Scheme Creditors can notify the Companies of their claim(s) for voting purposes by using the Voting Form sent with the Short Form Explanatory Statement dated 8 October 2014. Scheme Creditors requiring additional Voting Forms should either access the Website at www.oicrun-offltd.com to download blank copies, or contact the Run-off Company. Queries about Voting Forms may be directed in the first instance to the Run-off Company at the contact details set out at the beginning of this document.
- 45.3. The Voting Form (with sections for Qualifying ILU Policyholders, for other Policyholders with IBNR Liabilities and Notified Outstanding Liabilities and for other Policyholders with Scheme Liabilities (other than IBNR Liabilities and Notified Outstanding Liabilities), Dual Scheme Creditors and Ordinary Creditors) seeks an estimate of the amount of that Scheme Creditor's claims against the Companies.
- 45.4. In valuing a Scheme Creditor's claims against a Company for voting purposes at the Amending Scheme Meetings:
- 45.4.1. in respect of the classes referred to in paragraphs 44.2.1(a) and 44.2.2(a), 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) will be combined to give a single value;
- 45.4.2. in respect of the classes referred to in paragraphs 44.2.1(b) and 44.2.2(b), 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) will be combined to give a single value; and
- 45.4.3. in respect of the classes referred to in paragraphs 44.2.1(c) and 44.2.2(c), the value of that Scheme Creditor's Established Liabilities, Agreed Liabilities, Notified Outstanding Liabilities and IBNR Liabilities in respect of Qualifying ILU Policies will be combined to give a single value.
- 45.5. The amounts referred to in paragraph 45.4 will then be 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.
- 45.6. Particulars must be provided of any estimated claim(s), and will need to include details of the basis upon which any figure has been estimated. Information must be provided to enable the Chairman of the Amending Scheme Meetings to judge whether, and to what extent, such estimates of claim(s) can be accepted for voting purposes. In doing so, the Chairman may refer to the Scheme Actuarial Adviser for advice in relation to the estimated claims.
- 45.7. Where a Scheme Creditor has assigned a Scheme Liability after the date of the Winding-up Petitions, notice of that Assignment has been provided to the Companies and the Scheme Administrators are satisfied that such Assignment is legally valid, the Assignee will be treated by the Companies as the Scheme Creditor in respect of that Scheme Liability for voting purposes (but subject to any amounts that may be due to the Companies from the Assignor). ~~Where a Scheme Creditor has assigned a Scheme Liability after the date of the Winding-up Petitions and notice of that Assignment has not been provided to the Companies, the Assignor will be treated by the Companies as the Scheme Creditor in respect of that Scheme Liability for voting purposes.~~ Where both the Assignor and the Assignee submit a claim for voting purposes the matter will be referred to the Vote Assessor for inclusion in his report on the reasonableness of voting values for submission to the Court.
- 45.8. The Chairman of the Amending Scheme Meetings (who is to be one of the Scheme Administrators or such other independent person as the Scheme Administrators may nominate) will verify these claims against the Companies' records and will determine whether or not these estimates of claims are fair and reasonable before they are counted for voting purposes.
- 45.9. Even if Scheme Creditors are currently in dispute with the Companies about their claim(s), they will be eligible to vote at the Amending Scheme Meetings. Acceptance by the Chairman of a Scheme Creditor's estimate of its claim(s) for voting purposes will not affect or prejudice the Scheme Administrators' rights to dispute the claim(s) for any other purpose.

- 45.10. If agreement cannot be reached between the Company and a Scheme Creditor on the quantum of a Scheme Creditor's Liabilities for voting purposes, the matter will be referred to the Vote Assessor for inclusion in his report on the reasonableness of voting values for submission to the Court.

46. Vote Assessor

- 46.1. The Vote Assessor will be Colin Czapiewski. A summary of his qualifications and experience is set out in section H (*Appendices*). If Colin Czapiewski is unable to act as the Vote Assessor for any reason, it is proposed that his replacement be such other independent and sufficiently qualified person as the Scheme Administrators may nominate.
- 46.2. Colin Czapiewski was a partner of Lane, Clark & Peacock LLP and provided actuarial services to the Companies up until 2003 for which Lane, Clark & Peacock LLP received fees. The principal area of support was the provision of reserve information for the purposes of the Companies' statutory accounts.
- 46.3. Colin Czapiewski has also acted as a scheme adjudicator on a number of insurance schemes of arrangement involving the crystallisation of creditors' claims for which partners in PricewaterhouseCoopers LLP acted as scheme administrators.
- 46.4. The Scheme Administrators consider that Colin Czapiewski is independent of the Companies in that he has had no direct previous employment with them and will not be remunerated on any form of contingency basis.
- 46.5. The Vote Assessor will prepare a report for submission to the Court on the reasonableness of the voting values used. The Chairman of the Amending Scheme Meetings will provide the Vote Assessor with details of all votes submitted in relation to the Amending Scheme. The direction of the vote (i.e. whether the Scheme Creditor has voted for or against the Amending Scheme) will not, however, be disclosed to the Vote Assessor. The Chairman of the Amending Scheme Meetings will indicate to the Vote Assessor which votes, in his opinion, should be reviewed by the Vote Assessor including, without limitation, all votes referred to him under paragraphs 45.7 and 45.10.
- 46.6. The Vote Assessor will report his findings to the Chairman and subsequently prepare a report for the Court to be made available prior to the sanction hearing.

47. Currency conversion for voting purposes

Claims against the Companies are denominated in various currencies. In order to determine whether or not the requisite majority (as to the value of the claims of Scheme Creditors voting in favour of the Amending Scheme) has been achieved, the value of all claims of Scheme Creditors in currencies other than US Dollars will be converted into US Dollars at the mid-market rate for US Dollars published by the Financial Times as at the Valuation Date.

48. Appointing a proxy

- 48.1. Scheme Creditors of the Companies are entitled to vote at the relevant Amending Scheme Meeting(s), either in person (or, in the case of corporations, by a duly authorised representative) or by proxy (i.e. a person nominated to attend the Amending Scheme Meetings and vote on their behalf).
- 48.2. Scheme Creditors of the Companies who wish to appoint a proxy must complete the Voting Form in accordance with the instructions printed on the form. These instructions should be followed carefully, since the Voting Form may otherwise be rejected as invalid. Completion and return of the Voting Form(s) will not prevent the relevant Scheme Creditor from attending in person at the Amending Scheme Meetings.

49. Returning the Voting Form

- 49.1. In order for a Scheme Creditor to vote and have their vote counted, they must complete the estimate of their claims against the Companies on the Voting Form and ensure it is provided to the Chairman of the Amending Scheme Meetings before the vote is taken at the relevant Amending Scheme Meeting. Scheme Creditors must do this whether they intend to vote in person at the Amending Scheme Meetings or whether they intend to appoint a proxy.

- 49.2. The Voting Form may be returned by hand, post, fax or email to the Run-off Company at the address set out at the beginning of this document. Forms should be returned before noon (English time) on 10 December 2014.
- 49.3. If a Scheme Creditor returns a faxed or email copy of the Voting Form, the signed original must be received by the Companies at the postal return address of the Run-off Company set out at the beginning of this document within 7 days after the Amending Scheme Meetings (i.e. close of business on 18 December 2014) or their vote may not be counted.
- 49.4. The Voting Form may also be handed to the Chairman of the Amending Scheme Meetings before or at the start of the Amending Scheme Meetings.
- 49.5. After the Amending Scheme Meetings the votes must be checked and verified. The time required to complete this verification process will depend upon the number of votes involved and the number of outstanding original Voting Forms.
- 49.6. Additional copies of the Voting Form can be downloaded from the Website at www.oicrun-offltd.com.

50. Court sanction

- 50.1. If the Amending Scheme is passed by the requisite majorities of Scheme Creditors, the Court will be asked to sanction it. If the Court sanctions the Amending Scheme and the US Bankruptcy Court then issues an order enforcing the Amending Scheme under the US Bankruptcy Code, the Court order will be delivered to the Registrar of Companies for registration. Once the Court order is delivered, the Amending Scheme will become effective. All Scheme Creditors will then be bound by the Amending Scheme, including those who may have voted against it or who did not vote. The provisions of the Original Scheme will continue in all respects except where varied by the terms of the Amending Scheme. As soon as practicable following delivery of the Court order to the Registrar of Companies, the fact that the Amending Scheme has become effective will, wherever possible, be advertised in the newspapers and journals listed in paragraph 26.2.
- 50.2. It will also be published on the Website at www.oicrun-offltd.com.

51. Positions of key stakeholders

- 51.1. The Scheme Administrators have kept each of the PRA, the FCA, the FSCS Scheme Manager, the ILU, NNOFIC and the Creditors' Committee regularly informed and appraised of developments in the Amending Scheme process.

PRA and the FCA

- 51.2. The Companies are authorised and regulated by the PRA and the FCA. The PRA and the FCA have been kept fully informed of the Amending Scheme as it has been developed and have been given copies of all relevant documents to review. The PRA's and the FCA's review has been directed at deciding whether there are any features of the Amending Scheme which should lead them to exercise their respective powers to prevent the Amending Scheme being put to Scheme Creditors. As at the date of this Amending Explanatory Statement, on the basis of the information available to them, each of the PRA and the FCA considers that there are no such features, and has no objection to the Amending Scheme proceeding to a vote of Scheme Creditors.
- 51.3. The Scheme Administrators expect the PRA and the FCA to continue to monitor the progress of the Amending Scheme and to take account of any issues raised by Scheme Creditors, and to give their final opinion on the Amending Scheme to the Court if the votes of Scheme Creditors are successful and the Companies move to obtain sanction from the Court.

Other stakeholders

- 51.4. Each of the other key stakeholders in the Amending Scheme process (the FSCS Scheme Manager, the ILU and NNOFIC) have approved and agreed to be bound by the Amending Scheme. In addition, the Creditors' Committee (on a unanimous basis) supports the Amending Scheme.

52. Directors' interests

- 52.1. The current directors, Dan Schwarzmann, who is a partner in PricewaterhouseCoopers LLP, and Paul Evans receive no remuneration from the Companies in their capacities as directors of the Companies.
- 52.2. Neither of the directors will receive any remuneration, compensation or incentives as a result of the successful implementation of the Amending Scheme or under the terms of the Amending Scheme itself.
- 52.3. Neither of the directors has any direct or indirect shareholdings in either of the Companies or any of its subsidiaries.
- 52.4. The directors are also the Scheme Administrators of the Companies. PricewaterhouseCoopers LLP are in receipt of fees for the provision of services to the Scheme Administrators under the Original Scheme. PricewaterhouseCoopers LLP will receive fees for the provision of services to the Scheme Administrators under the Amending Scheme.

Dated 8 October 2014

H: APPENDICES

Draft Claim Form and Draft Claim Form Guidance Notes	85
Curriculum vitae of the Scheme Actuarial Adviser	111
Curriculum vitae of the Scheme Adjudicator	112
Curriculum vitae of the No Notice Adjudicator	113
Curriculum vitae of the Vote Assessor	114
Curriculum vitae of the Individual Claimant Representative	115
List of Creditors' Committee members	116
Documents available for inspection	118
Summary table of Amending Scheme changes	119

H: APPENDICES
DRAFT CLAIM FORM AND DRAFT CLAIM FORM GUIDANCE NOTES

**OIC RUN-OFF LIMITED ("OIC") AND THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED ("L&O")
 AMENDING SCHEME OF ARRANGEMENT ("AMENDING SCHEME")**

FORM A: SIGNING FORM

Scheme Creditor name (note 1):

Scheme Creditor reference (note 2):

Scheme Creditor address:.....

Contact name (note 1):

Contact telephone number:

E-mail address (note 1):

To be signed by a duly authorised individual on behalf of the Scheme Creditor. If you are the duly authorised representative, agent or attorney of the Scheme Creditor enter the capacity in which you have signed the form (for example director, partner, agent and/or attorney) below.

You should read the Claim Form, instructions and Claim Form Guidance Notes carefully. Failure to follow the instructions and guidance set out in those documents may result in a claim being rejected in whole or in part. A signature on this form shall constitute the giving of a warranty that the signatory has been duly authorised by the relevant Scheme Creditor to sign the form on its behalf.

Print name:	Signed:	Position:	Date:
	Authorised Employee / Agent / Attorney / Other (please specify) (note 3)		

NOTES:

- (1) Enter the name and address of the Scheme Creditor and provide details of a contact name and **e-mail** address in block capitals.
- (2) The Scheme Creditor reference number should have been provided to you either included on correspondence or by the OIC Help Desk. If you do not have a reference number, please contact the OIC Help Desk.
- (3) Please sign and date the form when you have completed all of the Claim Form. This should be signed by an authorised person from within your organisation. Please confirm your exact capacity by deleting the descriptions which do not apply (Authorised Employee / Agent / Attorney / Other (please specify)).

FORM B: SUMMARY CLAIM FORM

Scheme Creditor name:	Scheme Creditor reference:
-----------------------	----------------------------

All values owing by OIC/L&O should be entered as a negative amount.

Currency of claims (note 1)	Agrees (A) (note 2)	Notified Outstanding Liabilities (B) (note 3)	IBNR Liabilities (Non-Qualifying Liabilities) (C) (note 4)	IBNR Liabilities (Qualifying Liabilities) (C) (note 4)	Total (D) A+B+C=D	Unpaid Ledger Balances (E) (note 5)	Gross Liabilities D+E
Total USD Equivalent (note 6)							

NOTES: Form B: Summary Claim Form

- (1) **Currency of claims:** Enter the relevant currency code as detailed in Appendix A or enter "Other" and use the relevant exchange rate applicable as at the Valuation Date from the UK edition of the Financial Times.
- (2) **Agreeds:** Those Established Liabilities and Agreed Liabilities that have been agreed by the Companies.
- (3) **Notified Outstanding Liabilities:** All claims in respect of losses reported to or discovered by you but which have not become an Established Liability or an Agreed Liability.
- (4) **IBNR Liabilities:** An incurred but not reported claim arising under or in respect of an Insurance Contract for the amount payable by one or both of the Companies in respect of a loss which has been incurred but has not been reported to or discovered by a Scheme Creditor plus the amount payable in respect of a general excess over Notified Outstanding Liabilities, to the extent that the current estimates of claims included as Notified Outstanding Liabilities may prove to be inadequate.
Split the IBNR Liabilities between non-Qualifying Liabilities and Qualifying Liabilities according to the policies against which you are claiming IBNR Liabilities. To identify the difference between non-Qualifying ILU Policies and Qualifying ILU Policies, refer to the User Guide on the Website or contact the OIC Help Desk.
Enter the values only in the Total USD Equivalent row and provide any supporting information in accordance with the Estimation Guidelines and Supporting Evidence guidance (Appendices 2 and 3 of the Amending Scheme respectively).
- (5) **Unpaid Ledger Balances:** These are agreed claims which either relate to non-insurance items or cannot be allocated to a specific insurance contract.
- (6) **Total USD Equivalent:** Enter the overall total for each column once you have converted the total for each currency into USD using the rate of exchange in Appendix A.

FORM C: NEW POLICIES

(1) Scheme Creditor name:		(2) Scheme Creditor reference:			
Ref (note 1)	Company (note 2)	Policy reference (note 3)	OIC/L&O policy reference (note 4)	Broker reference (note 5)	Supporting documentation (note 6)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

NOTES: Form C: New Policies

Use this form to advise the Companies of any policies not provided by the Companies on the Claim Form and for which you wish to claim for Agreed Liabilities, Notified Outstanding Liabilities and/or IBNR Liabilities.

- (1) **Ref:** This is a sequential reference number, one for each row of data.
- (2) **Company:** The name of the company insured or reinsured by the policy.
- (3) **Policy reference:** The reference number entered on the policy documentation.
- (4) **OIC/L&O policy reference:** Enter the internal OIC/L&O policy reference used by the Companies, if known.
- (5) **Broker reference:** The unique reference number provided by the broker who placed the policy.
- (6) **Supporting documentation:** Detail the documents you are providing in support of the policies, for instance, cover note, slip or policy wording. The Companies will then verify the documentation before agreeing and processing any claims submitted that attach to those policies.

FORM D: DETAILED CLAIM FORM

Scheme Creditor name:	Scheme Creditor Reference:	Group Share / Scheme Share (note 1)	Currency
-----------------------	----------------------------	-------------------------------------	----------

All values owing by OIC/L&O should be entered as a negative amount.

Ref (note 2)	Your policy ref (note 3)	OIC/L&O policy ref (note 4)	Major loss (note 5)	Claim description (note 6)	Loss date (note 7)	LPC broker ref (note 8)	LPC closing ref (note 9)	Agreed Liabilities (note 10)	Notified Outstanding Liabilities (note 11)
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									
11									
12									
13									
14									
15									
16									
17									
18									
19									
20									

NOTES: Form D: Detailed Claim Form

Use this form to advise the Companies of:

- (i) any Agreed Liabilities not detailed on the Claim Form provided by the Companies. If you wish to advise the Companies of any amendments to Agreed Liabilities on the Claim Form already provided by the Companies, please do this on that Claim Form, detailing which information is incorrect, insert the correct details and attach the supporting information; and
- (ii) all Notified Outstanding Liabilities for which you wish to make a claim.

Use a separate form for each original currency for which you wish to submit claims.

- (1) **Group Share / Scheme Share:** This relates to situations in which the Companies wrote business as part of a pooling arrangement and therefore claims are in part payable by pool members other than the Companies. Indicate whether you are calculating claims values at a group share (all pool companies) or scheme share (OIC/L&O only) level. This choice should apply to all claims. Do not choose the group share level for some claims and scheme share level for other claims. If the pooling arrangement did not apply you may leave this section blank.
- (2) **Ref:** This is a sequential reference number, one for each row of data.
- (3) **Your policy ref:** The reference number entered on the policy documentation. If applicable, this should be the same as the policy reference entered on Form C New Policies.
- (4) **OIC/L&O policy ref:** If you have ever been provided with an internal OIC/L&O policy reference used by the Companies, please enter it here.
- (5) **Major loss:** Refer to Appendix B in order to select the appropriate "major loss" for this field or, if none apply, enter the word "None".
- (6) **Claim description:** Enter a brief description of the claim.
- (7) **Loss date:** Enter the date of loss for the claim.
- (8) **LPC broker ref:** If the claim has been processed through the LPC (the London Processing Centre, now Xchanging), enter the broker reference assigned by the LPC.
- (9) **LPC closing ref:** If the claim has been processed through the LPC, enter the closing reference assigned by the LPC.
- (10) **Agreed Liabilities:** Insert the value of any Agreed Liabilities that have not been included on the Claim Form by the Companies. If applicable, values should be entered at either the group share level or scheme share level depending on your selection as described in note 1 above.
- (11) **Notified Outstanding Liabilities:** Insert the value of any claims in respect of losses reported to or discovered by you but which have not become an Established Liability or an Agreed Liability. If applicable, values should be entered at either the group share level or scheme share level depending on your selection as described in note 1 above.

FORM E: UNPAID LEDGER BALANCES

Scheme Creditor name:	Scheme Creditor reference:	Currency:
-----------------------	----------------------------	-----------

All values owing by OIC/L&O should be entered as a negative amount.

Ref (note 1)	Company (note 2)	Signing date (note 3)	Lead broker (note 4)	Amount (note 5)	Transaction type/description (note 6)
1					
2					
3					
4					
5					
6					
7					
8					
9					
10					
11					
12					
13					
14					
15					
16					
17					
18					
19					
20					

NOTES: Form E: Unpaid Ledger Balances

Please use this form to provide details of any agreed claims which relate to non-insurance transactions or cannot be allocated to a specific policy.

- (1) **Ref:** This is a sequential reference number, one for each row of data.
- (2) **Company:** The name of the Company to which the transaction relates.
- (3) **Signing date:** If applicable, the date the transaction was processed by a bureau.
- (4) **Lead broker:** If applicable, the broker or intermediary that processed the transaction.
- (5) **Amount:** Amount in its original currency.
- (6) **Transaction type/description:** Details of the transaction.

GENERAL INSTRUCTIONS FOR THE COMPLETION OF CLAIM FORM

1. Scheme Creditors

If you are a Scheme Creditor with amounts owing by the Companies you will be provided with a pre-populated Claim Form which includes Established Liabilities, Agreed Liabilities and certain policy information according to the Companies' records. This can also be provided electronically (please contact the OIC Help Desk at the number overleaf for an electronic copy). If you have reinsured the Companies you will also be provided with all unpaid agreed claims in the Companies' records for your information.

If you are a Scheme Creditor for which the Companies have no record of there being any amounts owing to you please use this pro-forma blank Claim Form to advise the Companies of any claims (Agreed Liabilities, Notified Outstanding Liabilities and IBNR Liabilities) and their related policies which you wish to submit.

2. Claim Form

The Claim Form consists of five forms as follows:

Form A: Signing Form	Complete only one form for your claim.
Form B: Summary Claim Form	Fill out this summary form for the total for which you are claiming split by currency with a total in US\$ equivalent as per the exchange rates listed in Appendix A.
Form C: New Policies	List all new policies which are not already listed and under which you wish to submit claims. Include details of the supporting documentation, e.g. cover, slip, policy wording, etc. which you are providing as evidence of you being insured and/or reinsured (as the case may be) by the Companies.
Form D: Detailed Claim Form	Include all claims that are not already listed.
Form E: Unpaid Ledger Balances	Provide information of other transactions owing to you by the Companies, e.g. expert fees.

3. Claim Form values

Only claims against the Companies at a gross level should be entered on the Claim Form with no reduction for scheme dividends already paid, time value of money discount or amounts owed to the Companies. Once the Claim Form has been received and agreed, adjustments will be made for any amounts owing to the Companies (including reinsurance and premiums) and the time value of money to arrive at a Net Liability.

Supporting documentation for any Agreed Liabilities not shown on a pre-populated Claim Form must be sufficient to enable the Companies to agree those claims. Supporting documentation for Notified Outstanding Liabilities and IBNR Liabilities should be in accordance with the Estimation Guidelines and the Supporting Evidence guidance (Appendices 2 and 3 of the Amending Scheme respectively).

Values due to you from the Companies should be entered using a negative number.

4. Crystallisation statements

Once all of the Claim Forms have been processed a crystallisation statement will be provided to you. You will be asked to confirm that you agree with the amount of your claim set out on that statement. This amount will include deductions for amounts owing to the Companies, any time value of money discount and any applicable scheme dividends already paid. If applicable, details of the amount of the Qualifying ILU Policyholder Premium will also be provided.

5. Return of the Claim Form (when not using the Website)

The Claim Form and all relevant supporting documentation must be signed and returned to the Run-off Company on or before the Bar Date, which is [XXXX] 2015.

You may post, ~~e-mail~~email or fax your signed Claim Form to Armour Risk Management Limited using the details below:

Post: Armour Risk Management Limited
20 Old Broad Street
London
EC2N 1DP
United Kingdom

~~E-mail~~Email: oiclosurehelpdesk@armourrisk.com

Fax: +44 (0)20 7382 2001

Alternatively, the signed Claim Form may be sent to the Scheme Administrators by post to the Run-off Company c/o Armour Risk Management Inc, 1880 JFK Boulevard, Suite 801, Philadelphia PA 19103, USA.

If you have any questions or need help with filling out the Claim Form, please contact the OIC Help Desk on +44 (0)20 7382 2020.

Claim Forms returned by fax or by ~~e-mail~~email will only be accepted if they are legible.

If a Scheme Creditor does not submit its Claim Form together with the supporting documentation in accordance with the instructions accompanying the Claim Form and the Claim Form Guidance Notes by the Bar Date, that Scheme Creditor's claim will be limited to those Established Liabilities and Agreed Liabilities, if any, appearing on its pre-populated Claim Form.

Appendix A: Exchange rate conversion to US Dollars

Code	Currency	Rate per 1 US Dollar at 31 December 2013
AED	United Arab Emirates Dirhams	3.6730
AUD	Australia Dollars	1.1178
BHD	Bahrain Dinars	0.3770
BMD	Bermuda Dollars	1.0000
BRL	Brazil Reais Reals	2.3593
CAD	Canada Dollars	1.0625
CHF	Switzerland Francs	0.8894
CNY	China Yuan Renminbi	6.0539
DKK	Denmark Kroner	5.4141
EGP	Egypt Pounds	6.9486
EUR	Euro	1.3780
GBP	United Kingdom Pounds	1.6563
HKD	Hong Kong Dollars	7.7538
ISK	Iceland Kronur	115.4500
JPY	Japan Yen	105.105
KRW	South Korea Won	1055.35
KWD	Kuwait Dinars	0.2824
NOK	Norway Kroner	6.0669
NZD	New Zealand Dollars	1.2150
PLN	Poland Zlotych	3.0175
QAR	Qatar Riyals	3.6412
RUB	Russia Rubles	32.8600
SAR	Saudi Arabia Riyals	3.7505
SEK	Sweden Kronor	6.4226
SGD	Singapore Dollars	1.2626
TRY	Turkey Lira	2.1485
USD	United States Dollars	1.000
VEF	Venezuela Bolivares Fuertes	6.2921
ZAR	South Africa Rand	10.4738

Appendix B: Major loss codes

1. Policies in relation to OIC (other than the HUG pool, Commercial Run-Off and Personal Lines) and L&O (other than Pre-1969 L&O Policyholders)

Major loss code	Major loss description
C0001	Hurricane bess
C0002	Hurricane carmen
C0003	Hurricane tracy
C0004	Collision edgar m queeny/corinthos
C0005	Dp 1 sinking of jacket
C0006	Mediterranean storms at palermo
C0007	New south wales storms 250574-270574
C0008	Hamburg floods 020176-040176
C0009	U.s.tornadoes 020474-040474
C0010	N.sea storms excl hamburg floods 020176-040176
C0011	Australian floods 250174-270174
C0012	G floods indivisible 020176-040176
C0013	Salem oil loss
C0014	Hurricane allen
C0015	Storms off algeria
C0016	Asbestosis pi/bi claims all years
C0017	Iran/iraq war detention losses
C0018	D.e.s.calims (diethylstilbestrol)all years
C0019	Hurricane alicia 17.8.83-20.8.83
C0020	D.d.t. Claims all years
C0021	Occidental petroleum claims all years
C0022	Agent orange claims all years
C0023	Pollution claims ex c0021/c0025/c0026 all years
C0024	1984 iran/iraq gulf losses
C0025	Charter oil co claims all years
C0026	Shell oil co claims all years
C0027	Asbestosis/silicosis joint claims all years
C0028	Asbestos bi/pi clms -facility surcharge all years
C0029	Silicosis claims all years
C0030	Asbestos facility accelerated cash flow all years
C0031	Typhoon ellen
C0032	Us winter freeze 17.12.83-30.12.83
C0033	Munich hail storm
C0034	Mexican earthquake
C0035	Radiation claims all years
C0036	Asbestos property claims all years
C0039	Occidental petroleum peruvian govt
C0040	Severe windstorms uk & europe
C0041	Storms at ensenada mexico
C0042	Products liability
C0043	Breast implants
C0044	Occidental petroleum (piper alpha) north sea
C0045	Barcelona,seawise giant,burmah endeavour
C0046	Asbestosis claims resolution fees all years
C0047	Hurricane juan
C0048	Hearing loss all years
C0049	Belco petroleum corp peruvian govt nationalization
C0050	Exxon valdez -oil pollution prince william sound
C0051	Black lung all years
C0052	10.9.89-25.9.89 hurricane hugo-tropical from 22/9
C0053	San francisco earthquake + 1 wk after shock 241089
C0054	Fire escape & gas explosion (phillips petroleum)
C0055	Hurricane jerry,gulf of mexico,texas
C0056	Storms -uk,holland & denmark cat 90a
C0057	Storm/floods uk & europe 310190-040290
C0059	Storms uk & europe 260290-020390
C0060	First party pollution losses only
C0061	Subsidence salt mine case all years

Major loss code	Major loss description
Co062	Pollution reinsurance involvement
Co063	Kuwait/iraq dispute confiscation/detention 2/8/90
Co064	19/3/89 arco platform - baker & echo 60 b&e
Co065	Pollution r/i london representation(relates coo62)
Co066	Pollution r/i defence expense (relates coo62)
Co067	Pollution london representation (relates coo23)
Co068	Pollution defence expense (relates coo23)
Co070	Olin corp pollution claims nmne all years
Co072	Asbestos d4 nmne all years
Co073	Sarabond nmne all years
Co074	Tetracycline claims nmne all years
Co075	G8 nmne all years
Co076	Pollution nmne all years
Co077	Non asbestos nmne all years
Co078	18-20/8/91 hurri bob torando/flooding nth carolina
Co079	Lead poisoning all years
Co080	Cyclone ian - west coast of australia
Co081	Health hazard - non marine only all years
Co082	5 vsls belonging to s.n.a.v dmged by heavy weather
Co083	23-28/8/92 'hurricane andrew' - gulf of mexico
Co084	Typhoon fred -south china seas losses
Co085	Hurricane gilbert
Co086	Typhoon colleen
Co087	Hurricane iniki,pacific ocean,hawaiian islands
Co088	Wind,hail,tornadoes-texas,oklahoma & nthn states
Co089	Cyclone orson off nw australia
Co090	Typhoon mireille - japan
Co091	Tornadoes/flooding-texas,louisiana,etc
Co092	H/w in spain,france & portugal
Co093	Typhoon lynn-sth china seas-taiwan
Co094	Asbestos named/not named project all years
Co095	Typhoon mike - philippines
Co096	Typhoon 'gay' thailand & india
Co097	Golden trader collision
Co098	Cyclone ofa/south pacific
Co099	Bad weather nth sea
Co100	Federal skeena collision,indonesia
Co101	Typhoon thelma south korea
Co102	Hesperus c/w sea spirit
Co103	Moby prince c/w agip abruzzo
Co104	Shane kincaid/z jackson-road accident,oklahoma
Co105	Typhoon abe - china seas
Co106	'Columbia new york'c/w'turecamo boys'
Co107	Cyclone val - sth pacific
Co108	New york - severe storms & floods
Co109	Los angeles riots
Co110	New orleans warehouse fire
Co111	D.b.c.p. (pesticide) related claims
Co112	Fire at denver stapleton apt
Co113	Typhoon ellie - pacific ocean
Co114	Bourbon platform
Co115	Columbine struck avondale drydock & sank
Co116	Jesky ace/chia wei collision in rough seas,w.korea
Co117	Collision of vsls in st lawrence seaway
Co118	Tropical Tropical cyclone affecting bay of bengal/bengladesh
Co119	VsIs detained @ liberia & dng by rebels
Co120	VsIs barauni c/w umm al roos off dubai
Co121	Us bpmbing raids - libya
Co122	Damage to sonat 18'pipeline
Co123	Derailment caused pollution in sacramento river
Co124	Stena freighter c/w seiryu in yucatan channel
Co125	Typhoon judy - japanese seas
Co126	Collision between olympic dream & august thyssen

Major loss code	Major loss description
C0127	Collision between n588db & cgfbx helis,niagra fall
C0128	Collision between vessels nawaf and act 8
C0129	Grounding of vs'louisiana brimstone'
C0130	Crsh-c-fbhy bell 204b in hay river base,n.w.canada
C0131	Crsh of zkevk-mnt aspiring natl park,new zealand
C0132	Electro magnetic field claims
C0133	'Peruvian reefer'c/w'atlantic stream',helsingborg
C0134	Panay sampaguita c/w platform g5-382(amoco)gulf su
C0135	Warehouse fire,contents contaminated,washington,us
C0136	Oil spill at los angeles
C0137	Tobacco related losses
C0138	Carpel tunnel syndrome all years
C0139	L&o p miscellaneous
C0140	Policy buy back - all departments
C0141	Asbestos related losses non product only
C0143	Pollution - environmental protection agency
C0144	Galaxy-n5532 crshd after t/o reno,nevada
C0145	Iberia-ecddu,crshd on mt.oiz,on appr.bilbao,148fax
C0146	Uta-fgdua,fire during cleaning @ charl de gaul apt
C0147	Air india-vtefo crshd into ocean off coast ireland
C0148	Delta-n726da,tristar crshd short of r/w @ dallas
C0149	Japan a/ls-ja8119 crshd into mtn after t/o
C0150	Ariane-ecsiii & spacenet sats destrdy after lauch
C0151	Air france-fgebc under-carriage collapsd o/l rio
C0152	Arrow air-n950jw crshd on t/o @ gander,newfoundlnd
C0153	Korean a/ls-hl7442 shot dwn by rusian acft,sakhln
C0154	Avianca-hk2910x b747 crshd on lndng,madrid
C0155	Hurricane elena-various damages(30.08.85-3.9.85)
C0156	Hurricane gloria - various damages
C0157	Nrthwst a/ls-n312rc,crshd t/o detroit apt,michigan
C0158	Contl a/ls-n626tx flippd over,26 fax,denver(cat87k
C0159	Sth african a/ls-zssas crshd indian ocean-mauritus
C0160	Pac sth wst a/ls-n350ps crshd @ paso robes,calif
C0161	Uk winter freeze-10/18.1.87-vars losses-(cat 87a)
C0162	Hoechst celanese-fire/explosn @ pampa,texas
C0163	Air france-n4506h,gear collapse t/o delhi apt,fire
C0164	Pan am-n739pa,crshd over lockerbie,259 fax-nth sea
C0165	Shell oil-explosn @ norco refinery-louisiana
C0166	Ocean odyssey-blowout/fire on block 22/30b fulmar
C0167	Rowan gorilla 1,jack/up mobile drilling unit sank
C0168	Brit midlnd-gobme crshd alongside m1(woodward gov'n
C0169	Indpdnt air-n7231t,crshd mtn o/l santo maria azor
C0170	Flying tiger-n807ft crshd hil nr kuala lumpa,4 fax
C0171	Utd a/ls-n1819u engne explo/mech fail,sioux citytl
C0172	Korean air-hl7328,undrshot r/w,tripoli apt,libya
C0173	Uta,n54629,terrst atck,bomb explo.crshd niger(af
C0174	Air honduras,sahsa,n88705 crshd teguligpa hondura
C0175	Us winter freeze-estn seaboard/wst texas (cat 24)
C0176	Newcastle earthquake australia(new sth wales)
C0177	Atlantic richfield-explo/fire(channel view)texas
C0178	Monarch of seas-fire in cabin,located on deck no.3
C0179	Avianca-hk2016,8 crew,65 fax + 85inj,d,jfk apt-t/l
C0180	Indian a/ls,vtepn,crshd short r/w,bangalore,india
C0181	Caac-hijacked,b2510 crshd @ guangzhou apt,china xi
C0182	Atlantic richfield-heat exchangers dmgd bayprt,tex
C0183	Tuxpan - vessel sunk due to heavy weather
C0184	Equitas commutation
C0185	Herald of free enterprise - capsized at zeebrugge
C0186	Bp refinery - grangemouth explosion and fire
C0187	Glacier bay - struck submerged object alaska
C0188	Bp refinery - explosion at zwinjdrecht antwerp
C0189	Hercules l382g - shot down by missile (zimex)
C0190	Honda europe - fire dmge to cars (whse ghent)

Major loss code	Major loss description
C0191	Pivot - attacked and set on fire
C0192	Havglimt - attacked by iranian gunboats 2 killed
C0193	Haven - attacked by iranian gun boat
C0194	Well en-19 d-rjs enchovea plat1 - blowout and fire
C0195	Reijin - car carrier ran aground south of oporto
C0196	Treasure saga well 2/4-14 - out of control
C0197	Chevron corp - expl & fire richmond ref california
C0198	Al baz - blowout, fire & rig capsized, off nigeria
C0199	N416us - acft crashed after aborted t/o (us air)
C0200	Sally albatross - fire on board in drydock
C0201	Hand luggage expl @ manila apt
C0202	Kuwait/iraq dispute br airways hull losses only
C0203	Kuwait/iraq dispute br airways liab losses only
C0204	Kuwait/iraq dispute loss of 15 kuwait acft only
C0205	Amoco cadiz - stranded off brittany
C0206	Failure of foam insulation @ avondale
C0207	West venture well no 91 - blowout at sable is. Zap
C0208	Pan-am and klm crash at tenerife t/l of 747's
C0209	N110aa dc10 (american a/l) crashed @ o'hare apt ch
C0210	Nedlloyd hoom nb 905 fire
C0211	Vermi well no2 blow out
C0212	Ecdeg dc10 (spantax sa) crashed & burst into flame
C0213	Salm thistle field - broke adrift & damaged leg
C0214	Ocean ranger - semi sub drllg plat sunk in heavy w
C0215	Fire 'roger'
C0216	Injury to starkeiser da silva matos pires o/v 'fro
C0217	Castillo de bellver total loss of oil & vessel
C0218	Seawise university - fire at hong kong
C0219	Parker & parsley -fracturing of wells(baker hughes
C0220	American trader - oil spill off huntington beach,c
C0221	General dynamics - various workers compensation
C0222	Goodwyn 'a' - damage to primary piles
C0223	Sun corp - freeze losses
C0224	Vermillion block rig no 8 - blowout & fire louisia
C0226	WCA claims l & o 1969 & prior only
C0227	Clergy abuse / child molestation claims
C0228	C.A.A. Grounded all b737-400s due to engine proble
C0229	WCA claims - aviation and marine (all years)
C0230	Andina coffee losses

2. Policies in relation to Pre-1969 L&O Policyholders

Major loss code	Major loss description
A0001	ASBESTOS
A0002	HEALTH HAZARDS – BREAST IMPLANTS
A0003	HEALTH HAZARDS – DDT
A0004	HEALTH HAZARDS – DES
A0005	HEALTH HAZARDS – AGENT ORANGE
A0006	HEALTH HAZARDS
A0009	NON APH
A0010	POLLUTION

3. Policies in relation to HUG Pool

Major loss code	Major loss description
H0001	ASBESTOS
H0002	HEALTH HAZARDS – BREAST IMPLANTS
H0003	HEALTH HAZARDS – DDT
H0004	HEALTH HAZARDS – DES
H0005	HEALTH HAZARDS – AGENT ORANGE
H0006	HEALTH HAZARDS
H0009	NON APH
H0010	POLLUTION

4. Policies in relation to Commercial Run-Off and Personal Lines

Major loss code	Major loss description
W0001	ASB - ASBESTOSIS
W0002	ARB – ASBESTOS RELATED CONDITION
W0003	BRO – CHRONIC BRONCHITIS
W0004	ID DFN – INDUSTRIAL DEAFNESS
W0005	DPT – DIFFUSE PLEURAL THICKENING
W0006	LEU - LEUKEMIA
W0007	MES - MESOTHELIOMA
W0008	PLP – PLEURAL PLAQUES
W0009	VWF – VIBRATION WHITE FINGER
W0010	MIS - MISCELLENOUS
W0011	AST - ASTHMA
W0012	NIHL – NOISE INDUCED HEARING LOSS

Draft Claim Form Guidance Notes

These notes set out a description of the Website menus which support the completion of the Claim Form and details of the data fields which must be confirmed, amended or completed in order for the Claim Form to be submitted as described in the Amending Scheme.

Scheme Creditors are encouraged to complete the information required using the Website where they will find a User Guide to ensure that the information is completed accurately.

Scheme Creditors may, as an alternative, request paper copies of Claim Forms. If this option is taken, the Run-off Company will enter the data provided and the Scheme Creditor will be asked to review and confirm the content of the Claim Form.

Some of the information is provided to assist Scheme Creditors in agreeing and reconciling the information the Companies hold in their own books and records.

Some of the information is required in accordance with the Estimation Guidelines. If Scheme Creditors do not provide all the information required by the Scheme Actuarial Adviser, this may prejudice the amount estimated for Notified Outstanding Liabilities and IBNR Liabilities under the Estimation Guidelines.

1. Quick launch bar

The quick launch bar provides details of the number of days until the Bar Date, the Scheme Creditor's current opt out status and hyperlinks to other areas of the Website. This bar can be collapsed and reopened as required.

2. Claim Form summary

This page summarises the Gross Liabilities of the Scheme Creditor based on the information provided by the Companies and subsequently amended by the Scheme Creditor. The value fields for Agreeds, Notified Outstanding Liabilities, IBNR Liabilities and Unpaid Ledger Balances are hyperlinked to their respective screens. Where any of these hyperlinks are followed, the list presented will be filtered to contain only the items which contribute to that summary balance. It also provides an opt out filter to enable a review of the impact on claims values to be undertaken.

3. Submit Claim Form summary

In order to submit the Claim Form, the Scheme Creditor must collapse the quick launch bar and choose the "Submit All" option, where they will be requested to supply certain credentials including their login ID details. This is where Qualifying ILU Policyholders can elect to opt out of the crystallisation and payment provisions of the Amending Scheme with respect to all of their Qualifying ILU Policies.

4. Your Account Section

4.1. Update address

This page provides the contact details held by the Companies for the Scheme Creditor and can be amended by the Scheme Creditor for any necessary changes. When the Scheme Creditor logs on to the Website, it will be presented with this page and asked to confirm or update the details shown.

4.2. Download payment request

This page allows the Scheme Creditor to provide payment details to enable Scheme payments to be made by electronic funds transfer or cheque.

4.3. Submission and opt out history

This page allows the Scheme Creditor to examine the status of its Claim Form submission(s).

4.4. Scheme Creditor option settings

This page allows the Scheme Creditor to select whether to view the Claim Form data at a scheme share or group share level.

5. Contact us section

This section provides the Scheme Creditor with contact details for the Scheme Administrators and the Run-off Company. Details of the Scheme Creditor Website login ID should be provided with all correspondence.

6. Help section

This section provides access to help documentation to assist the Scheme Creditor in completing the Claim Form on the Website.

7. Inwards Claim Form menu

7.1. Claims

This page lists the claims as recorded in the Companies' books and records and allows the Scheme Creditor to confirm or amend those claims or add additional claims. New claims can be added either from here or from the Amend Policy screen. Clicking on the hyperlink from the claims closing reference will open individual claim details where the following fields are required to be checked, amended or completed:

Field name	Description
Company ID	The internal reference used by the Companies. This cannot be amended.
Company	The name of the company insured or reinsured by the policy. This cannot be amended.
Your reference	This will display any reference the Scheme Creditor has added to the policy.
Claim sequence number	This is a system generated number. This cannot be amended.
OIC Policy Reference	The internal reference number for the policy used by the Companies. This cannot be amended.
Claim closing reference	A unique internal reference number. This cannot be amended. All claims added by the Scheme Creditor will be assigned a reference of "Added".
Book name	Can be either: (1) OIC General Scheme and L&O 1969 & Post General Scheme; (2) L&O 1968 and prior; (3) L&O 1968 & Prior Constructed; (4) OIC/HUG Pool; (5) OIC/L&O Qualifying Scheme; (6) Commercial Run-Off; or (7) Personal Lines. This cannot be amended.
Currency	This is the original currency of the claim. This can only be updated for additional claims.
Major Loss	The major loss. This can only be updated for claims added by the Scheme Creditor, or for all claims with a Book Name of L&O 1968 & Prior, L&O 1968 & Prior Constructed or OIC/HUG Pool.
Loss Date	This shows the date of loss for the claim. This can only be updated for claims added by the Scheme Creditor.
Casualty Name	A short description of the casualty. This cannot be amended.
LPC Broker Reference	This can only be updated for claims added by the Scheme Creditor.
LPC Closing Reference	This can only be updated for claims added by the Scheme Creditor.
Agreeds (Scheme)	The gross value of claims that have been agreed at the OIC scheme share level. Defined as "Established Liabilities" plus "Agreed Liabilities" at the Companies' scheme share level. Can only be amended if "Scheme Share" is selected on the Scheme Creditor Options Settings screen.
Agreeds (Group)	The gross value of claims that have been agreed at the Companies' group share level. Defined as "Established Liabilities" plus "Agreed Liabilities" at the Companies' group share level. Can only be amended if "Group Share" is selected on the Scheme Creditor Options Settings screen.

Field name	Description
Outstanding Losses (Scheme)	Notified Outstanding Liabilities at the Companies' scheme share level. Can only be entered if "Scheme Share" is selected on the Scheme Creditor Options Settings screen.
Outstanding Losses (Group)	Notified Outstanding Liabilities at the Companies' group share level. Can only be entered if "Group Share" is selected on the Scheme Creditor Options Settings screen.
Description	This is a brief description of the claim. This can only be updated for claims added by the Scheme Creditor.

7.2. Policies

This page lists the Scheme Creditor's policies which are recorded within the Companies' systems and to which claims may apply. If a policy is not included on the list, click on the "Request Policy" button to request that it be loaded on to the Claim Form, whereupon a message will be sent to the Run-off Company.

Clicking on the hyperlink from "OIC Policy Ref" button will open the individual policy record, which includes the following fields to be checked, amended or completed:

Field name	Description
Company ID	The internal reference used by the Companies. This cannot be amended.
Company Name	The name of the company insured or reinsured by the policy. This cannot be amended. If it is incorrect please contact the Run-off Company to request that this field be updated.
Underwriting Year	The Companies' underwriting year. This cannot be amended. If it is incorrect please contact the Run-off Company to request that this field be altered.
Currency	Currency in which the policy limits are stated. All original currency limits and deductibles have been converted to US Dollars ("US\$").
Class	The class of business for the policy. This cannot be amended.
Stamp*	The underwriting stamp companies and their respective shares for the policy.
OIC Policy Ref	The internal reference number for the policy used by the Companies. This cannot be amended.
LPC Policy Ref	LPC policy reference. This cannot be amended.
Book Name	Can be either: (1) OIC General Scheme and L&O 1969 & Post General Scheme; (2) L&O 1968 and prior; (3) L&O 1968 & Prior Constructed; (4) OIC/HUG POOL; (5) OIC/L&O Qualifying Scheme; (6) Commercial Run-Off; or (7) Personal Lines. This field cannot be amended.
Transaction Entry Level	This is set to "Scheme Share" or "Group Scheme" depending on what was entered in the Scheme Creditor Option Settings.
Signed Line % (Scheme)*	The Companies' share of order at the Companies' scheme share level. This cannot be amended.
Signed Line % (Group)*	The Companies' share of order at the Companies' group share level. This cannot be amended.
Broker reference	Provided to assist in identification of policies (if available).
Your reference	Enter your reference. This field is displayed on the claims list to assist identification.

Field name	Description
Insured Name	The original insured name on the policy.
Lead Broker	The lead broker for the policy.
Inception Date	The coverage start date for the policy.
Expiry Date	The coverage end date for the policy.
Policy Type	Policy type description (Direct or Reinsurance).
Policy Transaction Entry Level	This is the transaction entry level for the policy and can be set to "Scheme Share" or "Group Share".
Market Policy Reference	Market Policy reference (if available).
Limit	The claim limit for the policy in US\$.
Deductible	The deductible or excess point for the policy in US\$.
Order %	The order percentage. For the OIC/HUG Pool Book Name, this relates to the OIC share of the HUG Pool.
Signed Line disputed	Check this box to indicate that the signed line is disputed. If this box is checked, once the policy is saved a message will be sent to the Run-off Company.
Costs Inclusive	Check "Yes" to indicate that defence costs are included in the limits. Leave blank if the defence costs are in addition to the stated limits.
Number of Reinstatements	The number of reinstatements available under the policy (99 = unlimited).
SIR (Self Insured Retention) and/or Primary Coverage	In some cases a direct or facultative policy will be subject to a self-insured retention or primary coverage deductible. The value of this deductible should be inserted.
Combined limits for BI and PD	Set to: "Bodily Injury", "Property Damage" or "Combined Limits" for asbestos claims.
Per Occurrence Basis	"Occurrence" indicating that the limits apply to claims on a per occurrence basis. "Aggregate" indicating that the limits apply only on an aggregate basis. "Both" indicating that the limits are the same for both types of claim.
Assigned	Indicates that the policy has been assigned to a third party. If assigned please check the field and enter the name of the Assignee. Once saved, a message to this effect will be sent to the Run-off Company.
I do not recognise this policy	Check this box if you do not recognise the policy. If this box is checked, a message will be sent to the Run-off Company.

**The Companies commenced underwriting marine and non-marine risks through a pooling arrangement that it managed on behalf of other participating pool members. The Companies would administer the underwriting stamp on behalf of other pool members or provide a proportional arrangement whereby an agreed amount of each involvement would be passed to the respective subscriber. For further information on the other participating members of this pooling arrangement that may be party to your claim, please contact the Run-off Company.*

7.3. Insured

This page lists those Insureds that appear on the policies provided on the Claim Form. The Scheme Creditor can access and update the Insured List screen and add, amend or disable an Insured. Disabling an Insured will not remove it from any existing policies but will remove it from the drop down list on the amend policy screen. The number of policies for the Insured is displayed as a hyperlink. This hyperlink can be followed to the Policy list screen where a list, filtered by policies for that Insured, is displayed.

The Scheme Creditor can provide details of any market settlements to which it has been a party and which it considers should be taken into account when agreeing its claim. The following fields require completion:

Field name	Description	Further information/supporting evidence required
Market Settlement Date	The date the settlement was agreed with the London market.	The Scheme Creditor should include details of its Website login ID with all correspondence. This information should be sent to the Run-off Company.
Settlement Type	Select a type from the list of settlement types. If the correct type is not shown please contact the Run-off Company to advise them of the correct type.	
Settlement Amount	The amount paid to the insured by the London market in US\$.	

7.4. Ledger

This page lists those additional claims and transactions which have not been allocated to a specific policy. To include additional Ledger Items, the Scheme Creditor must use the "Add Ledger Item" option on the Ledger List screen. Only Ledger items added by the Scheme Creditor can be amended or deleted, using either the "Edit" or "Delete" icons on the Ledger List screen or from the Transaction Detail screen. Click on the ledger number hyperlink to view an individual ledger item. The following fields are required to be checked, amended or completed:

Field name	Description
Company ID	The internal reference used by the Companies. This cannot be amended.
Company Name	The name of the company to which the transaction relates. This cannot be amended.
Ledger Number	The internal transaction reference number. This cannot be amended.
Transaction Type	Shows the type of transaction which is either "Insurance" or "Other". This cannot be amended.
Signing Date	The date the closing/ledger item was processed by a bureau or the date that the Companies entered the closing/ledger item on to the system. If a ledger item is added, the date is set automatically to the input date and cannot be amended.
Posting Date	Date of posting to the Companies' ledger system. If a ledger item is added, the date is set automatically to the input date and cannot be amended.
Currency	This is the original currency of the transaction. This can only be updated for additional ledger transactions.
Lead Broker	The broker or intermediary who has processed the transaction. This can only be updated for additional ledger transactions.
Amount	Original currency amount. This can only be updated for ledger transactions added by the Scheme Creditor.
Transaction Description	Additional description of the transaction. This can only be updated for ledger transactions added by the Scheme Creditor.

7.5. IBNR Liabilities

This page allows the Scheme Creditor to input summary values for IBNR Liabilities, split between Qualifying Liabilities and all other types of Scheme Liabilities. Policy details for all

IBNR Liabilities claimed must be present on the Claim Form. If they are not present please use the New Policy Request functionality or contact the Run-off Company.

8. Documents menu

8.1. Claim Form documents

8.1.1. Claim Form data

This page allows the Scheme Creditor to download the information that appears on the Claim Form (including Established Liabilities and Agreed Liabilities, and details of any Notified Outstanding Liabilities added by the Scheme Creditor) and save as Excel spreadsheets. These spreadsheets will reflect the current saved position on the Claim Form whether it has been submitted or not.

8.1.2. Crystallisation statements

When the Scheme Creditor's Claim Form has been accepted and processed, details of all Gross Liabilities and Net Liabilities that have been agreed between the Scheme Creditor and the Companies will be posted to this page to enable the Scheme Creditor to review and confirm agreement.

8.1.3. Set-off values

Where the Scheme Creditor has a two way relationship with the Companies, a Loss Report can be downloaded and saved as an Excel Spreadsheet. This provides details of the balances the Companies currently hold in respect of outwards reinsurance.

8.1.4. General documents

This page allows the Scheme Creditor to download any other general Claim Form documentation. For example, with respect to Qualifying ILU Policyholders only, a standard letter can be downloaded to be sent to the Run-off Company to confirm their decision to opt out by completing the Opt Out Form.

8.2. Scheme documents

This page provides the Scheme Creditor with access to download various documents relevant to the Scheme, including the Original Scheme and Amending Scheme documents and the Amending Explanatory Statement.

8.3. Other documents

This page provides the Scheme Creditor with access to download various other documents in relation to the Companies including press releases, market communications and annual reports.

9. Correspondence

The Scheme Creditor should include details of its Website login ID with all correspondence. All further information/supporting evidence requested in the tables above should be sent to:

Andrew Jones

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

or **Robert Kingdom**

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT
United Kingdom

H: APPENDICES

Curriculum vitae of the Scheme Actuarial Adviser

Mark Allen

Mark joined PricewaterhouseCoopers LLP as a senior Property & Casualty ("P&C") actuary in 1987 and became a partner in October 1989. He is an actuarial partner specialising in run-off solutions in the Insurance Actuarial Division of PricewaterhouseCoopers LLP in the UK.

Education: BSc (Honours), University of London

Qualification: Fellow of the Institute and Faculty of Actuaries

Membership of Groups/Associations:

Member of ASTIN

Member of London Market Group

Member of General Insurance Study Group (GISG)

Professional Experience:

Mark completed his actuarial examinations in 1982 and was admitted as a fellow of the Institute and Faculty of Actuaries in 1984. He has spent over 30 years working in the P&C area of actuarial work. He was formerly employed by a major UK insurer where his responsibilities encompassed reserving, underwriting, planning, marketing and the design of management information systems.

Mark has led many assignments as a consultant, including:

- Advice on all aspects of reserving within numerous mergers and acquisitions situations, involving investigations into appropriate risk margins, bad debt reserves and claims handling provisions in run-off.
- Ground up analyses of asbestos filings for major US corporates exposed to inwards asbestos claims.
- Analyses of different trends in asbestos notification to underlying insureds.
- Production of ground up figures for asbestos and pollution notifications into underlying insureds, on a best estimate basis and according to various levels of confidence above a best estimate level.
- Commutation support to insurers in numerous deals with asbestos insureds, covering Australian, UK and US asbestos liabilities.
- Report to the UK regulator regarding the reserve adequacy of a major reinsurer bearing significant US asbestos claims.
- Expert witness in a major insurance litigation dealing with non-APH liabilities.
- Independent Expert in a number of Part VII transfers predominantly comprised of US asbestos liabilities.
- Scheme Actuary in a number of insolvencies of insurers and reinsurers focusing on US asbestos and pollution liabilities.
- Senior Actuarial Adviser in many solvent schemes of arrangement focusing on asbestos, pollution and non-APH liabilities.
- Mark has extensive contact with P&C actuaries in Europe and the US. He has been a member of various working parties and has co-authored a paper on Reinsurance To Close within Lloyd's. He speaks regularly at seminars and conferences on the issues surrounding asbestos in the UK, the US and around the world.

H: APPENDICES

Curriculum vitae of the Scheme Adjudicator

Raji Bhagavatula FCAS MAAA

Raji is a principal and consulting actuary in the New York office of Milliman, Inc. She joined the firm in 1990.

Raji advises clients in areas of mergers and acquisitions, pricing, reserving, strategic planning and general management. Raji is most recognised in her work in the evaluation of asbestos, pollution and other latent injury liabilities for both insurance companies and insureds.

Raji's client base includes large global insurance and reinsurance companies as well as Fortune 500 companies. She is the managing partner on many global reserving and due diligence assignments.

Raji is a frequent speaker at industry meetings. She has authored many papers and articles on reserving topics, including asbestos and pollution.

Raji has served on several Casualty Actuarial Society ("CAS") and American Academy of Actuaries ("AAA") committees including the AAA Mass Tort Subcommittee and the CAS Committee on Reserving which produced Actuarial Standard of Practice No. 36 "Statement of Actuarial Opinion Regarding Property/Casualty Loss and Loss Adjustment Expenses Reserves" and Actuarial Standard of Practice No. 43 "Property/Casualty Unpaid Claim Estimates".

Education

• Master of Mathematics, Osmania University, India.

H: APPENDICES

Curriculum vitae of the No Notice Adjudicator

Leo J. Jordan Sr – Certified Arbitrator

Leo Jordan is an attorney licensed to practice in New York, Illinois, Maryland, Texas and the US Supreme Court. He is a former vice president and counsel for the State Farm Insurance Companies. His professional expertise is in insurance law and public policy. This includes:

- counselling corporate executives in complying with state and federal laws;
- managing litigation involving insurance coverage, extra-contractual and bad faith; and
- managing non-claim litigation involving agents, antitrust, civil rights and class actions.

He is a former chair of the TIPS Section of the ABA and also serves as an arbitrator for AAA and CPR Institute for Dispute Resolutions. He is also a volunteer arbitrator for the New York City Civil Courts System.

He has participated in 37 insurance and reinsurance arbitrations (of which 10 were as umpire), mediated 17 insurance and reinsurance cases and has handled over 800 cases during the last seven years. He was named Arbitrator of the Year by the Association of Arbitrators of the Civil Courts of the City of New York, 2005.

H: APPENDICES

Curriculum vitae of the Vote Assessor

Colin J.W. Czapiewski FIA MAAA FPSA FSAI

Colin Czapiewski began his career at the Prudential Assurance Company. In December 1985, he was appointed actuary at Terra Nova Insurance Company. In July 1993, he joined Lane Clark & Peacock LLP ("LCP"), consulting actuaries, as partner and Head of Insurance, where he built up the practice from scratch to become a significant player in the market. Colin spent several years on the remuneration committee of the partnership. He retired from LCP in April 2005 to work as a part time independent consultant.

Colin became a Fellow of the Institute of Actuaries in 1984. In 1990, he became a Member of the American Academy of Actuaries and in 1995 he was appointed an Honorary Member of the Polish Society of Actuaries. He was elected by members of his profession to the Council of the Institute of Actuaries in July 1995. Colin was the Institute representative on the General Insurance Board, which deals with non-life aspects of the actuarial profession, where he was responsible for Lloyd's issues during the eventful years of Equitas and the introduction of Lloyd's actuarial opinions. Currently, he sits on several committees within the profession including that of the non-life insurance section of the International Actuarial Association, known as ASTIN.

Colin has extensive actuarial experience in the specialised area of general insurance and risk management. He has written and presented a large number of papers around the world on a broad range of insurance related actuarial topics, including pricing, reserving, actuarial reporting, climate change issues, marine insurance, assessment of reinsurance security, expenses, latent claims (including asbestos and pollution), capital requirements, risk exposure, public and employers' liability, financial condition reporting, Solvency II, run off insurance and many other topics.

He has performed litigation support and arbitration for many insurance (and especially reinsurance) disputes in actuarial, underwriting and claims areas, where he is seen as an expert in the market. In the course of this, Colin has worked closely with lawyers and barristers. He is actively sought as an experienced expert witness.

For several years, Colin has been a non executive director of Beaufort Underwriting Agency Limited, at Lloyd's of London Insurance Market.

Colin has filled a variety of roles in a large number of both solvent and insolvent schemes of arrangement. Such roles not only include areas of actuarial work, but also independent scheme adjudicator, independent scheme vote assessor and chairman of scheme creditor meetings.

While a partner of LCP, Colin provided actuarial services to the Companies up until 2003 for which LCP were in receipt of fees. The principal area of support was in relation to providing reserve information for the purposes of the Companies' statutory accounts.

Colin has also acted as a scheme adjudicator on a number of insurance schemes of arrangement involving the crystallisation of creditors' claims for which partners in PricewaterhouseCoopers LLP acted as scheme administrators.

He has travelled extensively within Europe, the US, Canada, Australia and South Africa both for discussions with cedants, insurers and reinsurers, and to address seminars and conferences of actuaries and others in the insurance world.

Colin is a Liveryman of the Worshipful Company of Actuaries, and for 7 years he was Treasurer of the Actuaries Club.

H: APPENDICES

Curriculum vitae of the Individual Claimant Representative

Charles E. Bates

Charles E. Bates is a founding member of Bates White. Dr. Bates specialises in the application of statistics and computer modelling to large complex litigation matters requiring novel quantitative solutions. He has more than 20 years of experience and has testified in a variety of forums including the US Senate Judiciary Committee, Federal Bankruptcy Court, United States Tax Court, California Supreme Court and arbitration hearings.

Dr. Bates is a leading expert on methods of asbestos-liability forecasting. He has maintained an on-going research programme for the last 20 years on improving asbestos liability estimates. He is regularly retained on asbestos liability matters by insurance companies, corporations and financial creditors' committees in federal bankruptcy proceedings. Dr. Bates has published numerous papers on the trends and developments in the asbestos litigation environment and often speaks on these topics at national and international forums.

Selected Experience:

- Currently retained as an expert by Fortune 500 companies to produce asbestos expenditure estimates for annual and quarterly financial statements. Estimations aid clients with Sarbanes-Oxley and SEC reporting compliance.
- Testified before the Senate Judiciary Committee on the economic viability of the Trust Fund proposed under Section 852, the Fairness in Asbestos Injury Resolution (FAIR) Act of 2005. Testimony clarified Bates White's independent analysis on the difference between current tort liabilities and potential entitlements created by the administrative no-fault trust fund that uses medical criteria for claims-filing eligibility.
- Led a team of economists that provided expert services in the historic antitrust case, *In re Vitamins Antitrust Litigation*, the largest US price-fixing case at that time. The case involved developing state-of-the-art economic models, damages analysis, client presentations, pre-trial discovery and industry research, as well as preparing evidence and testimony, depositions and a critique of opposing expert analyses and reports for a consortium of more than 150 companies.
- Served as testifying expert on behalf of Sealed Air in the fraudulent conveyance matter regarding the 1998 acquisition of Cryovac from W.R. Grace. Developed the then new standard of more detailed liability forecasting model and software in order to estimate the contemporaneously foreseeable asbestos liability of a defendant with more than US\$200 million in annual asbestos payments.
- Provided expert testimony on behalf of the taxpayers on the statistical basis and accuracy of shrinkage accruals in *Kroger v. Commissioner*. Citing Dr. Bates' testimony extensively, the court ruled in favour of Kroger.
- Testified in deposition on behalf of the unsecured creditors' committee in the ASARCO bankruptcy proceedings regarding the valuation of past and future asbestos-related personal injury claims.
- Testified in the Babcock & Wilcox bankruptcy confirmation hearing on behalf of the Insurers Joint Defense Group to address asbestos liability. Developed claims criteria evaluation framework to assess asbestos liability forecasts and trust distribution procedures.

Education:

PhD, Economics, University of Rochester

MA, Economics, University of Rochester

BA, Economics and Mathematics, University of California, San Diego

H: APPENDICES

List of Creditors' Committee members

Member:	Represented by:
Beazer East, Inc	Chip McChesney Three Rivers Management Inc. Suite 200, Manor Oak One 1910 Cochran Road Pittsburgh PA15220 USA
Financial Services Compensation Scheme Manager	Daniel Heaton Financial Services Compensation Scheme 10 th Floor Beaufort House 15 St Botolph Street London, EC3A 7QU United Kingdom
International Policyholders Association	Pfizer Inc c/o Bette Orr Gilbert LLP 1100 New York Avenue, Suite 700 N.W., Washington DC 20005-3987 USA and Sanford Berland 16 Wildwood Drive New York 11746 USA
NNOFIC	Alex Arkema and Martin Rebisz NNOFIC 60 London Wall London, EC2M 5TQ United Kingdom
Resolute Management Limited (formerly Equitas Limited)	Rhydian Williams London Underwriting Centre 6 th Floor, 3 Minster Court Mincing Lane London, EC3R 7DD United Kingdom
The Dow Chemical Company	Greg Smith The Dow Chemical Company 1320 Waldo Avenue, Suite 200 Midland Michigan 48642 USA

Member:**Westinghouse Electric Corporation****Represented by:****David Strasser**

Eckert Seamans Cherin & Mellott LLC

600 Grant Street, 44th Floor

Pittsburgh

Pennsylvania 15219-788

USA

H: APPENDICES

Documents available for inspection

1. Original Scheme and Explanatory Statement
2. 31 December 2013 annual reports and accounts
3. Support letters from members of the Creditors' Committee (other than the FSCS Scheme Manager and NNOFIC), the FSCS Scheme Manager, the ILU and NNOFIC
4. The Companies' Memorandum and Articles of Association
5. Amended and Restated Claims Payment and Loan Agreement
6. Premium and Expenses Payment Agreement
7. Deed of Amendment to Settlement Agreement
8. Letter of consent to act from Scheme Adjudicator
9. Letter of consent to act from No Notice Adjudicator
10. Letter of consent to act from Vote Assessor
11. Letter of consent to act from Individual Claimant Representative
12. Letter of the FCA confirming that it has no objection to the Amending Scheme
13. Letter of the PRA confirming that it has no objection to the Amending Scheme

Copies of the above documents will be available for inspection by Scheme Creditors after the date hereof until the close of the Amending Scheme Meetings at the following locations during ordinary business hours on weekdays (excluding Saturdays and public holidays).

Robert Kingdom

PricewaterhouseCoopers LLP
7 More London Riverside
London
SE1 2RT
United Kingdom

Joe Bannister/Will Beck

Hogan Lovells International LLP
Atlantic House
Holborn Viaduct
London
EC1A 2FG
United Kingdom

Howard Seife

Chadbourne & Parke LLP
30 Rockefeller Plaza
New York
NY 10112-0127
USA

Andrew Jones

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

H: APPENDICES

Summary table of Amending Scheme changes

SECTION 1 Provisions of Original Scheme

1. The following table sets out how each clause of the Original Scheme will be amended by the Amending Scheme (if it comes into effect).
2. The table identifies for each clause of the Original Scheme:
 - (a) whether that clause is amended by the Amending Scheme;
 - (b) if so, which paragraphs of the Amending Scheme amend that clause; and
 - (c) where applicable, a summary of the changes made to that clause by the Amending Scheme.

Clause number in the Original Scheme	Amended by the Amending Scheme?	If yes, which paragraphs of the Amending Scheme amend that clause?	Summary of change
1 (<i>Definitions</i>)	Yes	1 and Appendix 1	Appendix 1 of the Amending Scheme contains a list of all defined terms used in the Amending Scheme. Terms and expressions defined in the Original Scheme retain their same meaning, unless expressly defined or modified by Appendix 1 of the Amending Scheme.
2 (<i>Interpretation</i>)	Yes	1.4 and 2	Paragraphs 1.4 and 2 of the Amending Scheme update the <i>Interpretation</i> clause of the Original Scheme. They make it clear that in the event of any inconsistency between the terms of the Original Scheme and the terms of the Amending Scheme, the terms of the Amending Scheme prevail.
3 (<i>Details of the Companies</i>)	No	N/A	N/A

Clause number in the Original Scheme	Amended by the Amending Scheme?	If yes, which paragraphs of the Amending Scheme amend that clause?	Summary of change
4 (<i>The purposes of the Scheme</i>) & 6.1 (<i>Application of the Scheme: Computation of Established Liabilities</i>)	Yes	6	Scheme purposes language updated by paragraph 6 of the Amending Scheme to reflect the crystallisation nature of the Amending Scheme.
5 (<i>Participation in the Scheme</i>)	Yes	3	Updated to reflect relevant parties' participation in the Amending Scheme.
6.2 (<i>Application of the Scheme: Computation of Established Liabilities</i>)	No	N/A	N/A
6.3 & 6.4 (<i>Application of the Scheme: Computation of Established Liabilities</i>)	Yes	14-21	Process for agreement and computation of Established Liabilities amended by crystallisation provisions in paragraphs 14 to 21 of the Amending Scheme.
7 (<i>Condition Precedent and Effective Date</i>)	Yes	7	Updated to reflect conditions precedent for Amending Scheme to become effective.
8 (<i>Modification of the Scheme</i>)	Yes	5	Updated to reflect Amending Scheme process under Part 26 of the Companies Act 2006.
9 (<i>The Memoranda and Articles of Association of the Companies</i>)	No	N/A	N/A

Clause number in the Original Scheme	Amended by the Amending Scheme?	If yes, which paragraphs of the Amending Scheme amend that clause?	Summary of change
10 (<i>Stay of Proceedings</i>) & 11 (<i>Enforcement of Scheme Liabilities</i>)	Yes	15.1 to 15.3, 16 and 54.1	Updated to reflect that, other than in certain specified circumstances in respect of (i) Opt Out Qualifying ILU Policyholders, (ii) Pre-1969 L&O Policyholders, (iii) Protected Policyholders and Potentially Protected Policyholders and (iv) Qualifying ILU Policyholders (who are not individuals) and individuals (whether or not those individuals are Qualifying ILU Policyholders) who are allowed by the No Notice Adjudicator to submit claims after the Bar Date, no Scheme Creditor may commence any Proceedings against the Companies after the Bar Date.
12 (<i>Effect of acts prohibited by clause 11 and Scheme Creditors receiving benefits after the Effective Date</i>)	No	N/A	N/A
13 (<i>Letters of Credit and Security</i>)	No	N/A	N/A
14 (<i>Mutual Liabilities and Set-Off</i>)	Yes	14 to 21 (including, in particular, 17.1(c), 17.3 to 17-15), 37, 42, 43 to 45 and 50	Superseded to reflect how Offset Amounts (i.e. amounts owed by the Scheme Creditor to the Companies) will be calculated for the purposes of determining a Scheme Creditor's Scheme Liabilities under the Amending Scheme. Provisions in clause 14 of the Original Scheme will continue to apply in respect of determining the Established Liabilities of any (i) Opt Out Qualifying ILU Policyholders and (ii) Pre-1969 L&O Policyholders (whose claims revert to run-off).
15 (<i>Current Policies</i>)	No	N/A	N/A
16 (<i>Payment of Preferential Debts</i>)	No	N/A	N/A

Clause number in the Original Scheme	Amended by the Amending Scheme?	If yes, which paragraphs of the Amending Scheme amend that clause?	Summary of change
17 (Payment of Qualifying ILU Policyholders)	Yes	21 (including, in particular, 21.4 to 21.10) – in respect of Qualifying ILU Policyholders (who are not Opt Out Qualifying ILU Policyholders)	Updated to set out how Qualifying ILU Policyholders (including Opt Out Qualifying ILU Policyholders) will receive payment of their claims under the Amending Scheme.
18 (The Companies and NNOFIC)	No	N/A	N/A
19 (Determination of Scheme Liabilities)	Yes	14-21	Process for determining Scheme Liabilities updated to reflect crystallisation process under the Amending Scheme.
20 (Payments under the Scheme)	No	N/A	N/A
21 (Policyholders', Qualifying ILU Policyholders' and Dual Scheme Creditors' rights against the Companies during the Scheme)	No	N/A	N/A
22 (Claims by either Company against the other during the Scheme)	No	N/A	N/A

Clause number in the Original Scheme	Amended by the Amending Scheme?	If yes, which paragraphs of the Amending Scheme amend that clause?	Summary of change
23 (Computation of the Payment Percentage and payments to Scheme Creditors)	Yes	21.2, 41 and 42.4	Updated to reflect how the Payment Percentage and the Opt Out Payment Percentage will be calculated under the Amending Scheme.
24 (Mechanics of payments to Scheme Creditors)	Yes	22 and 23	Updated to cover the treatment of uncashed cheques and payments to agents.
25 (Interest)	No	N/A	N/A
26 to 28 (The Policyholders Protection Board)	Yes	34 to 36	Updated to reflect that the FSCS Scheme Manager will assume responsibility for making payments to Scheme Creditors with Protected Liabilities.
29 (Restrictions on the Companies and the Directors)	No (save in respect of clauses 29.3(n) and 29.4)	9	Clauses 29.3(n) and 29.4 of the Original Scheme updated to reflect the process by which the Companies may enter into contractual arrangements with a Scheme Creditor under which all or part of the Companies' total Scheme Liabilities to that Scheme Creditor are discharged.
30 to 35 (The Scheme Administrators)	No	N/A	N/A
36 to 46 (The Creditors' Committee)	No	N/A	N/A
47 to 52 (The Scheme Creditors)	No	N/A	N/A
53 (Termination of the Scheme)	Yes	32 and 33	Updated to reflect the process by which the Scheme may be terminated.
54 (Special Meetings)	Yes	Amending Scheme as a whole	Superseded by Amending Scheme provisions.

Clause number in the Original Scheme	Amended by the Amending Scheme?	If yes, which paragraphs of the Amending Scheme amend that clause?	Summary of change
55 (<i>Notice of termination of the Scheme</i>)	Yes	32.3	Updated to reflect the process by which the termination of the Scheme will be advertised.
56 (<i>Indemnity</i>)	Yes	53	Indemnity provisions updated to include the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative.
57 (<i>Assignability</i>)	Yes	50	New provision in paragraph 50 dealing with the payments in respect of assigned claims.
58 (<i>Costs of the Scheme</i>)	Yes	51	Updated to reflect the treatment of costs incurred by the Companies and the Scheme Administrators in respect of the Amending Scheme.
59 (<i>Notices</i>)	Yes	49	Notice provisions of Original Scheme superseded by provisions of paragraph 49 of the Amending Scheme which, among other things, permit notices to be sent by electronic means.
60 (<i>Governing law and jurisdiction</i>)	Yes	54	Updated to reflect governing law and jurisdiction of the Amending Scheme.
Schedule 1 (<i>Draft Special Resolution</i>)	Yes	Amending Scheme as a whole	Superseded by Amending Scheme provisions.
Schedule 2 (<i>Procedure for the appointment of the initial Creditors' Committee</i>)	No	N/A	N/A

SECTION 2
Provisions of Amending Scheme

The following table sets out, in summary form, the further changes made to the Original Scheme by the Amending Scheme (in addition to those highlighted in the table in section 1 above).

Paragraph number in the Amending Scheme	Summary of change
4 (<i>Incorporation of the Amending Scheme</i>)	Sets out how the Original Scheme is amended by the Amending Scheme.
8 (<i>Time periods and deadlines</i>)	Sets out how time periods and deadlines under the Amending Scheme are calculated.
10 (<i>Notice of New Effective Date, Bar Date and distribution of Claim Forms</i>)	Sets out how the process for: (i) advertising that the Amending Scheme has become effective and the Bar Date; and (ii) the distribution of the Claim Forms.
11 (<i>Notification of claims and cessation of payments under the Original Scheme</i>)	Sets out: (i) the cut-off date by when claims will no longer be reviewed under the terms of the Original Scheme; and (ii) the processes by which Scheme Creditors can notify the Companies of their claims other than by means of a Claim Form.
12 (<i>Valuation of claims</i>)	Sets out how claims will be valued under the Amending Scheme.
13 (<i>Provision of Claim Forms</i>)	Sets out the process by which the Claim Forms will be sent to Scheme Creditors.
24 (<i>Qualification and appointment of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative</i>)	Sets out the qualifications and appointment criteria for each of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative.
25 (<i>Resignation and removal of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative</i>)	Sets out how each of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative may resign, or otherwise be removed, from their respective positions.
26 (<i>General powers, rights, duties and functions of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative</i>)	Sets out the general powers, rights, duties and functions of each of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative.
27 (<i>Conflicts of interest</i>)	Sets out the process for dealing with any actual or potential conflicts of interest in relation to the work undertaken

Paragraph number in the Amending Scheme

Summary of change

by each of the Scheme Actuarial Adviser, the Scheme Adjudicator, the No Notice Adjudicator and the Individual Claimant Representative under the Amending Scheme.

Sets out the role of the Scheme Actuarial Adviser under the Amending Scheme.

Sets out the role of the Scheme Adjudicator under the Amending Scheme.

Sets out the role of the No Notice Adjudicator under the Amending Scheme.

Sets out the role of the Individual Claimant Representative under the Amending Scheme.

Sets out the process by which Qualifying ILU Policyholders may opt out of the crystallisation and payment provisions of the Amending Scheme.

Sets out the process for calculating the Estimated Qualifying Value and the Estimated Opt Out Value. The Estimated Qualifying Value and the Estimated Opt Out Value are the two key determinants of the Opt Out Proportion Figure (the figure used to determine whether the Amending Scheme should revert to run off based on the proportion by value of Qualifying ILU Policyholders who opt out of the crystallisation and payment provisions of the Amending Scheme).

Sets out the process for calculating the Opt Out Proportion Figure (the figure used to determine whether the Amending Scheme should revert to run off based on the proportion by value of Qualifying ILU Policyholders who opt out of the crystallisation and payment provisions of the Amending Scheme).

Sets out how assets will be set aside by the Companies for the purposes of meeting the claims of Opt Out Qualifying ILU Policyholders.

Sets out the circumstances in which the Pre-1969 L&O Claims of Pre-1969 L&O Policyholders may revert to run-off.

Sets out the certain very limited circumstances in which Qualifying ILU Policyholders (who are not individuals) and individuals (whether or not those individuals are Qualifying ILU Policyholders) may bring claims after the Bar Date.

Sets out the process for the payment of claims which are brought by Qualifying ILU Policyholders after the Bar Date

28 (Specific powers, rights, duties and functions of the Scheme Actuarial Adviser)

29 (Specific powers, rights, duties and functions of the Scheme Adjudicator)

30 (Specific powers, rights, duties and functions of the No Notice Adjudicator)

31 (Specific powers, rights, duties and functions of the Individual Claimant Representative)

37 (Opt out)

38 (Calculation of Estimated Qualifying Value and Estimated Opt Out Value)

39 (Review of Opt Out Proportion Figure)

40 (Application of the Scheme Assets in respect of Opt Out Qualifying ILU Policyholders)

42 (Pre-1969 L&O Policyholders)

43 (The Bar Date)

44 (Qualifying ILU Policyholder claims after

Paragraph number in the Amending Scheme

Summary of change

the Bar Date)

and which are agreed by the Companies.

45 (*Claims from individuals after the Bar Date*)

Sets out the process for the payment of claims which are brought by individuals after the Bar Date and which are agreed by the Companies.

46 (*Scheme Creditors' duty to provide assistance*)

Sets out duty on Scheme Creditors to assist the Companies, the Scheme Administrators, the Scheme Actuarial Adviser, the Scheme Adjudicator and/or the No Notice Adjudicator in respect of the Amending Scheme.

47 (*Blocked Monies*)

Sets out circumstances in which the Companies may be prevented from making Scheme payments to Scheme Creditors (for example, where such payments would breach international sanctions).

48 (*Releases*)

Sets out the release of any claims against the Relevant Parties upon termination of the Scheme.

52 (*Rights of third parties*)

Sets out that no third parties shall have any rights under the Amending Scheme by virtue of the operation of The Contracts (Rights of Third Parties) Act 1999.

Appendix 2 (*Estimation Guidelines*)

Sets out the guidelines to be applied by the Scheme Administrators, the Scheme Actuarial Adviser and the Scheme Creditors for valuing claims under the Amending Scheme.

Appendix 3 (*Supporting Evidence*)

Sets out the types of Supporting Information that should be provided by Scheme Creditors in support of their claims.

Appendix 4 (*Calculation of Estimated Qualifying Value and Estimated Opt Out Value*)

Sets out in detail the basis on which the Estimated Qualifying Value and the Estimated Opt Out Value are calculated.

Appendix 5 (*Costs agreement*)

Sets out the basis on which the No Notice Adjudicator's costs may be paid by those Qualifying ILU Policyholders seeking to bring claims after the Bar Date.

Appendix 6 (*Deed of adherence*)

Sets out the basis on which NNOFIC may be succeeded as a participant in the Amending Scheme.

Summary report:	
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Style name: Default Style	
Intelligent Table Comparison: Active	
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Changes:	
Add	31
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Table Delete	0
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Table moves from	0
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Embedded Excel	0
Format changes	0
Total Changes:	57

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

EXHIBIT DYS4 11

This is the exhibit marked "DYS4 11" referred to in the fourth witness statement of Dan Yoram Schwarzmann dated this 23 September 2015



8 October 2014

TO ALL KNOWN POLICYHOLDERS, CREDITORS, BROKERS, AGENTS AND INTERMEDIARIES OF OIC RUN-OFF LIMITED ("OIC") AND THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED ("L&O") (BOTH SUBJECT TO A SCHEME OF ARRANGEMENT)

THIS IS A LETTER CONSTITUTING A SHORT FORM EXPLANATORY STATEMENT

THIS LETTER AND THE DOCUMENTS TO WHICH IT REFERS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

Dear Scheme Creditor

Proposed amending scheme of arrangement between OIC (formerly The Orion Insurance Company plc and Ralli Brothers Insurance Company Limited) and L&O (formerly The London and Overseas Insurance Company plc and Hull Underwriters' Association Limited) (both subject to a scheme of arrangement) (each a "Company" and together the "Companies") and their Scheme Creditors

1 INTRODUCTION

- 1.1 We are writing to you on behalf of the Companies in connection with an amending scheme of arrangement pursuant to Part 26 of the Companies Act 2006 (the "**Amending Scheme**") which the Companies propose to enter into with their creditors (the "**Scheme Creditors**").
- 1.2 Capitalised terms in this letter bear the same meaning as in the Amending Scheme. This letter is, however, no substitute for reading the Amending Scheme and the accompanying explanatory statement ("**Amending Explanatory Statement**") in their entirety. In the event of any inconsistency between the terms of this letter and the provisions of the Amending Scheme, the provisions of the Amending Scheme shall prevail over the terms of this letter.

*PricewaterhouseCoopers LLP, 7 More London Riverside, London, SE1 2RT
T: +44 (0) 20 7583 5000, F: +44 (0) 20 7212 7500, www.pwc.co.uk*



1.3 The Amending Scheme is being proposed in order to allow the Companies to agree Scheme Liabilities and distribute the Companies' assets to Scheme Creditors earlier than would be the case if the original scheme of arrangement (the "**Original Scheme**") was to continue in its existing form. The Payment Percentage is expected to be higher under the Amending Scheme than it would be under the Original Scheme, given the significant estimated reduction in the length of the Companies' run-off and the resultant significant saving in run-off costs if the Amending Scheme is implemented in accordance with its terms.

1.4 The purpose of this letter is to:

- i. provide background information in relation to the Companies and events since the Original Scheme became effective;
- ii. summarise the main provisions of the Amending Scheme; and
- iii. summarise the principal advantages and disadvantages of the Amending Scheme;

in order to assist Scheme Creditors in reaching an informed decision on whether or not to vote in favour of the Amending Scheme at the forthcoming Amending Scheme Meetings.

1.5 This letter has been sent to those parties whom the Companies' records indicate are or may be a Scheme Creditor of the Companies, and to agents, representatives and brokers identified by the Companies as having placed business with or on behalf of the Companies. However, receipt of this letter does not necessarily mean that you are a Scheme Creditor of the Companies or that you will be affected by the Amending Scheme. If you are a policyholder of the Companies, you may wish to ask your broker for further details of your involvement, if any, with the Companies.

1.6 Full copies of the Amending Scheme, the Amending Explanatory Statement and the Original Scheme are available for download at www.oicrun-offltd.com (the "**Website**") or, upon request, from the Run-off Company using the details set out at paragraph 13 below.

1.7 [A web-based presentation will be held at 5.30 pm \(English time\) on 18 November 2014. The purpose of this presentation will be for the Scheme Administrators to explain the main features of the Amending Scheme as outlined in this letter and answer any specific questions raised by Scheme Creditors. The details for the web-based presentation will be placed on the Website in due course. If you would like to attend the presentation please send an email to: \[oic run-offlimited@uk.pwc.com\]\(mailto:oicrun-offlimited@uk.pwc.com\).](#)

2 **EVENTS SINCE THE ORIGINAL SCHEME**

2.1 The Companies are currently subject to the terms of the Original Scheme, which was approved by the Companies' respective Scheme Creditors on 14 February 1997, sanctioned by an order of the Court on 5 March 1997 and which became effective on 7 March 1997. The Joint Scheme Administrators, Dan Schwarzmann and Paul Evans, manage the affairs, business and property of the Companies as agents and without personal liability.



- 2.2 The Original Scheme is a reserving scheme of arrangement under which the Companies agree Scheme Creditors' claims in the ordinary course of business and Scheme Creditors are paid a percentage of those claims as and when they become Established Liabilities. Scheme Creditors who are Qualifying ILU Policyholders receive additional payments under the arrangements agreed with Nationale-Nederlanden Overseas Finance and Investment Company ("NNOFIC") and the ILU, so that their claims, when they become Established Liabilities, are paid in full.
- 2.3 Each Company has guaranteed the obligations of the other, with the result that every Scheme Creditor under the Original Scheme has the same net claims against each Company. Accordingly, to minimise administrative costs and take account of the effect of these cross guarantees, under the Original Scheme all Scheme Creditors receive the same Payment Percentage in respect of their Established Liabilities.
- 2.4 The initial Payment Percentage was set at 15% in September 1997. Following consultation with the Creditors' Committee, the Payment Percentage has been increased in stages to its current level of 58%. The most recent increase in the Payment Percentage, from 57% to 58%, was approved by the Creditors' Committee in November 2013.
- 2.5 The Companies' run-off is managed by Armour Risk Management Limited, whose contact details are set out in paragraph 13 below.
- 2.6 The majority of the Companies' Scheme Liabilities by value have been agreed. Most of the remaining Scheme Liabilities are very long-tail in nature. In the ordinary course, they would be unlikely to be agreed for many years. In recent times, the Scheme Administrators have commuted some of these long-tail liabilities with Scheme Creditors bilaterally. Whilst this has increased the level of certainty in the Companies' reserves and led to increases in the Payment Percentage, the large number of Scheme Creditors remaining with relatively low claim values means that the continuation of the Original Scheme is no longer the most cost effective method of supporting further increases in the Payment Percentage.
- 2.7 The Scheme Administrators therefore propose that the Companies enter into the Amending Scheme which, upon it becoming effective, will convert the Original Scheme from a reserving scheme of arrangement into a crystallisation scheme of arrangement. Under the Amending Scheme, Scheme Creditors will, subject to the exceptions set out in paragraph 4.7 (i) to (iv) below, be required to submit details of all their claims against the Companies by the Bar Date, and those claims will be subject to a process of crystallisation and determination by the Scheme Administrators or, if disputed, by the Scheme Adjudicator. Subject to the exceptions set out in paragraph 4.7 (i) to (iv) below, any Scheme Creditors who do not submit claims by the Bar Date will not be entitled to receive any payment in respect of any additional claims other than the Established Liabilities and Agreed Liabilities that are accepted by the Companies and which are set out on their respective Claim Forms made available by the Companies to those Scheme Creditors.



2.8 The Amending Scheme will amend the terms of the Original Scheme. The provisions of the Original Scheme will therefore remain in effect, save as amended by the Amending Scheme. In the event of any inconsistency between the provisions of the Original Scheme and the terms of the Amending Scheme, the terms of the Amending Scheme will prevail.

3 **WHAT IS A SCHEME OF ARRANGEMENT AND HOW DOES IT BECOME BINDING?**

3.1 A scheme of arrangement, such as the Amending Scheme, is a compromise or arrangement provided for by Part 26 of the Companies Act 2006 between a company and its creditors (or any class of them). It becomes legally binding when:

- i. a majority in number representing not less than 75% in value of creditors or any class of creditors, present and voting in person or by proxy, vote in favour of the scheme of arrangement at a specially convened meeting held at the direction of the Court;
- ii. the Court subsequently makes an order sanctioning the scheme of arrangement; and
- iii. an office copy of that order is delivered to the Registrar of Companies for registration.

3.2 The Scheme Administrators intend to apply under Chapter 15 of the US Bankruptcy Code for an order recognising and enforcing the Amending Scheme. This order will prevent Scheme Creditors from proceeding against the Companies in relation to Scheme Liabilities in the US and require them instead to rely on the provisions of the Amending Scheme for the satisfaction of such Scheme Liabilities. If for any reason an order enforcing the Amending Scheme under the US Bankruptcy Code fails to be issued, the Court order will not be delivered to the Registrar of Companies and the Amending Scheme will not become effective.

3.3 Having considered and taken legal advice on the rights of Scheme Creditors in general and under the Original Scheme, and the effect of the Amending Scheme on those rights, each Company intends to convene three meetings of Scheme Creditors for the purpose of voting on the Amending Scheme, as follows:

- i. Policyholders (other than Qualifying ILU Policyholders) with Notified Outstanding Liabilities and IBNR Liabilities;
- ii. Policyholders (other than Qualifying ILU Policyholders) with Scheme Liabilities (other than Notified Outstanding Liabilities and IBNR Liabilities), Dual Scheme Creditors and Ordinary Creditors; and
- iii. Qualifying ILU Policyholders.

Please refer to the letter sent by the Companies to Scheme Creditors dated 20 January 2014 (which is available on the Website) for further explanation of the rationale for holding these three meetings of Scheme Creditors for each Company to consider and, if thought fit, approve the Amending Scheme.



4 THE CLOSURE PROPOSAL

4.1 This section summarises and explains the main provisions of the Amending Scheme. If further information is required, Scheme Creditors should refer to the full copy of the Amending Scheme and the Amending Explanatory Statement (see paragraph 1.6 above).

4.2 Determination of claims

4.2.1 The Amending Scheme provides, subject to the exceptions outlined in paragraphs 4.3.3 and 4.7 below, for the crystallisation and determination of all remaining Scheme Liabilities, through the application of the Estimation Guidelines as set out in the Amending Scheme.

4.2.2 Under the Amending Scheme, all Scheme Creditors, with the exceptions outlined in paragraph 4.7 (i) to (iv) below, must submit a Claim Form by the Bar Date. Within 60 days of the New Effective Date, each Scheme Creditor will be provided with a Claim Form, setting out details of its Established Liabilities and Agreed Liabilities, as shown in the Companies' records. Each Scheme Creditor will be asked to submit details on its Claim Form of any other claims it considers that it has against the Companies, including Notified Outstanding Liabilities and IBNR Liabilities. If a Scheme Creditor does not submit an amended Claim Form, the Claim Form made available by the Companies will be deemed to have been accepted.

4.2.3 Each Scheme Creditor will also be required to provide supporting information relating to these other claims for the purpose of agreeing the value of its Gross Liabilities. In determining a Scheme Creditor's Net Liabilities, the Scheme Administrators will take into account any discount for the time value of money (in respect of any Notified Outstanding Liabilities and IBNR Liabilities), any Offset Amounts that may be due to the Companies from that Scheme Creditor and any Security Interests.

4.2.4 If a Scheme Creditor disputes the determination of its Net Liabilities, the matter can be referred to the Scheme Adjudicator for adjudication under the Dispute Resolution Procedure.

4.3 Qualifying ILU Policyholders

4.3.1 As set out in paragraphs 5.2.5 and 5.2.6 below, Qualifying ILU Policyholders will, subject to certain conditions, be entitled to receive a Qualifying ILU Policyholder Premium in respect of their claims for Notified Outstanding Liabilities and IBNR Liabilities.

4.3.2 Alternatively, Qualifying ILU Policyholders will be able to opt out of the crystallisation and payment provisions of the Amending Scheme and continue to have their claims paid in accordance with the provisions of the Original Scheme. Qualifying ILU Policyholders electing to opt out will, however, not be entitled to receive the Qualifying ILU Policyholder Premium. A Qualifying ILU Policyholder wishing to opt out must inform the Scheme Administrators of its decision to do so before the Bar Date.



4.3.3 If over 30% by value of Qualifying ILU Policyholders elect to opt out, the crystallisation and payment provisions of the Amending Scheme will cease to have effect and all Scheme Creditors will revert to run-off, with their claims being agreed and paid in the ordinary course under the terms of the Original Scheme.

4.4 **Pre-1969 L&O Policyholders**

4.4.1 Certain amounts remain payable by Lloyds Bank under the terms of an agreement with the Companies (the "**Lloyds Agreement**"). The Lloyds Agreement covers liabilities arising from the claims of Scheme Creditors under policies underwritten by L&O with an inception date before 20 March 1969 ("**Pre-1969 L&O Policyholders**").

4.4.2 Any payments received by the Companies from Lloyds Bank under the Lloyds Agreement are treated as assets of the Companies, which are available for distribution to all Scheme Creditors.

4.4.3 Given the size of the estimated recovery, we understand that Lloyds Bank may not settle the amounts arising as a result of the crystallisation provisions of the Amending Scheme. In this instance, the Scheme Administrators would then determine, in consultation with the Creditors' Committee, whether the future claims of the Pre-1969 L&O Policyholders should revert to run-off, so that payment could be requested from Lloyds Bank as and when those claims are agreed by the Companies in the ordinary course. If these claims do revert to run-off, the impact on the estimated final payment percentage would not be material.

4.4.4 Pre-1969 L&O Policyholders would only revert to run-off in respect of their future claims. Any claims of Pre-1969 L&O Policyholders which have already been agreed by the Companies prior to the Bar Date would be dealt with and paid in accordance with the crystallisation and payment provisions of the Amending Scheme.

4.5 **Protected Policyholders**

4.5.1 Scheme Creditors with Protected Liabilities will not be affected by the crystallisation and payment provisions of the Amending Scheme and should therefore continue to present their claims to the Companies in the ordinary course of business. In particular, where a claim from a Protected Policyholder or a Potentially Protected Policyholder is determined to be a Protected Liability and it is reported after the New Effective Date, that claim will, as is currently the case under the Original Scheme, be paid by the FSCS Scheme Manager.

4.6 **Payment of claims**

4.6.1 The current Payment Percentage of 58% applies to all Scheme Creditors with Established Liabilities under the Original Scheme. As and when Net Liabilities are agreed under the Amending Scheme, Scheme Creditors will receive the then current Payment Percentage on those Net Liabilities.



- 4.6.2 As Net Liabilities are agreed, the Scheme Administrators will review the Payment Percentage and, if appropriate, continue to revise it until the final Payment Percentage is determined following the agreement of all Net Liabilities and the recovery of all Scheme Assets. Whenever the Payment Percentage is increased or the final Payment Percentage is determined, Scheme Creditors who have already received payments in respect of their Net Liabilities will receive an additional payment (including compensatory interest) to reflect any difference between the Payment Percentage they have received thus far and the final Payment Percentage.
- 4.6.3 Qualifying ILU Policyholders will, subject to the terms of the claims payment loan agreement ("CPLA"), continue to have their Net Liabilities paid in full under the arrangements agreed with NNOFIC and the ILU.

4.7 **Claims received after the Bar Date**

- 4.7.1 Under the Amending Scheme, certain Scheme Creditors may be able to submit their claims after the Bar Date and still receive payment. In each case this is subject to specific conditions, full details of which are set out in the copy of the Amending Scheme document referred to in paragraph 1.6 above. These Scheme Creditors are:
- i. Qualifying ILU Policyholders who elect to opt out of the crystallisation and payment provisions of the Amending Scheme referred to in paragraph 4.3.2 above. These Scheme Creditors would therefore receive payment of their claims in accordance with the Original Scheme;
 - ii. Qualifying ILU Policyholders (who are not individuals) who can demonstrate that they did not submit a Claim Form before the Bar Date because they neither knew, nor could reasonably have been expected to have known, about the requirement to do so. These Scheme Creditors would receive payment of their claims in accordance with the Amending Scheme;
 - iii. Individuals who can demonstrate that, before the Bar Date, no claim had arisen in their favour or that they neither knew, nor could reasonably have been expected to have known, about the Amending Scheme or that they had suffered significant injury. Such Scheme Creditors would receive payment of their claims in accordance with the terms of the Amending Scheme;
 - iv. Protected Policyholders and Potentially Protected Policyholders as noted in paragraph 4.5 above. These Scheme Creditors would receive payment of their claims in accordance with the Original Scheme; and
 - v. Pre-1969 L&O Policyholders with future claims, but only if such claims have reverted to run-off (see paragraph 4.4 above).

The provisions set out in paragraph 4.7 (ii) and (iii) above have been included solely to address the unique circumstances of the Amending Scheme, including the nature of the arrangements entered into with NNOFIC and the ILU in respect of Qualifying ILU Policyholders.



5 **FACTORS TO CONSIDER WHEN VOTING ON THE AMENDING SCHEME**

5.1 **Options facing Scheme Creditors**

5.1.1 Scheme Creditors may continue to have their claims agreed by the Companies in run-off under the Original Scheme with a forecast closure date of beyond 2035. Alternatively, Scheme Creditors may decide to implement the crystallisation provisions of the Amending Scheme with a forecast closure date of 2018.

5.1.2 The main advantages and disadvantages for Scheme Creditors to consider in deciding whether to vote in favour of the Amending Scheme are summarised below. It is impossible, however, to address each Scheme Creditor’s individual circumstances. Hence this list of advantages and disadvantages should not be regarded as exhaustive. Each Scheme Creditor must therefore make its own assessment of how the Amending Scheme would affect its own interests.

5.2 **Advantages of the Amending Scheme**

Reduction in costs resulting in a higher Payment Percentage

5.2.1 The Companies’ total run-off costs should be significantly lower under the Amending Scheme than if claims were left to mature and be managed in the ordinary course under the Original Scheme. The Original Scheme is projected to continue beyond 2035. It is estimated that the total run-off costs for the period 2014 to 2035 could reach US\$200 million (or more). Under the Amending Scheme, whilst there would be a short term increase in the costs incurred by the Companies as they sought to crystallise the vast majority of Scheme Liabilities, the estimated cost savings of over US\$100 million that are expected to be generated as a result of the Amending Scheme would result in an increase in the amount of the Companies’ assets available for distribution to Scheme Creditors. These cost savings should result in a higher final Payment Percentage than would have been the case under the Original Scheme. The Scheme Administrators estimate that the final Payment Percentage under the Amending Scheme in comparison to the Original Scheme would be as follows:

	Estimated final Payment Percentage
Original Scheme	71%
Amending Scheme	78%

Early payment

5.2.2 Claims that would not, under the Original Scheme, be agreed for a number of years would be agreed in accordance with the procedure set out in the Amending Scheme at a much earlier date. Under the projected timetable for the Amending Scheme, the majority of assets would be distributed to Scheme Creditors by 2018. This is considerably earlier than anticipated under



the Original Scheme. The benefit of the higher estimated final Payment Percentage (78%) under the Amending Scheme (as shown in paragraph 5.2.1 above) is therefore increased by the fact that it would be paid to Scheme Creditors at an earlier date than the lower estimated final Payment Percentage (71%) under the Original Scheme.

Early release of safety margin

- 5.2.3 In accordance with the Original Scheme, the Scheme Administrators, when calculating the Payment Percentage, have used conservative estimates of future liabilities and built in a safety margin above the actuarially determined level of the Companies' reserves. Under the Original Scheme, this safety margin would have to be retained at an appropriate level until a date beyond 2035. In contrast, the Amending Scheme requires the valuation of all future and contingent Scheme Liabilities so that the majority of the Scheme Liabilities of the Companies would, according to the current timetable, be agreed by 2017. The Scheme Administrators would not need to retain any safety margin after that date if the Pre-1969 L&O Policyholders did not revert to run-off. Even if Pre-1969 L&O Policyholders were to revert to run-off, the Scheme Administrators would be able to retain a much reduced safety margin. As a result, the majority or all of the safety margin could be released and assets distributed to Scheme Creditors earlier under the Amending Scheme than would otherwise have been possible under the Original Scheme.

Improved terms and administrative features

- 5.2.4 The Original Scheme contains outline provisions allowing for its conversion into a crystallisation scheme of arrangement. However, the Scheme Administrators believe that this conversion would be better achieved through implementing the Amending Scheme, which contains more extensive and complete valuation provisions than the Original Scheme along with new provisions to deal with electronic communications, uncashed cheques and the treatment of pools and agents.

Qualifying ILU Policyholder Premium

- 5.2.5 Qualifying ILU Policyholders who participate in the crystallisation and payment provisions of the Amending Scheme would, subject to certain conditions set out in paragraph 31 of the Amending Explanatory Statement, receive the Qualifying ILU Policyholder Premium. This Qualifying ILU Policyholder Premium would be funded by NNOFIC and not by the Companies. It would not be paid to any Qualifying ILU Policyholders who elected to opt out of the crystallisation provisions of the Amending Scheme or if the crystallisation provisions of the Amending Scheme did not become effective.
- 5.2.6 The Qualifying ILU Policyholder Premium paid to each Qualifying ILU Policyholder would, subject to certain conditions, be an amount equal to:
- i. the discount for the time value of money applied to that Qualifying ILU Policyholder's Notified Outstanding Liabilities and IBNR Liabilities; plus



- ii. 10% of the undiscounted value of its Notified Outstanding Liabilities and IBNR Liabilities.

5.3 **Potential disadvantages of the Amending Scheme**

Failure to submit a Claim Form

- 5.3.1 The Amending Scheme provides a deadline of the Bar Date for returning Claim Forms. With the exceptions outlined in paragraph 4.7 (i) to (iv) above, Scheme Creditors who have additional Scheme Liabilities (including Notified Outstanding Liabilities and/or IBNR Liabilities): (i) which are not shown on their Claim Form; or (ii) who do not have a Claim Form, and who, in each case, do not submit details of their claims on their Claim Form before the Bar Date, will receive no payment in respect of those additional claims under the Amending Scheme. Any such Scheme Creditor would only receive payment in respect of those Established Liabilities and Agreed Liabilities that have been accepted by the Companies and were set out on the Claim Form provided to the Scheme Creditor by the Companies.

Estimation of Scheme Liabilities

- 5.3.2 The claims agreement process under the Amending Scheme would result in Scheme Liabilities, including any claims for Notified Outstanding Liabilities and IBNR Liabilities, being estimated and agreed in accordance with the Estimation Guidelines and, if necessary, the Dispute Resolution Procedure. Scheme Creditors whose Scheme Liabilities matured after the Bar Date would receive a payment on the basis of these agreed amounts. Scheme Creditors would benefit from the anticipated higher Payment Percentage in the Amending Scheme, but they could ultimately receive an amount in respect of their Scheme Liabilities that is different (either greater or smaller) from the amount that they would have received, had the Companies' run-off been concluded under the Original Scheme.

Failure to provide sufficient supporting information

- 5.3.3 If a Scheme Creditor does not provide sufficient information before the Bar Date to establish part or all of its claim for Scheme Liabilities (including Notified Outstanding Liabilities and/or IBNR Liabilities) against the Companies, its claim (or the relevant part of its claim) for these additional amounts may be valued at nil under the Amending Scheme. In such circumstances, the Scheme Creditor would receive no payment under the Amending Scheme in respect of those additional claims whereas it would have received a payment under the Original Scheme had that Scheme Creditor been able to provide, in the future, sufficient evidence in support of its additional claims.

Waiver of legal privilege

- 5.3.4 In the course of a Scheme Creditor providing information to establish part or all of its claim for Scheme Liabilities (including Notified Outstanding Liabilities and/or IBNR Liabilities) against the Companies, that Scheme Creditor may inadvertently waive any legal privilege that it or a



third party has over that information. A Scheme Creditor who is in any doubt as to the effect of waiving such legal privilege is advised to seek its own independent legal advice prior to providing such information.

Reversion to run-off and Scheme Creditors' costs

- 5.3.5 If the 30% opt out threshold, applied to Qualifying ILU Policyholders who elect to opt out, is exceeded, the Companies will revert to run-off. In such circumstances, Scheme Creditors would not receive any of the intended benefits of the accelerated claims determination mechanism under the Amending Scheme. Furthermore, Scheme Creditors may incur costs in preparing and submitting the Voting Forms and Claim Forms in respect of their claims, which would not be reimbursed by the Companies.

Pre-1969 L&O Policyholders

- 5.3.6 Whilst Pre-1969 L&O Policyholders must submit claims before the Bar Date in accordance with the Amending Scheme, the Pre-1969 L&O Policyholders may subsequently be required to revert to run-off in respect of their future claims in order to maximise the final Payment Percentage for all Scheme Creditors. Prior to such reversion to run-off, Pre-1969 L&O Policyholders may have incurred costs in preparing and submitting the Voting Forms and Claim Forms in respect of those future claims, which will not be reimbursed by the Companies. In these circumstances, and subject to any individual commutations, the Pre-1969 L&O Policyholders would have to continue the existing process of submitting and agreeing their claims as and when those claims fell due. They would only receive the Payment Percentage in respect of their future claims once those claims had been submitted, agreed and become Established Liabilities in accordance with the terms of the Original Scheme. The Pre-1969 L&O Policyholders would, however, still receive the benefit of any increased Payment Percentage on their claims, resulting from the operation of the Amending Scheme.

Operation of set-off/effect on reinsurers

- 5.3.7 The Amending Scheme allows the Companies to set off against a Scheme Creditor's Gross Liabilities any present and future, contingent and unliquidated liabilities that Scheme Creditor may owe to the Companies. The extent to which reinsurers are affected by the set-off provisions will, to a very large extent, depend upon the relative size of their claims against the Companies and their potential reinsurance Liabilities to the Companies. Some reinsurers may receive an increased payment but others may receive a reduced, or no, payment under the Amending Scheme.
- 5.3.8 Any payments made from time to time to Scheme Creditors under the Original Scheme have already been reduced to reflect the Scheme Administrators' estimation of the Scheme Creditors' contingent reinsurance liabilities to ensure that such Scheme Creditors have not been overpaid.



5.3.9 Therefore, in practical terms, the accelerated set-off mechanism under the Amending Scheme should not materially prejudice reinsurers of the Companies.

6 WHAT SHOULD SCHEME CREDITORS DO NOW?

6.1 If you are a Scheme Creditor, you are entitled to attend and vote at the relevant Amending Scheme Meetings. The Amending Scheme Meetings are being convened at the direction of the Court for the purpose of considering and, if thought fit, approving the Amending Scheme.

6.2 Formal notice of the Amending Scheme Meetings is given with this letter, together with a map of the location of those meetings. Scheme Creditors may attend the Amending Scheme Meetings in person (or, if a corporation, by a duly authorised representative) or may vote by proxy.

6.3 Voting Forms, incorporating a form of proxy, to be used for voting at the Amending Scheme Meetings are provided with this letter. Whether or not Scheme Creditors intend to be present in person at the Amending Scheme Meetings, they are requested to complete and sign the Voting Form (and, if relevant, the form of proxy) in accordance with the instructions accompanying them.

6.4 **Completed Voting Forms should be returned by hand, post, fax or email to the Run-off Company at the address detailed in paragraph 13 below by noon (English time) on 10 December 2014 or otherwise handed to the chairman of the Amending Scheme Meetings prior to their commencement.**

6.5 The Companies will consider returned Voting Forms in order to determine the value of each Scheme Creditor's vote(s) at the Amending Scheme Meetings. The value attributed to each Scheme Creditor's Scheme Liability for voting purposes will be determined by the chairman of the Amending Scheme Meetings and calculated on a net basis, taking into account any discount for the time value of money, Offset Amounts and Security Interests. The chairman's determination shall be based on (i) the information provided by the Scheme Creditor; and (ii) the information available to the Companies from their existing records, where necessary, applying the Estimation Guidelines.

6.6 If agreement cannot be reached between the Companies and a Scheme Creditor on the value of a Scheme Creditor's claim for voting purposes, the matter will be referred to the Vote Assessor for inclusion in his report on the reasonableness of voting values for submission to the Court.

6.7 Scheme Creditors should provide evidence in accordance with the Estimation Guidelines to support the calculation of their estimates of Scheme Liabilities. Estimates of Scheme Liabilities admitted for voting purposes will not be used for the purpose of agreeing Net Liabilities under the Amending Scheme unless the Scheme Creditor confirms that the Voting Form is to be used as the Claim Form and that the information provided on the Voting Form remains true and accurate in all respects. Acceptance by the chairman of the Amending Scheme Meetings of a Scheme Creditor's estimate of its claim(s) for voting purposes will not



affect or prejudice the Scheme Administrators' rights to dispute the claim(s) for any other purpose.

- 6.8 A copy of this letter shall be made available to all brokers and agents identified as having placed business with or on behalf of the Companies. The Companies urge those brokers and agents to inform their clients of the Amending Scheme to ensure that all possible creditors of the Companies, in particular Scheme Creditors, receive notice of the Amending Scheme terms and the action that they may be required to take prior and subsequent to the Amending Scheme Meetings.
- 6.9 If Scheme Creditors are unclear about, or have any questions concerning, the action they are required to take, they should contact the Run-off Company using the details set out in paragraph 13 below.

7 KEY DATES AND PROVISIONAL TIMETABLE

Valuation Date	31 December 2013
Voting Forms to be returned to the Scheme Administrators	10 December 2014
Date of Amending Scheme Meetings	11 December 2014
Expected New Effective Date	28 February 2015
Expected Bar Date	31 October 2015
Latest expected date for confirmation that the crystallisation provisions of the Amending Scheme apply	31 March 2016
Latest expected date for determination of whether the Pre-1969 L&O Policyholders will revert to run-off	31 December 2017
Current estimate of the expected date of distribution of the final Payment Percentage to Scheme Creditors	31 March 2018

- 7.1 The dates included above that relate to events subsequent to the Amending Scheme Meetings are only indicative.

8 WHAT WILL HAPPEN IF THE AMENDING SCHEME BECOMES EFFECTIVE?

- 8.1 If the Amending Scheme becomes effective, the Companies will then send notice by post to all known Scheme Creditors that the Amending Scheme is effective and will provide details of the Bar Date. A further letter with, where applicable, details of the relevant Scheme Creditor's login ID and password for accessing its Claim Form on the Website, will be sent by post within 60 days of the New Effective Date. The Scheme Creditor may then amend its Claim Form using the Website. Blank Claim Forms can also be accessed from the Website or otherwise obtained from the Run-off Company whose contact details are set out in paragraph 13 below.



8.2 The Companies will also place advertisements and post a notice on the Website informing Scheme Creditors that the Amending Scheme is effective and calling for Scheme Creditors to complete and return their Claim Form by the Bar Date. Such advertisements will be placed in the same publications in which the Amending Scheme Meetings were advertised.

8.3 **Scheme Creditors will be required to give full details of their claim and supporting documents by completing the Claim Form and ensuring that it is received by the Companies by midnight (English time) on the Bar Date, being the first Business Day falling 240 days after (and not including) the New Effective Date. Subject to paragraph 4.7 (i) to (iv) above, Scheme Creditors who have additional Scheme Liabilities (including Notified Outstanding Liabilities and/or IBNR Liabilities): (i) which are not shown on their Claim Form; or (ii) who do not have a Claim Form, and who, in each case, do not submit details of their claims on their Claim Form before the Bar Date, will receive no payment in respect of those additional claims under the Amending Scheme. Any such Scheme Creditor will only receive payment for any Established Liabilities and Agreed Liabilities as set out on its Claim Form provided to it by the Companies.**

9 PRUDENTIAL REGULATION AUTHORITY ("PRA") AND FINANCIAL CONDUCT AUTHORITY ("FCA")

9.1 In drafting the proposed Amending Scheme, the Scheme Administrators have been advised by their legal advisers and have kept the PRA and the FCA informed of their proposals. This letter and the Amending Scheme document have been provided to the PRA and FCA for consideration and, on the basis of the information available to them, they have confirmed that they have no objection to the Amending Scheme proceeding to a vote of the Scheme Creditors.

10 DIRECTORS' INTERESTS

10.1 The Companies' directors are Dan Schwarzmann, who is a partner in PricewaterhouseCoopers LLP, and Paul Evans. Neither of the directors receive any remuneration or incentives from the Companies and nor will they receive any compensation or incentives as a result of the implementation of the Amending Scheme or under the terms of the Amending Scheme. The directors are also the Scheme Administrators of the Companies. PricewaterhouseCoopers LLP are in receipt of fees for the provision of services to the Scheme Administrators.



11 RECOMMENDATION OF THE SCHEME ADMINISTRATORS IN RESPECT OF THE AMENDING SCHEME

11.1 It is the opinion of the Scheme Administrators that the advantages of the Amending Scheme outweigh its potential disadvantages and the Amending Scheme is therefore in the best interests of Scheme Creditors. In particular, the cost savings that would arise as a result of implementing the Amending Scheme would increase the amount of the Companies' assets available for distribution, leading to a higher expected final Payment Percentage for all Scheme Creditors.

11.2 The Scheme Administrators recognise that some of the key advantages relating to the final Payment Percentage are less relevant for Qualifying ILU Policyholders than for other Scheme Creditors. It is nonetheless the opinion of the Scheme Administrators that the specific provisions and safeguards built into the Amending Scheme, which allow Qualifying ILU Policyholders to opt out or to receive the Qualifying ILU Policyholder Premium if they do not opt out, ensure that the advantages of the Amending Scheme also outweigh the potential disadvantages for Qualifying ILU Policyholders.

11.3 The Creditors' Committee has confirmed in writing their support for the Amending Scheme and the FSCS Scheme Manager has approved and agreed to be bound by the Amending Scheme.

11.4 **Accordingly, all Scheme Creditors who are entitled to vote are recommended to do so in favour of the Amending Scheme.**

12 EXCLUSION OF PERSONAL LIABILITY

Neither the Scheme Administrators, nor any partner, employee, agent, adviser, representative, affiliate, director, officer, member, beneficiary, investor, servant, shareholder, trustee, attorney, or other person acting on behalf of, or otherwise related to or affiliated with the Scheme Administrators or the Companies, nor any of their respective successors shall have any personal liability directly or indirectly, under or in connection with: (a) this letter, the Amending Scheme, the Amending Explanatory Statement and any notices convening the Amending Scheme Meetings; (b) any agreement made or entered into under or pursuant to this letter, the Amending Scheme, the Amending Explanatory Statement and any such notices; or (c) any amendment or amendments to any of the foregoing made at any time or times, heretofore or hereafter. This exclusion of personal liability shall survive any termination of the Amending Scheme.



13 **FURTHER INFORMATION AND DOCUMENTS**

13.1 Further information and copy documents (including a paper copy of the Amending Scheme document containing the full text of the Amending Scheme and the Amending Explanatory Statement) may be obtained by contacting the Run-off Company as follows:

By phone: +44 (0) 207 382 2020
By email: Oicclosurehelpdesk@armour-riskarmourrisk.com
By fax: +44 (0) 207 382 2001
By post: Armour Risk Management Limited
20 Old Broad Street
London EC2N 1DP
United Kingdom

An electronic copy of the Amending Scheme document is also available from the Website at www.oicrun-offltd.com.

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

Dan Schwarzmann
Joint Scheme Administrator

Dan Schwarzmann and Paul Evans 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. The Joint Scheme Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the scheme of arrangement.

Summary report:	
Litéra® Change-Pro 7.5.0.112 Document comparison done on 11/05/2015 14:56:45	
Style name: Default Style	
Intelligent Table Comparison: Active	
Original DMS: dm://LWDLIB02/5403767/1	
Modified DMS: dm://LWDLIB02/6015863/1	
Changes:	
<u>Add</u>	2
Delete	1
Move From	0
<u>Move To</u>	0
<u>Table Insert</u>	0
Table Delete	0
<u>Table moves to</u>	0
Table moves from	0
Embedded Graphics (Visio, ChemDraw, Images etc.)	0
Embedded Excel	0
Format changes	0
Total Changes:	3

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

EXHIBIT DYS4 12

This is the exhibit marked "DYS4 12" referred to in the fourth witness statement of Dan Yoram Schwarzmann dated this 23 September 2015

IN THE HIGH COURT OF JUSTICE OF ENGLAND AND WALES
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTERS OF
OIC RUN-OFF LIMITED ("OIC")
AND
THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED ("L&O")
(BOTH SUBJECT TO A SCHEME OF ARRANGEMENT)
(EACH A "COMPANY" AND TOGETHER THE "COMPANIES")
AND THEIR SCHEME CREDITORS
AND IN THE MATTER OF THE COMPANIES ACT 2006

VOTING FORM

The capitalised words and expressions contained within this Voting Form and the guidance notes shall, unless the context requires otherwise, bear the same meaning given to them in the proposed amending scheme of arrangement between the Companies and their respective Scheme Creditors (the "**Amending Scheme**").

All Scheme Creditors who wish to vote on the Amending Scheme must complete this Voting Form, including page 3 for claims against OIC and page 4 for claims against L&O.

You should read this Voting Form, including the guidance notes, carefully. Failure to follow the guidance notes may result in a claim being rejected in whole or in part for voting purposes if the chairman of the Amending Scheme Meetings has insufficient information to decide whether a claim is fair and reasonable.

This Voting Form is to be used by Scheme Creditors of the Companies at the Amending Scheme Meetings of the Companies to be held at 10.30am (English time) on 11 December 2014 at the offices of PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH, United Kingdom. Your completed and signed original Voting Form must be received by the Companies at the address below by noon (English time) on 10 December 2014 or otherwise handed in at the registration desk at the Amending Scheme Meetings prior to their commencement. Voting Forms may be returned by email or fax, provided that the original Voting Form is also received by the Companies no later than 7 days after the Amending Scheme meetings in order to ensure your vote is counted.

OIC Run-Off Limited
The London and Overseas Insurance Company Limited
c/o Armour Risk Management Limited
20 Old Broad Street
London EC2N 1DP
United Kingdom
Telephone: +44 (0) 20 7382 2020
Fax: +44 (0) 20 7382 2001
Email: Oicclosurehelpdesk@armourrisk.com

Further blank copies of the Voting Form can be obtained from the Companies at the address above or by visiting the Website at www.oicrun-offltd.com. If you require any further assistance on voting, please contact the Run-off Company using the contact details above.

Scheme Creditors should not construe any of the contents of this Voting Form or any assistance provided by the Run-off Company helpdesk to be legal, tax, financial or other professional advice. Each Scheme Creditor should consult its own professional advisers as to the legal, tax, financial or other matters relevant to the action it should take in connection with this Voting Form.

SECTION A: VOTING REGISTRATION AND PROXY

(See Appendix 2 for guidance notes)

To be used at the meetings of Scheme Creditors of OIC and L&O (both subject to a Scheme of Arrangement) to be held at 10.30am (English time) on 11 December 2014 at the offices of PricewaterhouseCoopers LLP, 1 Embankment Place, London WC2N 6RH, United Kingdom as described in the accompanying notice summoning the Amending Scheme Meetings.

Scheme Creditor

I/We (note 1)

(Enter the name of the Scheme Creditor including all former names)

of (note 1)

(Enter the address of the Scheme Creditor)

being a Scheme Creditor of

OIC Run-Off Limited

The London and Overseas Insurance Company Limited

(please tick either or both boxes above – note 2)

Claim for voting purposes

1) For Qualifying Liabilities in the sum of (note 2):

US\$.....

2) For non-Qualifying Estimated Liabilities in the sum of (note 2):

US\$.....

3) For non-Qualifying Liabilities (other than Estimated Liabilities) in the sum of (note 2):

US\$.....

Attendee

(a) will attend and vote in person at the Amending Scheme Meetings; **OR**

(b) hereby appoint:

(i) the chairman of the Amending Scheme Meetings; **OR**

(ii)

(please tick one box above – note 3)

as my/our proxyholder to act for me/us at such of the Amending Scheme Meetings as I am/we are entitled to attend for the purpose of considering and, if thought fit, approving (with or without modification) the Amending Scheme referred to in the notice summoning the Amending Scheme Meetings, and at such Amending Scheme Meetings, or any adjournment thereof, to vote on my/our behalf and in my/our name for the Amending Scheme or against the Amending Scheme (either with or without modification) as my/our proxy may approve.

If you want your proxyholder to vote for the Amending Scheme (either with or without modification), sign in the box marked "FOR". If you want your proxyholder to vote against the Amending Scheme (either with or without modification), sign in the box marked "AGAINST". If you want to abstain from voting on the Amending Scheme, sign in the box marked "ABSTENTION". If you want your proxyholder to have discretion to vote for or against the Amending Scheme, sign in the box marked "AT DISCRETION". You may not sign in the "AT DISCRETION" box if the chairman of the Amending Scheme Meetings is your appointed proxyholder.

OIC RUN-OFF LIMITED (IN SCHEME OF ARRANGEMENT)

(See Appendix 2 for guidance notes)

Vote in the Amending Scheme in respect of:

OIC Qualifying Liabilities

FOR the Amending Scheme	AGAINST the Amending Scheme	ABSTENTION	AT DISCRETION (only use where the proxy is not the chairman) (note 4)
..... Signature	..... Signature	..... Signature	..... Signature

OIC non-Qualifying Estimated Liabilities

FOR the Amending Scheme	AGAINST the Amending Scheme	ABSTENTION	AT DISCRETION (only use where the proxy is not the chairman) (note 4)
..... Signature	..... Signature	..... Signature	..... Signature

OIC non-Qualifying Liabilities (other than Estimated Liabilities)

FOR the Amending Scheme	AGAINST the Amending Scheme	ABSTENTION	AT DISCRETION (only use where the proxy is not the chairman) (note 4)
..... Signature	..... Signature	..... Signature	..... Signature

PLEASE TICK THE BOX IF YOU WOULD LIKE THIS VOTING FORM TO BE USED AS YOUR CLAIM FORM:

If you are the duly authorised representative of the Scheme Creditor or the duly authorised agent and/or legal ~~advisor~~ adviser of the Scheme Creditor, enter the capacity in which you have signed this Voting Form (for example director, partner or agent and/or legal ~~advisor~~ adviser) below. A signature on this form shall constitute the giving of a warranty that the signatory has been duly authorised by the relevant Scheme Creditor to sign the form on its behalf.

Authorised signatory:
 Name (note 5):
 Position/Capacity:
 Telephone Number:
 Email:

Person to contact in the event of a query in respect of this form of proxy (if different from above):
 Name (note 5):
 Position/Capacity:
 Telephone Number:
 Email:

For completion by OIC Run-Off Limited (in Scheme of Arrangement):
 Admitted to vote:
 For Qualifying Liabilities in the sum of: US\$.....
 For non-Qualifying Estimated Liabilities in the sum of: US\$.....
 For non-Qualifying Liabilities (other than Estimated Liabilities) in the sum of: US\$.....

THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED (IN SCHEME OF ARRANGEMENT)

(See Appendix 2 for guidance notes)

Vote in the Amending Scheme in respect of:

L&O Qualifying Liabilities

FOR the Amending Scheme	AGAINST the Amending Scheme	ABSTENTION	AT DISCRETION (only use where the proxy is not the chairman) (note 4)
..... Signature	..... Signature	..... Signature	..... Signature

L&O non-Qualifying Estimated Liabilities

FOR the Amending Scheme	AGAINST the Amending Scheme	ABSTENTION	AT DISCRETION (only use where the proxy is not the chairman) (note 4)
..... Signature	..... Signature	..... Signature	..... Signature

L&O non-Qualifying Liabilities (other than Estimated Liabilities)

FOR the Amending Scheme	AGAINST the Amending Scheme	ABSTENTION	AT DISCRETION (only use where the proxy is not the chairman) (note 4)
..... Signature	..... Signature	..... Signature	..... Signature

PLEASE TICK THE BOX IF YOU WOULD LIKE THIS VOTING FORM TO BE USED AS YOUR CLAIM FORM:

If you are the duly authorised representative of the Scheme Creditor or the duly authorised agent and/or legal ~~adviser~~ adviser of the Scheme Creditor, enter the capacity in which you have signed this Voting Form (for example director, partner or agent and/or legal ~~adviser~~ adviser) below. A signature on this form shall constitute the giving of a warranty that the signatory has been duly authorised by the relevant Scheme Creditor to sign the form on its behalf.

Authorised signatory:

Name (note 5):

Position/Capacity:

Telephone Number:

Email:

Person to contact in the event of a query in respect of this form of proxy (if different from above):

Name (note 5):

Position/Capacity:

Telephone Number:

Email:

For completion by The London and Overseas Insurance Company Limited (in Scheme of Arrangement):

Admitted to vote:

For Qualifying Liabilities in the sum of: US\$.....

For non-Qualifying Estimated Liabilities in the sum of: US\$.....

For non-Qualifying Liabilities (other than Estimated Liabilities) in the sum of: US\$.....

SECTION B: VOTING VALUATION

(See Appendix 2 for guidance notes)

The attached claims supporting voting schedule and/or a Security Interests and Offset Amounts supporting voting schedule should be completed first and included in support of the Voting Form. Failure to supply suitable supporting information, in the form of a completed claims supporting voting schedule and/or a Security Interests and Offset Amounts supporting voting schedule, may result in your vote being rejected or receiving a lower value than asserted by you.

All amounts entered on the Voting Form must be stated in US Dollars (US\$) as at the Valuation Date, which is 31 December 2013, in accordance with the Amending Scheme. If required, please refer to the list of exchange rates shown in Appendix 1.

Cross guarantees were entered into by the Companies. The effect of those cross guarantees is that every Scheme Creditor has the same net claims against OIC and L&O, even following the application of any Offset Amounts. Set-off will be applied against a Scheme Creditor’s claim in respect of any amounts owed by either or both of the Companies to that Scheme Creditor. Examples of how set-off works for voting purposes can be found in the Guidance Notes (Appendix 2, pages 15-18). The claim amounts entered on page 2 of the Voting Form will represent that Scheme Creditor’s net claim against both of the Companies. For example, if the Scheme Creditor enters a net claim value of US\$10 million (following the application of any set-off) on the Voting Form, that Scheme Creditor will have a claim for voting purposes of US\$10 million against each of OIC and L&O.

<u>Ref.:</u>	<u>Company Name:</u>		
Description	Class		
Claims by class (note 6)	Qualifying Liabilities (US\$)	Non-Qualifying Estimated Liabilities (US\$)	Non-Qualifying Liabilities (other than Estimated Liabilities) (US\$)
Established Liabilities			
Less: dividends paid			
Agreed Liabilities			
Notified Outstanding Liabilities (undiscounted)			
Time value of money discount on Notified Outstanding Liabilities			
IBNR Liabilities (undiscounted)			
Time value of money discount on IBNR Liabilities			
Gross claim for voting purposes			
Less: Security Interests and Offset Amounts by class (note 7)			
Net claim for voting purposes by class (before the application of Offset Amounts between classes) (note 8)			
Offset Amounts between classes (note 9)			
Claim for voting purposes (note 10)			

SECTION C(i): CLAIMS SUPPORTING VOTING SCHEDULES (OIC AND L&O)
 (Please see Appendix 2 for guidance notes)

(note 11) CURRENCY

(note 12) CONVERSION RATE USED

**CLASS:
QUALIFYING
LIABILITIES**

Qualifying Liabilities – claims (in currency)

(note 13) Insurance Contract reference number	(note 14) OIC/L&O Policy reference	(note 15) Participation percentage (%)	(note 16) Inception date	(note 17) Broker	(note 18) Broker reference	(note 19) Agreed Liabilities	(note 20) Notified Outstanding Liabilities (Undiscounted)	(note 21) Time value of money discount on Notified Outstanding Liabilities	(note 22) IBNR Liabilities (Undiscounted)	(note 23) Time value of money discount on IBNR Liabilities
(note 25) Claims (currency) total										
(note 27) Claims total (US\$)										
(note 28) Continuation sheet total (US\$)										
(note 29) Total for this page plus any continuation sheets (US\$)										

SECTION C(i): CLAIMS SUPPORTING VOTING SCHEDULES (OIC AND L&O)
 (Please see Appendix 2 for guidance notes)

(note 11) CURRENCY

(note 12) CONVERSION RATE USED

**CLASS:
NON-QUALIFYING
ESTIMATED LIABILITIES**

Non-Qualifying Estimated Liabilities – Claims (in currency)

(note 13) Insurance Contract reference number	(note 14) OIC/L&O Policy reference	(note 15) Participation percentage (%)	(note 16) Inception date	(note 17) Broker	(note 18) Broker reference	(note 19) Agreed Liabilities	(note 20) Notified Outstanding Liabilities (Undiscounted)	(note 21) Time value of money discount on Notified Outstanding Liabilities	(note 22) IBNR Liabilities (Undiscounted)	(note 23) Time value of money discount on IBNR Liabilities
(note 25) Claims (currency) total										
(note 27) Claims total (in US\$)										
(note 28) Continuation sheet total (US\$)										
(note 29) Total for this page plus any continuation sheets (US\$)										

SECTION C(i): CLAIMS SUPPORTING VOTING SCHEDULES (OIC AND L&O)
(Please see Appendix 2 for guidance notes)

(note 11) CURRENCY

(note 12) CONVERSION RATE USED

**CLASS:
 NON-QUALIFYING LIABILITIES
 (OTHER THAN ESTIMATED LIABILITIES)**

Non-Qualifying Liabilities (other than Estimated Liabilities) – claims (in currency)

(note 13) Insurance Contract reference number	(note 14) OIC/L&O Policy reference	(note 15) Participation percentage (%)	(note 16) Inception date	(note 17) Broker	(note 18) Broker reference	(note 19) Agreed Liabilities	(note 20) Notified Outstanding Liabilities (Undiscounted)	(note 21) Time value of money discount on Notified Outstanding Liabilities	(note 22) IBNR Liabilities (Undiscounted)	(note 23) Time value of money discount on IBNR Liabilities
(note 25) Claims (currency) total										
(note 27) Claims total (in US\$)										
(note 28) Continuation sheet total (US\$)										
(note 29) Total for this page plus any continuation sheets (US\$)										

CLASS:

SECTION C(ii): SECURITY INTERESTS AND OFFSET AMOUNTS SUPPORTING VOTING SCHEDULES (OIC AND L&O)

QUALIFYING LIABILITIES (note 31)

(note 11) CURRENCY

(note 12) CONVERSION RATE USED

NON-QUALIFYING LIABILITIES (OTHER THAN ESTIMATED LIABILITIES) (note 31)

(note 13) Insurance Contract reference number	(note 14) OIC/L&O Policy Reference	(note 15) Participation percentage (%)	(note 16) Inception date	(note 17) Broker	(note 18) Broker reference	(note 19) Agreed Liabilities	(note 20) Notified Outstanding Liabilities (Undiscounted)	(note 21) Time value of money discount value on Notified Outstanding Liabilities	(note 22) IBNR Liabilities (Undiscounted)	(note 23) Time value of money discount value on IBNR Liabilities	(note 24) Offset Amounts total
(note 25) Offset Amounts (currency) total											
(note 25) Security Interests (currency) total											
(note 26) Sub-total (currency)											
(note 27) Security Interests and Offset Amounts total (US\$)											
(note 28) Continuation sheet total (US\$)											
(note 30) Total for this page plus any continuation sheets (US\$)											

Appendix 1 – EXCHANGE RATE CONVERSION TO US DOLLARS

Code	Currency	Rate per 1 US Dollar at 31 December 2013
AED	United Arab Emirates Dirhams	3.6730
AUD	Australia Dollars	1.1178
BHD	Bahrain Dinars	0.3770
BMD	Bermuda Dollars	1.0000
BRL	Brazil Reals	2.3593
CAD	Canada Dollars	1.0625
CHF	Switzerland Francs	0.8894
CNY	China Yuan Renminbi	6.0539
DKK	Denmark Kroner	5.4141
EGP	Egypt Pounds	6.9486
EUR	Euro	1.3780
GBP	United Kingdom Pounds	1.6563
HKD	Hong Kong Dollars	7.7538
ISK	Iceland Kronur	115.4500
JPY	Japan Yen	105.105
KRW	South Korea Won	1055.35
KWD	Kuwait Dinars	0.2824
NOK	Norway Kroner	6.0669
NZD	New Zealand Dollars	1.2150
PLN	Poland Zlotych	3.0175
QAR	Qatar Riyals	3.6412
RUB	Russia Rubles	32.8600
SAR	Saudi Arabia Riyals	3.7505
SEK	Sweden Kronor	6.4226
SGD	Singapore Dollars	1.2626
TRY	Turkey Lira	2.1485
USD	United States Dollars	1.000
VEF	Venezuela Bolivares Fuertes	6.2921
ZAR	South Africa Rand	10.4738

Appendix 2 – GUIDANCE NOTES

GENERAL NOTES

The value to be attributed to each Scheme Creditor's claim for voting purposes will be determined by the chairman of the Amending Scheme Meetings on the basis of the information provided by the Scheme Creditor on the Voting Form and the information available from the Companies' existing records. The chairman will convert any claim submitted to him in a currency other than US Dollars into US Dollars, converted at the rate of exchange at 31 December 2013 for that particular currency as stated in Appendix 1 of the Voting Form. Account will be taken of any known Offset Amounts and Security Interests.

The chairman of the Amending Scheme Meetings will seek to agree the value of each Scheme Creditor's vote(s) with that Scheme Creditor and, if unable to do so, the matter will be referred to the independent vote assessor (the "**Vote Assessor**"). The Vote Assessor shall prepare a report for submission to the Court on the reasonableness of the voting values used.

The chairman of the Amending Scheme Meetings may, for voting purposes only, reject a claim in whole or in part, if he considers that it does not constitute a fair and reasonable assessment of the sums owed to the Scheme Creditor by the Companies. It is therefore important that Scheme Creditors complete and return a Voting Form and provide supporting information for the valuation of their claim to which the chairman of the Amending Scheme Meetings may refer in assessing its reasonableness.

Where a claim is rejected, in whole or in part, the chairman will advise the Scheme Creditor of his decision, prior to the Amending Scheme Meetings where possible or, in any event, prior to any Court hearing to sanction the Amending Scheme.

The admission of a claim for voting purposes does not constitute an admission of the existence or amount of any liability of the Companies and will not bind the Scheme Administrators, the Companies or Scheme Creditors.

Any alteration to the form of proxy must be initialled by the person who signs it. If you are a Scheme Creditor and wish to vote or wish to instruct your proxy to vote in respect of the Amending Scheme, you should complete a Voting Form and return it with the form of proxy.

Where a box has been shaded, do not enter any claim value as the box is not applicable to the relevant class.

Particulars as to estimates of the amount of any Notified Outstanding Liabilities or IBNR Liabilities provided by a Scheme Creditor may not be protected by privilege under English law (or other relevant laws) and may be discoverable by a third party with a claim against the Scheme Creditor in any action or proceeding to which the Scheme Creditor may be a party. Scheme Creditors should consult their legal advisers as to the possible consequences of providing such particulars in relation to any litigation in which the Scheme Creditor is or may be involved.

If you have claims in more than one currency in relation to any Insurance Contract, a separate claims supporting voting schedule or Security Interests and Offset Amounts supporting voting schedule should be used for each currency. Please specify, in the box provided, the relevant currency and the appropriate conversion rate selected from the list provided. If there are insufficient lines for any one currency, complete the continuation sheets on pages 19-20. Please photocopy these continuation sheets before completing it if additional copies are required. Continuation sheets, along with additional copies of the supporting voting schedules, may also be obtained from the Website at www.oicrun-offltd.com or by writing to OIC Run-Off Limited/The London and Overseas Insurance Company Limited, c/o Armour Risk Management Limited, 20 Old Broad Street, London EC2N 1DP United Kingdom. Telephone: +44 (0) 20 7382 2020 or, by fax on: +44 (0) 20 7382 2001, or by e-mail: Oicclosurehelpdesk@armourrisk.com.

Appendix 2 – GUIDANCE NOTES (continued)

SECTION A

- (1) Please enter the name and address of the Scheme Creditor (including all former names) in block capitals. The name and address of the Scheme Creditor must be legible. If you are the duly authorised agent and/or legal ~~adviser~~ adviser of a number of Scheme Creditors, complete a separate form of proxy in respect of each Scheme Creditor (photocopying the form as many times as necessary) and provide evidence (which must be satisfactory to the chairman of the Amending Scheme Meetings) of your authority to execute the form of proxy on their behalf (for example a deed of assignment or a letter of authority). Failure to provide such evidence of authority on behalf of one or more Scheme Creditors will invalidate the Voting Forms in respect of those Scheme Creditors. Please note that where there are a number of companies within a group who are each Scheme Creditors, each company must complete a separate form of proxy because a group submission is not permissible.
- (2) Enter the estimated amount of your claim against the Companies for voting purposes by class. As a result of the operation of the Cross Guarantees (see Section B of the Voting Form), the estimated amount of your claim against the Companies should be the same for each of OIC and L&O (even following the application of any Offset Amounts).
- (3) Tick one box as appropriate. Tick box (a) if you will be attending, and voting at, the Amending Scheme Meetings in person. Tick box (b)(i) if you will not be attending the Amending Scheme Meetings in person and wish to appoint the chairman of the Amending Scheme Meetings as your proxy. Tick box (b)(ii) if you will not be attending the Amending Scheme Meetings in person and wish to appoint a person, other than the chairman (whose name you should insert in the space provided), as your proxy. If you have appointed a person other than the chairman as your proxy, in order to represent you, that person must attend in person at the Amending Scheme Meetings. That person need not be a Scheme Creditor.
- (4) If you have appointed the chairman of the Amending Scheme Meetings as your proxy, you must sign either the box marked "FOR" or the box marked "AGAINST". If you sign in either the box marked "ABSTENTION" or the box marked "AT DISCRETION", the chairman will abstain from voting on your behalf. If you do not sign in any of the boxes, this form of proxy will not operate as a valid appointment of your proxy and consequently no vote will be cast on your behalf. Note that if you sign the box marked "FOR", the chairman may vote for the Amending Scheme either with or without modification.
- (5) If you are the duly authorised representative of a corporation or a partnership or other unincorporated body or person, or the duly authorised agent and/or legal ~~adviser~~ adviser of a Scheme Creditor or a number of Scheme Creditors, enter your name, the capacity in which you have signed the form of proxy (for example, director, partner, agent and/or legal ~~adviser~~ adviser) and contact details. Please note that if you are the duly authorised representative of a number of companies, a separate form of proxy (photocopying the form as many times as necessary) should be completed. As mentioned in note 1 above, you must also provide evidence (which must be satisfactory to the chairman of the Amending Scheme Meetings) of your authority to execute the form of proxy on behalf of the Scheme Creditor.

SECTION B

- (6) **Claims by class** – Please enter, for each class, the aggregate US Dollar total from the respective claims supporting voting schedules into the appropriate claim category. If you already have Established Liabilities on which a dividend has been paid, the amount will have been pre-populated on the Voting Form. Specify the time value discount of money applied to Notified Outstanding Liabilities and IBNR Liabilities using the Risk Free Rate as defined by the Amending Scheme, as at the Valuation Date of 31 December 2013.

Qualifying Liabilities – A Scheme Liability to a Qualifying ILU Policyholder under or in relation to a Qualifying ILU Policy (evidenced and issued by the ILU).

Non-Qualifying Estimated Liabilities – A Scheme Liability (which is a Notified Outstanding Liability or an IBNR Liability) other than a Qualifying Liability.

Non-Qualifying Liabilities (other than Estimated Liabilities) – A Scheme Liability (which is an Established Liability or an Agreed Liability) other than a Qualifying Liability.

- (7) **Security Interests and Offset Amounts by class** – Enter the US Dollar total from the respective Security Interests and Offset Amounts supporting voting schedules. If a Scheme Creditor believes it is

Appendix 2 – GUIDANCE NOTES (continued)

unaffected by Security Interests and Offset Amounts, it should enter zero in the appropriate boxes.

- (8) Net claim for voting purposes by class (before the application of Offset Amounts between classes)** – Deduct the Security Interests and Offset Amounts from the value of the gross claim for voting purposes.
- (9) Offset Amounts between classes** – In accordance with the Original Scheme, a balance due to the Companies, after the application of Security Interests and Offset Amounts, within a class will be deducted against any balance due to a Scheme Creditor that may exist in the other classes and vice-versa. If the net balance is negative for any class (i.e. an amount is due to the Companies from the Scheme Creditor), this value should be deducted from any positive Scheme Creditor balance that appears in the other classes in accordance with the offset examples that are shown in Appendix 2 on pages 15-18.
- (10) Claim for voting purposes** – This value represents the claim value, by class, that will be applied for voting purposes at the Amending Scheme Meetings. Please insert these values on the appropriate lines of Section A: Voting Registration and Proxy on page 2.

SECTION C (i) and (ii)

- (11) Currency** – Please enter the three letter currency code relevant for the currency of the information being submitted. The three letter codes can be found in Appendix 1 of the Voting Form.
- (12) Conversion rate used** – Please insert the appropriate conversion rate from Appendix 1 of the Voting Form.
- (13) Insurance Contract reference number** – Specify the Insurance Contract reference number in relation to each of the policies under which you have claims against the Companies. Your insurance or reinsurance broker, intermediary or other agent should be able to assist you in confirming or identifying Insurance Contracts and reference numbers. Please then insert the Insurance Contract reference numbers onto the Claims/Security Interests and Offset Amount supporting voting schedules using a separate line for each Insurance Contract.
- (14) OIC/L&O Policy reference** – The OIC/L&O Policy Reference is the Companies' reference number that was provided to you in correspondence with the Run-off Company.
- (15) Participation percentage** – The participation percentage for each Insurance Contract represents the percentage line underwritten or assumed by the Companies under the Insurance Contract. Insert the relevant percentage line for each Insurance Contract used to determine the value of each of your claims against/from the Companies.
- (16) Inception date** – Specify the date when each Insurance Contract commenced. In the case of continuous Insurance Contracts or Insurance Contracts of more than 12 months duration, each annual renewal should be shown as a separate Insurance Contract on a separate line.
- (17) Broker** – Specify the name of the broker who placed the Insurance Contract or, if the placing broker is not known, any other broker, agent or intermediary (if known) who acted on your behalf in relation to the Insurance Contract.
- (18) Broker reference** – Specify the broker's (or agent's or intermediary's) contract reference for each Insurance Contract.
- (19) Agreed Liabilities:**
- Section C (i)** – Specify the amount of any unpaid claim or (where there is more than one unpaid claim) the aggregate amount of any unpaid claims you have arising under each Insurance Contract that has been agreed, or otherwise, but not been treated as an Established Liability and received a payment under the Scheme.
- Section C (ii)** – Specify the amount of any unpaid claim or (where there is more than one unpaid claim) the aggregate amount of any unpaid claims arising under each Insurance Contract that you have agreed as being due to the Companies.

Appendix 2 – GUIDANCE NOTES (continued)

(20) Notified Outstanding Liabilities (Undiscounted):

Section C (i) – Specify the estimated amount of any claim or (where there is more than one claim) the aggregate estimated amount of any claims which are Notified Outstanding Liabilities arising under each Insurance Contract.

Section C (ii) – Specify the estimated amount of any claim or (where there is more than one claim) the aggregate estimated amount of any claims which are Notified Outstanding Liabilities arising under each Insurance Contract and of which you have been notified by the Companies.

(21) Time value of money discount on Notified Outstanding Liabilities – Specify the discount amount applied for the time value of money of Notified Outstanding Liabilities using the Risk Free Rate as defined by the Amending Scheme, as at the Valuation Date of 31 December 2013. This is the yield on US Treasury bonds (or, in the case where the underlying liabilities owed by a Scheme Creditor or by the Companies are predominantly payable in a currency other than US Dollars, equivalent government securities of the country in whose currency the liabilities are payable) of a term that is appropriate taking account of the nature of the liabilities.

(22) IBNR Liabilities (Undiscounted):

Section C (i) – Specify the estimated amount of any claim or (where there is more than one claim) the aggregate estimated amount of any claims which you have classed as IBNR Liabilities being due from the Companies arising under each Insurance Contract.

Section C (ii) – Specify the estimated amount of any claim or (where there is more than one claim) the aggregate estimated amount of any claims which you have classed as IBNR Liabilities being due to the Companies arising under each Insurance Contract.

(23) Time value of money discount value on IBNR Liabilities – Specify the discount amount applied for the time value of money of IBNR Liabilities using the Risk Free Rate as defined by the Amending Scheme, as at the Valuation Date of 31 December 2013. This is the yield on US Treasury bonds (or, in the case where the underlying liabilities owed by a Scheme Creditor, or by the Companies, are predominantly payable in a currency other than US Dollars, equivalent government securities of the country in whose currency the liabilities are payable) of a term that is appropriate taking account of the nature of the liabilities.

(24) Offset Amounts total (Section C (ii) only) – Enter the sum of the amounts included, where applicable, from notes 19 to 23 to arrive at the total Offset Amount by Insurance Contract.

(25) Claims/Offset Amounts/Security Interests (currency) total:

Section C (i) – Enter the sum of all claims included, where applicable, under each column from notes 19 to 23.

Section C (ii) – Enter the sum of all Offset Amounts by Insurance Contract, from note 24, and Security Interests held in relation to the Companies.

(26) Sub-total (currency) (Section C (ii) only) – Enter the total of both the Offset Amounts and Security Interests from note 25.

(27) Claims/Security Interests and Offset Amounts total (US\$) – Apply the Currency Conversion Rate from note 12 to the totals in note 25, to convert both the Claims (Currency) total and Security Interests and Offset Amounts (currency) total into US\$ totals.

(28) Continuation sheet total (US\$) – Insert the respective claim values in US\$ from all continuation sheets.

(29) Total for this page plus any continuation sheets (US\$) – Aggregate the claims total (US\$) and the continuation sheet total (US\$) to arrive at a total value, where applicable, from notes 19 to 23. Transfer these amounts to the corresponding lines by class on the voting valuation form on page 5.

(30) Total for this page plus any continuation sheets (US\$) – Aggregate the amounts from notes 27 and 28 to arrive at a total value. Transfer this amount to the corresponding line by class on the voting valuation form on page 5.

(31) Classes – Copy and complete a separate Security Interests and Offset Amounts supporting voting

schedule for each class and tick the relevant box to indicate to which class the schedule applies.

**Appendix 2 – GUIDANCE NOTES
EXAMPLES TO ILLUSTRATE THE APPLICATION OF OFFSET AMOUNTS BETWEEN CLASSES**

Example 1 – Negative value transferred from the Qualifying Liabilities class to the other classes.

Claims by class (note 6)	Qualifying Liabilities (US\$)	Non-Qualifying Estimated Liabilities (US\$)	Non-Qualifying Liabilities (other than Estimated Liabilities) (US\$)
Established Liabilities	-	-	200,000
Less: dividends paid	-	-	(116,000)
Agreed Liabilities	50,000	-	70,000
Notified Outstanding Liabilities	12,000	5,000	-
Time value of discount on Notified Outstanding Liabilities	(2,000)	(1,000)	-
IBNR Liabilities	-	-	-
Time value of discount on IBNR	-	-	-
Gross claim for voting purposes	60,000	4,000	154,000
Less: Security Interests and Offset Amounts by class (note 7)	(110,000)	-	(98,000)
Net claim for voting purposes by class (before Offset Amounts between classes) (note 8)	(50,000)	4,000	56,000
Offset Amounts between classes (note 9)	50,000	(3,333)	(46,667)
Claim for voting purposes (note 10)	-	667	9,333

Comments:

- The notes refer to the guidance notes in Appendix 2.
- The US\$ 50,000 negative value in the Qualifying Liabilities class is applied against the other classes on a pro-rata basis based on the net claims in the Non-Qualifying classes (US\$ 4,000 and US\$ 56,000 respectively).
- If there is a negative net claim in the Non-Qualifying Estimated Liabilities class this is applied first against the net claim in the Non-Qualifying Liabilities (other than Estimated Liabilities) class before the application of any negative net claim in the Qualifying Liabilities class.
- If there is a negative net claim in the Non-Qualifying Liabilities (other than Estimated Liabilities) class this is applied first against the net claim in the Non-Qualifying Estimated Liabilities class before the application of any negative net claim in the Qualifying Liabilities class.

Appendix 2 – GUIDANCE NOTES
EXAMPLES TO ILLUSTRATE THE APPLICATION OF OFFSET AMOUNTS BETWEEN CLASSES

Example 2 – Negative value transferred from both Non-Qualifying Liabilities classes to the Qualifying Liabilities class.

Claims by class (note 6)	Qualifying Liabilities (US\$)	Non-Qualifying Estimated Liabilities (US\$)	Non-Qualifying Liabilities (other than Estimated Liabilities) (US\$)
Established Liabilities	-	-	200,000
Less: dividends paid	-	-	(116,000)
Agreed Liabilities	50,000	-	20,000
Notified Outstanding Liabilities	12,000	12,000	-
Time value of discount on Notified Outstanding Liabilities	(2,000)	(2,000)	-
IBNR Liabilities	12,000	12,000	-
Time value of discount on IBNR Liabilities	(2,000)	(2,000)	-
Gross claim for voting purposes	70,000	20,000	104,000
Less: Security Interests and Offset Amounts by class (note 7)	(20,000)	(30,000)	(120,000)
Net claim for voting purposes by class (before Offset Amounts between classes) (note 8)	50,000	(10,000)	(16,000)
Offset Amounts between classes (note 9)	(26,000)	10,000	16,000
Claim for voting purposes (note 10)	24,000	-	-

Comments:

- The notes refer to the guidance notes in Appendix 2.
- The negative net claims in both Non-Qualifying Liabilities classes (US\$ 10,000 and US\$ 16,000) are applied in full against the net claim in the Qualifying Liabilities class (US\$ 50,000).

Appendix 2 – GUIDANCE NOTES
EXAMPLES TO ILLUSTRATE THE APPLICATION OF OFFSET AMOUNTS BETWEEN CLASSES

Example 3 – Negative value transferred from the Non-Qualifying Estimated Liabilities class to the other classes.

Claims by class (note 6)	Qualifying Liabilities (US\$)	Non-Qualifying Estimated Liabilities (US\$)	Non-Qualifying Liabilities (other than Estimated Liabilities) (US\$)
Established Liabilities	-	-	200,000
Less: dividends paid	-	-	(116,000)
Agreed Liabilities	50,000	-	70,000
Notified Outstanding Liabilities	12,000	6,000	-
Time value of discount on Notified Outstanding Liabilities	(2,000)	(1,000)	-
IBNR Liabilities	-	-	-
Time value of discount on IBNR Liabilities	-	-	-
Gross claim for voting purposes	60,000	5,000	154,000
Less: Security Interests and Offset Amounts by class (note 7)	-	(200,000)	-
Net claim for voting purposes by class (before Offset Amounts between classes) (note 8)	60,000	(195,000)	154,000
Offset Amounts between classes (note 9)	(41,000)	195,000	(154,000)
Claim for voting purposes (note 10)	19,000	-	-

Comments:

- The notes refer to the guidance notes in Appendix 2.
- The negative net claim in the Non-Qualifying Estimated Liabilities class (US\$ 195,000) is applied against: firstly, the net claim in the Non-Qualifying Liabilities (other than Estimated Liabilities) class (US\$ 154,000) in full without pro rata and; secondly, against the net claim in the Qualifying Liabilities class (US\$ 41,000).

Appendix 2 – GUIDANCE NOTES
EXAMPLES TO ILLUSTRATE THE APPLICATION OF OFFSET AMOUNTS BETWEEN CLASSES

Example 4 – Negative value transferred from Non-Qualifying Liabilities (other than Estimated Liabilities) class to the other classes.

Claims by class (note 6)	Qualifying Liabilities (US\$)	Non-Qualifying Estimated Liabilities (US\$)	Non-Qualifying Liabilities (other than Estimated Liabilities) (US\$)
Established Liabilities	-	-	200,000
Less: dividends paid	-	-	(116,000)
Agreed Liabilities	50,000	-	20,000
Notified Outstanding Liabilities	12,000	12,000	-
Time value of discount on Notified Outstanding Liabilities	(2,000)	(2,000)	-
IBNR Liabilities	12,000	12,000	-
Time value of discount on IBNR Liabilities	(2,000)	(2,000)	-
Gross claim for voting purposes	70,000	20,000	104,000
Less: Security Interests and Offset Amounts by class (note 7)	-	-	(150,000)
Net claim for voting purposes by class (before Offset Amounts between classes) (note 8)	70,000	20,000	(46,000)
Offset Amounts between classes (note 9)	(26,000)	(20,000)	46,000
Claim for voting purposes (note 10)	44,000	-	-

Comments:

- The notes refer to the guidance notes in Appendix 2.
- The negative net claim in the Non-Qualifying Liabilities (other than Estimated Liabilities) class (US\$ 46,000) is applied against: firstly the net claim in the Non-Qualifying Estimated Liabilities class (US\$ 20,000) in full without pro rata and; secondly against the net claim in the Qualifying Liabilities class (US\$ 26,000).

(note 11) CURRENCY

(note 12) CONVERSION RATE USED

CLASS (please insert):

Claims (in currency)

(note 13) Insurance Contract reference number	(note 14) OIC/L&O Policy reference	(note 15) Participation percentage (%)	(note 16) Inception date	(note 17) Broker	(note 18) Broker reference	(note 19) Agreed Liabilities	(note 20) Notified Outstanding Liabilities (Undiscounted)	(note 21) Time value of money discount on Notified Outstanding Liabilities	(note 22) IBNR Liabilities (Undiscounted)	(note 23) Time value of money discount on IBNR Liabilities
Claims (currency) total										
Claims total (in US\$)										
Previous continuation sheets total (US\$)										
Total for this page plus any continuation sheets (US\$)										

CONTINUATION SHEET (SECURITY INTERESTS AND OFFSET AMOUNT SUPPORTING VOTING SCHEDULE – OIC AND L&O)

(note 11) CURRENCY		(note 12) CONVERSION RATE USED		CLASS (please insert):
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Security Interests and Offset Amounts (in currency)

(note 13) Insurance Contract reference number	(note 14) OIC/L&O Policy Reference	(note 15) Participation percentage (%)	(note 16) Inception date	(note 17) Broker	(note 18) Broker reference	(note 19) Agreed Liabilities	(note 20) Notified Outstanding Liabilities (Undiscounted)	(note 21) Time value of money discount on Notified Outstanding Liabilities	(note 22) IBNR Liabilities (Undiscounted)	(note 23) Time value of money discount on IBNR Liabilities	(note 24) Offset Amounts total

Offset Amounts (currency) total	
Security Interests and Offset Amounts total (US\$)	
Previous continuation sheets total (US\$)	
Total for this page plus any continuation sheets (US\$)	

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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

EXHIBIT DYS4 13

This is the exhibit marked "DYS4 13" referred to in the fourth witness statement of Dan Yoram Schwarzmann dated this 23 September 2015

PART III

NOTICE OF AMENDING SCHEME MEETINGS

Claim Nos. 5812 and 5813 of 2014

IN THE HIGH COURT OF JUSTICE (IN ENGLAND AND WALES)
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTERS OF
OIC RUN-OFF LIMITED
(formerly Ralli Brothers Insurance Company Limited and The Orion Insurance Company plc)

- and -

THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED
(formerly Hull Underwriters' Association Limited and The London and Overseas Insurance Company plc)

~~**THE LONDON AND OVERSEAS INSURANCE COMPANY LIMITED**~~
(formerly Hull Underwriters' Association Limited and The London and Overseas Insurance Company plc)
(both subject to a scheme of arrangement)

- and -

IN THE MATTER OF THE COMPANIES ACT 2006

PROPOSED AMENDING SCHEME OF ARRANGEMENT

NOTICE IS HEREBY GIVEN that, by an order dated [XXXXXXX]8 October 2014 made in the above matters, the High Court of Justice of England and Wales (the "**Court**") has directed that meetings (the "**Amending Scheme Meetings**") be convened of the Scheme Creditors (as defined in the Original Scheme referred to below) of the above companies (the "**Companies**") at 10.30am (English time), on 11 December 2014 at PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH, United Kingdom for the purpose of considering and, if thought fit, approving (with or without modification) the amending scheme of arrangement proposed to be made between the Companies and their respective Scheme Creditors pursuant to Part 26 of the Companies Act 2006 (the "**Amending Scheme**"), amending certain terms and provisions of the scheme of arrangement dated 20 November 1996 which became effective on 7 March 1997 between the Companies and their Scheme Creditors (the "**Original Scheme**").

The Court has ordered that each Company should convene three meetings of Scheme Creditors to vote on their respective Amending Scheme as follows:

- (a) for Scheme Creditors who are Policyholders (other than Qualifying ILU Policyholders) with IBNR Liabilities and Notified Outstanding Liabilities;
- (b) for Scheme Creditors who are Policyholders (other than Qualifying ILU Policyholders) with Scheme Liabilities (other than IBNR Liabilities and Notified Outstanding Liabilities), Dual Scheme Creditors and Ordinary Creditors; and
- (c) for Scheme Creditors who are Qualifying ILU Policyholders,

(the terms "**Policyholders**", "**Qualifying ILU Policyholders**", "**IBNR Liabilities**", "**Notified Outstanding Liabilities**", "**Scheme Liabilities**", "**Dual Scheme Creditors**", "**Pre-1969 L&O Policyholders**", "**Ordinary Creditors**" each being as more particularly described in the Amending Explanatory Statement referred to below).

Depending on the type of its claim(s), a Scheme Creditor may be entitled to attend and vote at more than one of the Amending Scheme Meetings.

All Scheme Creditors are requested to attend the relevant Amending Scheme Meeting(s) at such time and place either in person or by proxy. Each Scheme Creditor will be required to register its attendance at the Amending Scheme Meetings. Registration will commence at 9.30am and Scheme Creditors are requested to arrive no later than 10.00am in order to register. The Chairman of the Amending Scheme Meetings will address Scheme Creditors generally on the Amending Scheme and on issues relevant to voting on the Amending Scheme at the commencement of the Amending Scheme Meetings.

Scheme Creditors may attend and vote in person (or, if a corporation, by a duly authorised representative) at the relevant Amending Scheme Meeting(s). Alternatively they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place.

Copies of the proposed Amending Scheme, the explanatory statement required to be provided pursuant to section 897 of the Companies Act 2006 (the "**Amending Explanatory Statement**") and the voting and proxy forms for use at the Amending Scheme Meetings (each a "**Voting Form**" and together, the "**Voting Forms**") can be downloaded from www.oicrun-offltd.com. Alternatively, hard copies can be obtained, free of charge, by sending a request to the run-off manager of the Companies, Armour Risk Management Limited ("**Armour**") marked for the attention of Andrew Jones.

~~Armour's~~[Armour's](#) contact details are as follows:

By post: Armour Risk Management Limited, 4th Floor, 20 Old Broad Street, London, EC2N 1DP United Kingdom

By email: Oiclosurehelpdesk@armourrisk.com

By fax: +44 (0) 207 382 2001

By phone: +44 (0) 207 382 2020

Scheme Creditors are requested to return their completed and signed Voting Forms to Armour by post, email or fax at the above contact details by noon (English time) on 10 December 2014. Alternatively Scheme Creditors may hand their respective Voting Forms in at the registration desk prior to the Amending Scheme Meetings if attending in person or by proxy. However Scheme Creditors are urged to return the completed Voting Forms in advance of the Amending Scheme Meetings. Any Voting Form sent by fax or by email will not be accepted unless legible and the signed original Voting Form is subsequently received by Armour (marked for the attention of Andrew Jones) no later than 7 days after the Amending Scheme Meetings.

By the said order, the Court has appointed Dan Schwarzmann or, failing him, Paul Evans or such other independent person as the Scheme Administrators of the Companies may nominate, to act as Chairman of the Amending Scheme Meetings and has directed the Chairman to report the results of the Amending Scheme Meetings to the Court.

Any Scheme Creditor who is unclear about or has any question concerning the action it is required to take in order to vote on the Amending Scheme or who would like to discuss the way in which its claims data is likely to be evaluated under the Amending Scheme process, should contact Armour using the contact details set out above.

If approved by the requisite majorities of Scheme Creditors, the Amending Scheme will be subject to the subsequent approval of the Court.

Dated: 8 October 2014

Hogan Lovells International LLP

~~Atlantic House~~

~~50 Holborn Viaduct~~

~~London~~

~~EC1A 2FG~~

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Ref: Joe Bannister/Will Beck

Solicitors to the Scheme Administrators

Summary report:	
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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

EXHIBIT DYS4 14

This is the exhibit marked "DYS4 14" referred to in the fourth witness statement of Dan Yoram Schwarzmann dated this 23 September 2015

This document is already on the website – see "Other Documents"