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Policyholder name and address.

Our ref tar

8 January 2009

Dear Policyholder,

English & American Insurance Company Limited
Advance notice of Expected Closure Scheme in 2009

The purpose of this letter is to let you know in advance that we expect to initiate the closure of the EAIC insolvency in 2009, and we would like to invite your early engagement in the process. As you may have noted in our annual report to creditors, our current projection of the final distribution rate is 43 cents in the dollar.

We expect to notify approximately 15,000 former policyholders. Of those we expect claims from approximately 4,000 policyholders, some of whom have hundreds of policies. Although many policyholders already have their claims agreed, a significant number will need to have a fair estimate put on their outstanding and IBNR claims in order to participate.

In order to minimise the disruption to policyholders and mitigate the problems which can arise with last minute filings, PRO Insurance Solutions Ltd ("PRO"), our run-off managers, will have support teams available to assist policyholders prepare for the closure.

The PRO support teams will be making initial contact with approximately 450 policyholders who may have large claims or multiple policies. Although PRO may already have been in relatively recent contact, an individual from PRO will contact you before the end of February 2009 to offer assistance. Should you wish to nominate a different person in your organisation as likely to be handling any claims, or if you would prefer to initiate contact yourselves, please let PRO know.

The support team leaders at PRO will be Tammy Williams and Adrian Thorp, and the helpline contact details are telephone: +44 (0) 1452 330 514; Fax: +44 (0) 1452 523 437; or email pro_eauapools@pro-ltd.co.uk

Some brief bullet point notes on the process which will be involved during the closure are listed below.

Should you have any concerns during the process which you are not able to resolve with PRO, please feel free to make direct contact with me, my fellow Scheme Administrator Mike Walker, or our Director Steve Goodlud, using the details on this letterhead.

Yours sincerely
For English & American Insurance Company Limited



Tom Riddell
Scheme Administrator

Notes on closure process

- The EAIC insolvency commenced in 1993. The current Scheme Payment Percentage, paid on all Established Scheme Liabilities, is 35%. The projected ultimate Scheme Payment Percentage is 43%.
- The company's total liabilities are estimated at approximately US\$1.2bn. The ultimate Scheme Payment Percentage will be determined by the level of claims received during the closure process. Policyholders will be entitled to claim unpaid agreed claims, plus fair estimates for outstanding and IBNR claims, discounted to present value.
- The closure will be controlled under the terms of a scheme of arrangement, expected to cover all business written by EAIC. This includes business written through the EAU A Aviation, Marine, and Non-Marine pools.
- EAIC was the largest participant in the EAU A pools. There are approximately 25 other companies involved. EAIC hopes to close all of its business on a unified basis with some of the other pool members. To the extent that policyholders have claims against the pools, on closure they will receive an insolvency distribution rate reflecting the funds available from EAIC for EAIC's proportion, and full payment from those solvent pool members who participate in the closure, for their proportion. PRO is the run-off manager for all of the business involved.
- Policyholders will receive their first formal notice of the intended closure in what is referred to as a "Practice Statement Letter" advising the date of a court application for directions to convene meetings of creditors to vote on the closure scheme. EAIC hopes that this will be issued to policyholders in March 2009, depending on completion of the remaining reinsurance commutations. It will identify all of the pool members expected to be involved.
- When the court has approved convening the meetings of creditors (ie policyholders) to vote for or against the closure scheme, policyholders will receive a notice of meeting, and will have access to the proposed scheme document, explanatory statement, voting and claim forms. It is expected that the notice of meeting will be distributed in paper form and by advertisement, with the balance of information available by website access.
- If the scheme is approved by creditors in the necessary majorities, and by the court, policyholders will then be given notice of the bar date before which claims must be made. Policyholders can expect to be given approximately six months' notice of any bar date.