www.pwc.co.uk

OIC Run-Off Limited ('Orion') The London and Overseas Insurance Company Limited ('L&O') (together 'OIC')

Amending scheme of arrangement ('Amending Scheme') summary for Scheme Creditors

18 November 2014

pwc

Agenda

		Page
1.	**Background to OIC** • History • Scheme of Arrangement overview • Current position	3
2.	**Proposed Amending Scheme** • Closure process • Key benefits for Scheme Creditors • Key potential disadvantages for Scheme Creditors • Main features • Other matters	7
3.	**Next steps**	17
4.	**Contact details**	19

1

Background to OIC

History

20 March 1969
Orion purchases L&O

28 August 1970
NN Group gains control of OIC

24 August 1977
Orion and L&O complete cross-guarantees of each other's liabilities

21 October 1994
OIC placed into Provisional Liquidation

30 June 1995
Claims Payment Loan Agreement ('CPLA') agreed and payments in full to Qualifying ILU Policyholders ('QUIPs') commence

7 March 1997
Run-off Scheme of Arrangement becomes effective

15 September 1997
Initial payment percentage of 15% approved

18 November 2013
Current payment percentage of 58% announced

20 January 2014
Practice Statement Letter ("PSL") issued for crystallisation Scheme of Arrangement

7 October 2014
On 8 October 2014, the High Court of England and Wales gave leave to OIC to hold meetings of Scheme Creditors to vote on the Amending Scheme

Scheme of Arrangement – an overview

A deal between a company and its creditors

Flexible – enables innovative solutions for complex problems

Support required by the following majorities of creditors:

>50% by number
75% by value

Court sanction required

Transparent and fair

Legally binding when sanctioned and delivered to Registrar of Companies

Current position
Balance sheet as at 31 December 2013 (audited figures)

Assets	$m
Investments and cash	616
Reinsurance recoverable (see note below)	97
Scheme dividend payments to date	622
Total	**1,335**

Liabilities	$m
Reserves – Notified Outstanding Liabilities and IBNR Liabilities (gross):	
General Scheme Creditors (other than Pre-1969 L&O Policyholders)	(274)
QUIPs	(105)
Pre-1969 L&O Policyholders	(81)
Due to NNOFIC:	
Subordinated debt	(155)
Scheme claim as a creditor under the terms of the CPLA facility	(132)
Provision for future run-off costs	(31)
Creditors excluding NNOFIC	(397)
Scheme dividend payments to date	(622)
Sub-total	(1,797)
Net Liabilities	**(462)**

Note: *Reinsurance recoveries to date total $691m.*

2

Proposed Amending Scheme

Closure process

Estimated indicative timeframes

20 Jan 2014

Practice Statement Letter issued

11 Dec 2014

Amending Scheme meetings

1st qtr 2015

Scheme effective following Court hearing in England for approval and Court hearing in US for recognition and enforcement

4th qtr 2015

Bar date by which Scheme Creditors must submit claim forms

1st qtr 2016

Decision as to whether the crystallisation provisions of the Amending Scheme will be implemented

4th qtr 2016

Net Liabilities of each Scheme Creditor agreed or referred for adjudication under the Dispute Resolution Procedure

3rd qtr 2017

Completion of Dispute Resolution Procedure (if applicable)

4th qtr 2017

Confirmation of whether the Pre-1969 L&O Policyholders will revert to run-off

1st qtr 2018

Conservative estimate of the expected date of distribution of the final payment percentage

Key benefits for Scheme Creditors

Run-off is otherwise estimated to continue until 2040 or beyond

1

Higher estimated final payment percentage due to cost savings - forecast of 78% under the Amending Scheme compared to 71% under the existing Scheme of Arrangement

2

Earlier release of funds to Scheme Creditors under the claims crystallisation process

3

If QUIPs do not opt out, they receive a premium payment

4

Key potential disadvantages for Scheme Creditors

Failure to submit a Claim Form

1

Estimation of Scheme Liabilities

2

Failure to provide sufficient supporting information

3

Reversion to run-off and Scheme Creditors' costs

4

Qualifying ILU Policyholders
Premium payment

Subject to policy limits, QUIPs who do not elect to opt out receive a premium in addition to the payment of their crystallised claims

Reflects price NNOFIC wishes to pay for termination of insurance coverage and transfer of risk back to the QUIP

Premium funded directly by NNOFIC and not from the existing CPLA facility, equivalent to:

- Time value discount applied to gross outstandings and IBNR (before set-off), and
- 10% of undiscounted gross outstandings and IBNR (before set-off)

Qualifying ILU Policyholders (continued)

Opt out election

QUIPs may prefer to leave their OIC insurance coverage in place and continue to have claims agreed and paid in the normal course 1

QUIPs can elect to opt out of the crystallisation process of the Amending Scheme for all of their QUIP policies 2

As and when claims are agreed QUIPs will receive payment in full in accordance with the CPLA 3

However QUIPs will forego any premium payment from NNOFIC 4

Requirement for the Amending Scheme to proceed is that no more than 30% of QUIPs by value of all QUIP liabilities elect to opt out 5

If this requirement is not met the entire Amending Scheme will revert to run-off 6

Decision should be made within five months of Bar Date 7

General Scheme Creditors
Pre-1969 L&O Policyholders reversion to run-off

Significant remaining asset is due to L&O under an agreement with Lloyds Bank plc ("Lloyds")

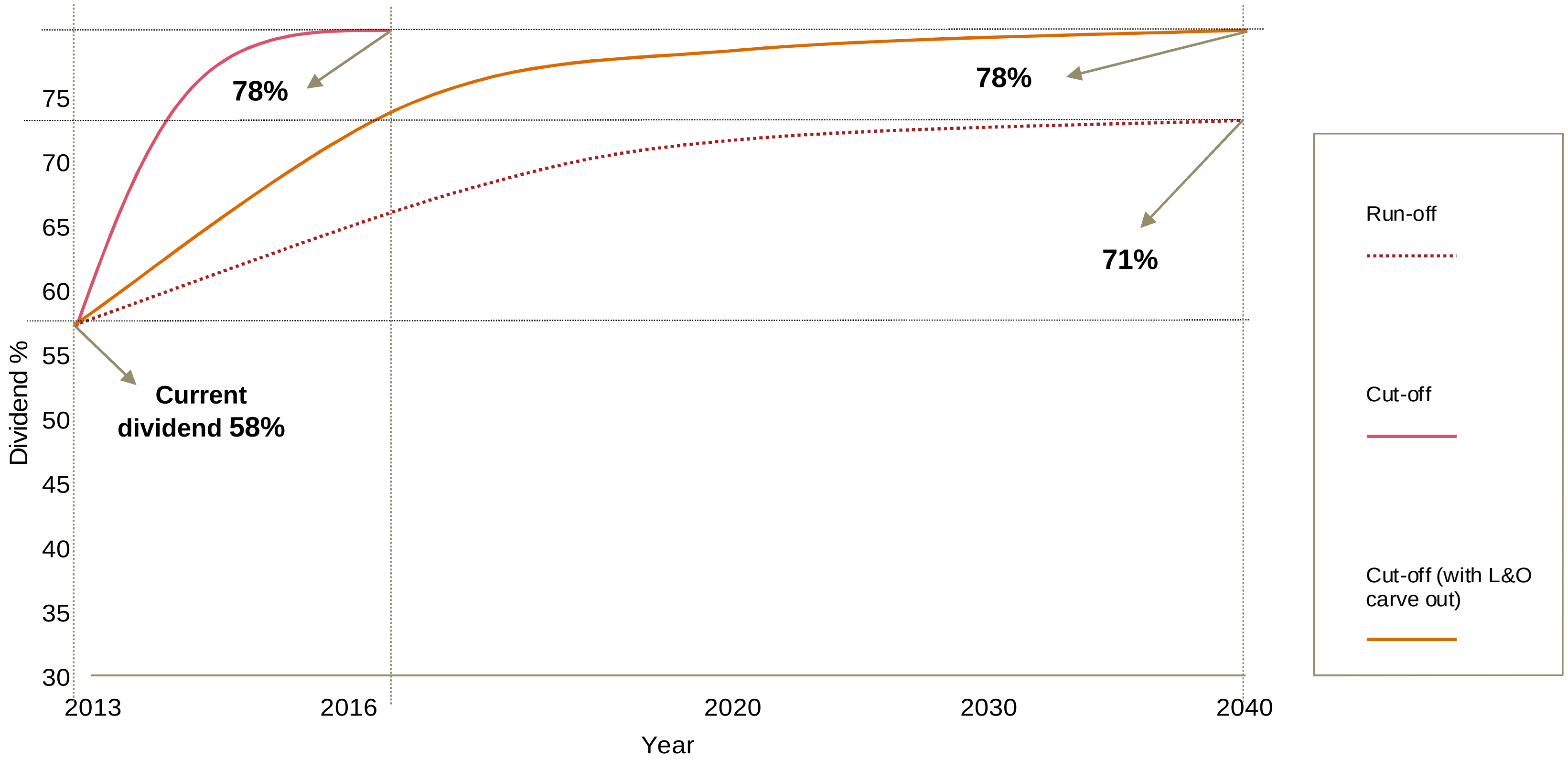
Depending on the amounts outstanding from Lloyds, the Scheme Administrators have the discretion to run-off the future claims of Pre-1969 L&O Policyholders

If there is a 'reversion to run-off' in this respect:

- Envisaged material increase in the interim dividend when GSC claims (other than Pre-1969 L&O Policyholders' claims) are agreed
- Pre-1969 L&O Policyholders would receive benefit of any increased dividend on their claims as and when they are agreed
- Final dividend payments to all GSCs will be deferred until all Pre-1969 L&O Policyholders' claims agreed (this final dividend is not expected to be materially different from the final dividend payment if there was no 'reversion to run-off')
- Compensatory interest will be paid on interim dividends

Dividend scenarios

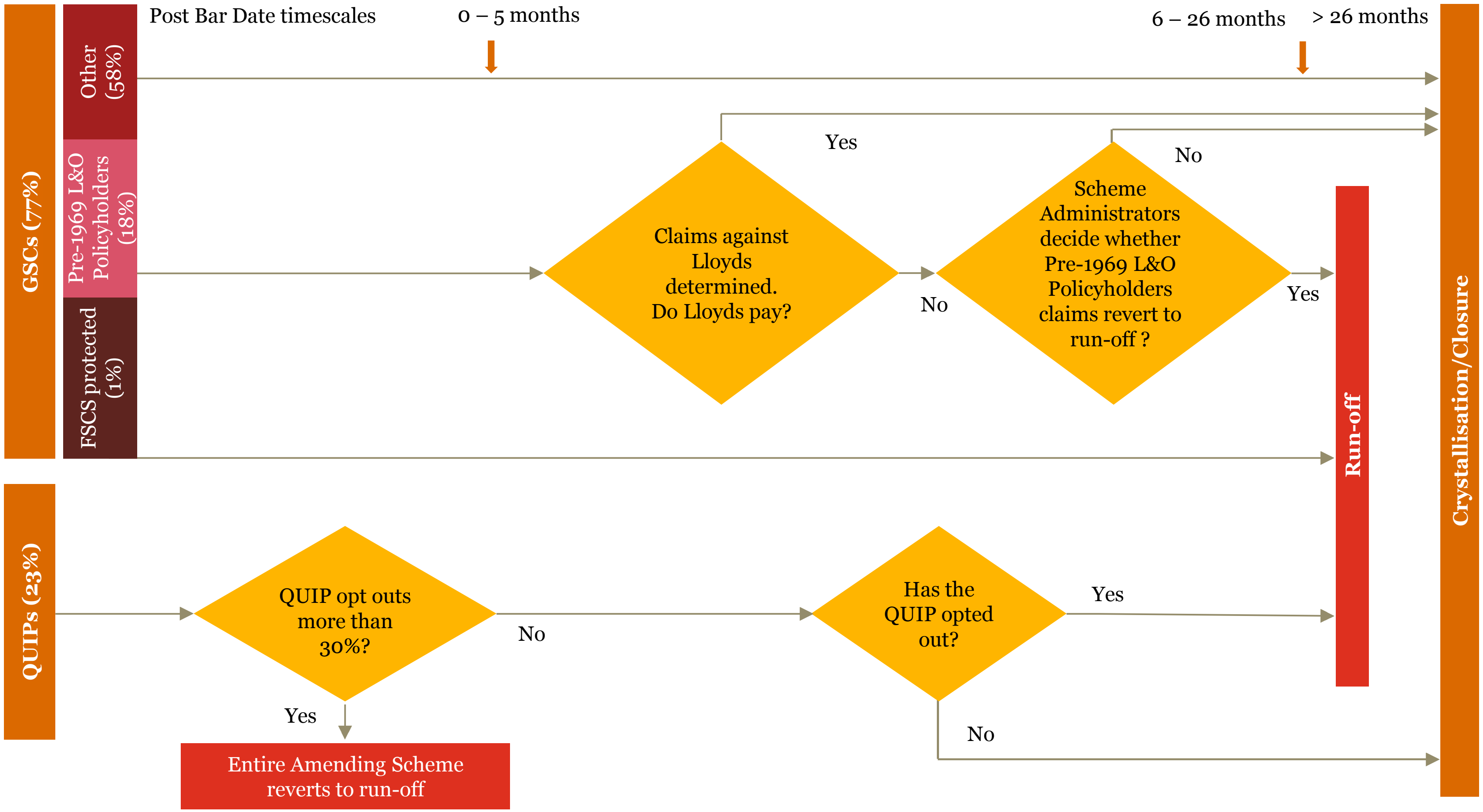
(Final dividends are for illustrative purposes only and are stated at their nominal value (QUIP claims are paid in full with a QUIP premium if they do not opt out. See note below.))



Note : Subject to conditions (e.g. policy limits)

Amending Scheme process

Decision tree analysis and indicative timeline



Other matters

Post Bar Date claims

- Individuals
- QUIPs who did not receive notice of the Amending Scheme
- FSCS protected claims

Adjudicators

- Vote Assessor
- Scheme Adjudicator
- No Notice Adjudicator
- Individual Claimant Representative

3

Next steps

Next steps

Scheme meetings on 11 December 2014

Please contact the team early

1

UK/US Court approvals in 1st qtr 2015

2

Distribution of claim forms in 2nd qtr 2015

3

Bar Date 4th qtr 2015

4

4

Contact details

Contact details – Team

Dan Schwarzmann

Joint Scheme Administrator

OIC website

www.oicrun-offltd.com

Scheme Administrators' team

e-mail: oic run-offlimited@uk.pwc.com

Run-off manager:

Armour Risk Management Limited
Tel: +44 (0)20 7382 2020
E-mail: Oicclosurehelpdesk@armour-risk.com

141029-114438-LH-OS