

PRO Insurance Solutions

COMPANY NAME
ADDRESS LINE 1
ADDRESS LINE 2
ADDRESS LINE 3
ADDRESS LINE 4
ADDRESS LINE 5

Our Ref:

2 December 2005

CHIEF FINANCIAL OFFICER

Dear Sir / Madam

PROPOSED SCHEME OF ARRANGEMENT FOR "THE WFUM POOLS"

Why have you received this letter?

We believe that you or those that you represent could be affected by a plan (a scheme of arrangement) which is being considered in order to finalise the liabilities of the WFUM pools.

This plan, if implemented, will result in a valuation and final payment to you in respect of any and all claims arising under your policy(ies) with the WFUM pools.

We are writing to you to:

- Give you early notice about the proposed plan;
- Establish a dialogue with you and exchange contact details;
- Tell you how you can get more information about the proposed plan; and
- Recommend actions that you should take now.

What are the WFUM pools?

Willis Faber (Underwriting Management) Limited ("WFUM"), Devonport Underwriting Agency Limited and Willis Faber & Dumas Limited formerly underwrote and / or managed insurance business on behalf of a number of insurance companies. The companies listed on the last page of this letter all participated in these pools. The company with the largest participation (approximately 50% of the estimated liabilities) in the WFUM pools is Sovereign Marine & General Insurance Company Limited ("Sovereign") which is insolvent. Additionally, some of the other companies in the WFUM pools have been in run-off for a number of years.

PROPOSED SCHEME OF ARRANGEMENT FOR “THE WFUM POOLS” continued

What are the WFUM pools? continued

The WFUM pools stopped accepting new insurance and reinsurance risks in 1991, since which time they have been in run-off. Once the initial effects of Sovereign’s insolvency were overcome, it became possible to recommence the central administration of the pools, accepting and processing claims, and recovering reinsurance, in a unified way for all pool participants.

PRO Insurance Solutions Limited (“PRO”) is the pool run-off manager and has administered the WFUM pools business since 1998.

What is Sovereign’s position?

In 1997, Sovereign became insolvent and in January 2000 it implemented a scheme of arrangement (“the Original Scheme”). Under the Original Scheme Sovereign has continued to agree claims in the normal course and has made “Scheme Payments” on a pro-rata basis to creditors with “Established Scheme Liabilities”. The current scheme payment percentage is 40%. A copy of the latest report to Sovereign’s creditors issued by the Scheme Administrators is enclosed with this letter.

What is being planned?

Sovereign has reached a point with its reinsurance collections and asset realisations where the Scheme Administrators believe that it is now time to propose a “closing” scheme. This would involve setting up a mechanism to agree the values of claims submitted by policyholders. The value of these claims would then be applied to the reinsurance programme. This would enable valuation statements to be prepared on a net basis for policyholders who are also reinsurers. Once these amounts are known, final dividends will then be paid and Sovereign formally wound up.

If Sovereign were to effect a closing scheme in isolation, the effect would be to create a fragmented pool administration, with the remaining pool participants continuing in run-off, receiving claims notifications and collecting reinsurance balances as they arise. This may require policyholders to separate the presentation of their claims for collection between each of the individual pool participants.

With this in mind, the other pool participants intend to propose a collective Scheme of Arrangement (“Pool Scheme”) alongside Sovereign. This would result in all of the liabilities of the WFUM pools and their remaining reinsurance being valued in a consistent way. The mechanism for the valuation of policyholders claims will mirror that proposed by Sovereign.

The Sovereign Scheme Administrators believe that a Pool Scheme will increase the ultimate distributions to creditors which can be paid much earlier than in a continuing run-off.

PROPOSED SCHEME OF ARRANGEMENT FOR "THE WFUM POOLS" continued

What should you do now?

The WFUM pool records suggest that if there were to be a collective Pool Scheme you or those that you represent may have a claim against one or more of the participants in respect of WFUM pools business in which case you or those that you represent would be affected by the proposed Pool Scheme.

We would recommend that you or those that you represent take this early opportunity to identify WFUM pools business from your records. Policy review and reconciliation can begin now. To assist there is a description of the WFUM pools business on a dedicated website for the WFUM pools administration at www.wfumools.com where contact details and news of developments in the proposal to issue the Pool Scheme will be posted. By contacting PRO to obtain a secure ID and Password for the website, policyholders will be able to access their own policy and unsettled agreed claims data as recorded on PRO's systems. If you are unable to access the website and would like details sent to you by alternative means please contact the helpline below.

If we have used an incomplete or incorrect address on this letter, or if you would like us to correspond with someone else in your organisation about the WFUM pools, please let us know and we will amend our records accordingly.

Please take this early opportunity to contact us. If you require any further information regarding your insurance or reinsurance policies / contracts with the WFUM pools, please contact the WFUM Pool Scheme helpline on 01452 523426 (Fax 01452 523437) or the Sovereign helpline on 01452 413982 (Fax 01452 413985). Alternatively you can contact us by e-mail at pro_wfumools@pro-ltd.co.uk

If you know of any others who may be affected by the Pool Scheme and believe that they may not have received this letter, please let us know and we will send a copy to them and add them to our mailing list as appropriate.

What will happen next?

Once the final decision is taken by the pool participants to begin the formal process of proposing the Pool Scheme, a letter will be sent outlining the Pool Scheme proposal and detailing the proposed classes for voting purposes.

It is currently envisaged that this communication will be distributed early in 2006. If the Pool Scheme is subsequently sanctioned by creditors and the Court next year then it would result in a bar date for claims towards the end of 2006.

Yours faithfully

PRO Insurance Solutions Limited

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PROPOSED SCHEME OF ARRANGEMENT FOR “THE WFUM POOLS” continued

List of Companies

- Sovereign Marine & General Insurance Company Limited
- Allianz Cornhill Insurance plc
- Allianz Marine and Aviation (France)
- Atlantic Mutual Insurance Company
- Continental Reinsurance Corporation International Limited
- Greystones Insurance Company Limited
- Heddington Insurance (U.K.) Limited
- Hibernian General Insurance Limited
- Mitsui Sumitomo Insurance Company (Europe), Limited
- Ocean Marine Insurance Company Limited
- Oslo Reinsurance Company (UK) Limited
- Sovereign Insurance (UK) Limited
- Sphere Drake Insurance Limited
- The Sea Insurance Company Limited
- Tokio Marine Europe Insurance Limited
- Wausau Insurance Company (U.K.) Limited

Note:

The above are the current names of the pool participants and as such are not necessarily the names that were in existence at the time that the business was underwritten. For more information in this regard, please refer either to PRO or the Scheme website at www.wfumpools.com