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**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

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In re	:
Petition of PRO Insurance Solutions Limited, as foreign representative of SPHERE DRAKE INSURANCE LIMITED	: In a Case Under Chapter 15 of the Bankruptcy Code :
Debtor in a Foreign Proceeding.	: Case No. 08-B-_____
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**VERIFIED PETITION UNDER CHAPTER 15
OF THE BANKRUPTCY CODE FOR RECOGNITION
OF A FOREIGN MAIN PROCEEDING, FOR A
PERMANENT INJUNCTION, AND RELATED RELIEF**

PRO Insurance Solutions Limited (the "Petitioner"),¹ as the duly authorized foreign representative, as defined in section 101(24) of title 11 of the United States Code (the "Bankruptcy Code") of Sphere Drake Insurance Limited ("Sphere Drake") by its United States counsel, Chadbourne & Parke LLP, files this verified petition pursuant to the Bankruptcy Code in furtherance of the Official Form Petition (the "Petition") filed contemporaneously herewith pursuant to sections 1504 and 1515 of the Bankruptcy Code commencing a case under Chapter

¹ All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the scheme of arrangement contained in the Scheme Document, a copy of which is annexed hereto as Exhibit "A."

15 seeking recognition of a foreign main proceeding, and requesting a permanent injunction and related relief.² In support thereof, the Petitioner respectfully represents as follows:

PRELIMINARY STATEMENT

1. The Petitioner, as foreign representative of Sphere Drake, has commenced this Chapter 15 case by filing the Petition contemporaneously with, and accompanied by, all certifications, statements, lists and documents required under Chapter 15 and the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"). As set forth below, and in (i) the Declaration of William Nigel James Montgomery, English legal counsel to the Sphere Drake dated July 17, 2008 (the "Montgomery Declaration") and (ii) the Statement of Foreign Representative as required by section 1515(c) of the Bankruptcy Code accompanying the Petition:

- (a) a foreign proceeding respecting Sphere Drake was duly commenced in England;
- (b) Sphere Drake's registered office and place of incorporation is in England;
- (c) Sphere Drake carries out nontransitory economic activity in England;
- (d) the Petitioner is duly authorized to serve as a foreign representative, as defined by section 101(24) of the Bankruptcy Code.

² By this Chapter 15 Petition, the Petitioner seeks recognition of, and relief respecting, a foreign main proceeding, as defined in section 1502(4) of the Bankruptcy Code, given that the foreign proceeding respecting Sphere Drake is in England, the center of Sphere Drake's main interests. Should this Court determine that Sphere Drake's Scheme (as defined below) is not a foreign main proceeding, the Petitioner respectfully requests that the Court entertain the Petition as one for recognition of, and relief respecting, a foreign nonmain proceeding, as defined in section 1502(5) of the Bankruptcy Code, as Sphere Drake has an establishment, as defined in section 1502(2) of the Bankruptcy Code, in England.

Code, and to petition for relief under Chapter 15 for Sphere Drake; and

(e) the Petitioner is entitled to the relief requested.

2. Sphere Drake together with Sovereign Marine & General Insurance Company Limited ("Sovereign Marine") and certain other insurance companies³ (collectively, the "Scheme Companies") underwrote insurance and reinsurance business in pooling arrangements (collectively, the "WFUM Pools") through Willis Faber (Underwriting Management) Limited ("WFUM"), Willis Faber & Dumas Limited ("WF&D"), and/or Devonport Underwriting Agency Limited ("DUAL").⁴ The WFUM Pools underwrote risks until the end of 1991, when they ceased accepting new business and went into run-off. In 1998, the Petitioner, a run-off specialist, assumed the administration of the WFUM Pools.

³ The other companies are: (i) Greyfriars Insurance Company Limited ("Greyfriars"), Sovereign Insurance (UK) Limited ("Sovereign UK"), Allianz Insurance plc, Heddington Insurance (U.K.) Limited, Mitsui Sumitomo Insurance Company (Europe), Limited, The Ocean Marine Insurance Company Limited, Oslo Reinsurance Company (UK) Limited, The Sea Insurance Company Limited, Tokio Marine Europe Insurance Limited, Wausau Insurance Company (U.K.) Limited, Allianz Global Corporate & Specialty (France), (collectively, the "Chapter 15 Debtors") and (ii) Atlantic Mutual Insurance Company ("Atlantic Mutual"), Continental Reinsurance Corporation International Limited ("Continental"), and Hibernian General Insurance Limited ("Hibernian"). By petitions dated September 18, 2007, the Petitioner, as the foreign representative of each of the Chapter 15 Debtors, commenced cases under Chapter 15 of the Bankruptcy Code and requested recognition of the Chapter 15 Debtors' respective Schemes. The Chapter 15 Debtors' cases are being jointly administered under case no. 07-12934 before this Court. By orders dated October 23, 2007, this Court granted recognition to the Schemes of the Chapter 15 Debtors and Sovereign Marine. Atlantic Mutual and Continental have not requested recognition of their respective Schemes under former section 304 or Chapter 15 of the Bankruptcy Code. Hibernian has not applied for sanction of its Scheme.

⁴ An "insurance pool" refers to a syndicate or association of insurance or reinsurance companies organized to underwrite particular risks. Each member of the pool shares in premiums, losses and expenses according to a predetermined agreement. Although Sphere Drake wrote business through the WFUM Pools, it did not participate in the DUAL stamps

3. When insurance companies or, as in this instance, insurance pools, enter into run-off, they cease writing new business and seek to determine, settle and pay all liquidated claims of their insureds either as they arise, or, if possible, before they arise. Typically, a run-off of an insurance pool will take 20 or more years to complete. In this instance, the WFUM Pools have been in run-off for approximately 17 years. The Petitioner estimates that in the ordinary course, it would take at least another 19 years to complete the run-off of the WFUM Pools. Given that Sovereign Marine, the company with by far the largest individual share (approximately 50%) of the WFUM Pools' estimated remaining liabilities, decided to close its run-off, the Scheme Companies concluded that it would be appropriate and administratively beneficial to promote their own Schemes at substantially the same time as Sovereign Marine so as to bring finality to the WFUM Pools and terminate the WFUM Pools Business (as defined below) in a unified and coordinated manner.

4. Accordingly, to shorten the time period for the run-off of the WFUM Pools, to reduce administrative costs and to terminate the WFUM Pools Business in a unified and coordinated manner, the Scheme Companies each proposed a "cut off" scheme of arrangement under English law (each, a "Scheme" and collectively, the "Schemes"). There is a separate Scheme for each Scheme Company, albeit all set out in one document.

5. By order dated June 27, 2006 (the "Convening Order"), a copy of which is annexed hereto as Exhibit "B," the High Court (i) granted leave to the Scheme Companies to convene meetings of Scheme Creditors for the purpose of considering and, if thought fit, approving the Schemes (the "Meetings"), and (ii) declared, affirmed and certified that the Petitioner is the foreign representative for the purpose of filing petitions for recognition of the Schemes, and for additional relief under Chapter 15 of the Bankruptcy Code. In accordance

with the Convening Order, the Scheme Companies convened their Meetings on October 27, 2006. Hibernian and Sphere Drake, however, adjourned their Meetings on October 27, 2006 prior to Scheme Creditors voting on their respective Schemes. The Schemes of each of the Scheme Companies, other than Hibernian and Sphere Drake, were sanctioned by the High Court on September 17, 2007 and ultimately recognized by this Court by orders dated October 23, 2007.

6. In accordance with the Convening Order, Sphere Drake reconvened its Meetings on October 19, 2007 (the "Reconvened Meetings").⁵ During Sphere Drake's Reconvened Meetings, the requisite majorities of each class of Scheme Creditors of Sphere Drake voted in favor of Sphere Drake's Scheme. The High Court sanctioned Sphere Drake's Scheme by order dated November 5, 2007 (the "Sanction Order"), a copy of which is attached hereto as Exhibit "C." Sphere Drake's Scheme became effective, and thereby binding on all Scheme Creditors of Sphere Drake wherever located on November 6, 2007 upon delivery of the Sanction Order to the Registrar of Companies in England and Wales (the "Registrar"). Sphere Drake anticipates that all claims addressed by Sphere Drake's Scheme will be paid in full in an estimated amount, subject to a time-value discount, in accordance with its Scheme.

7. By this Petition, the Petitioner, as the foreign representative of Sphere Drake, seeks entry of an order of this Court recognizing Sphere Drake's Scheme, along with a permanent injunction and other relief, pursuant to Chapter 15 of the Bankruptcy Code. The order, substantially in the form of the proposed Order Granting Recognition of a Foreign Main

⁵ Hibernian has not reconvened its Meetings.

Proceeding, a Permanent Injunction and Related Relief (the "Proposed Order"), a copy of which is annexed hereto as Exhibit "D," is necessary to ensure the effective implementation of Sphere Drake's Scheme in the United States. On October 23, 2007, this Court issued similar orders in connection with the Chapter 15 Debtors' cases and Sovereign Marine's section 304 proceeding.⁶

8. The Petition satisfies all of the requirements set forth in section 1515 of the Bankruptcy Code. Moreover, given that the relief requested herein is necessary to give effect to Sphere Drake's Scheme in the United States,⁷ the relief requested is appropriate under Chapter 15 of the Bankruptcy Code. Granting recognition to Sphere Drake's Scheme and the relief requested is consistent with the goals of international cooperation and providing assistance to foreign courts, embodied in Chapter 15 of the Bankruptcy Code. Further, the relief requested is consistent with the relief afforded by the Court in other ancillary proceedings involving foreign insurance companies, both under former section 304 and now under Chapter 15 of the Bankruptcy Code.⁸

⁶ Unlike the Chapter 15 Debtors and Sphere Drake, Sovereign Marine is a foreign debtor in an ancillary proceeding under section 304 of the Bankruptcy Code. By order dated December 30, 1999 (the "Sovereign Marine Order"), this Court granted recognition to the Original Sovereign Scheme in the United States. In order to ensure that all Scheme Creditors of Sovereign Marine are bound by the terms of Sovereign Marine's Scheme, which amends the Original Sovereign Scheme, Sovereign Marine requested that the Sovereign Marine Order be modified to give full force and effect to and implement its Scheme in the United States under section 304 of the Bankruptcy Code. By orders dated October 23, 2007, this Court (i) granted recognition to Sovereign Marine's Scheme under former section 304 of the Bankruptcy Code and (ii) granted recognition to the Chapter 15 Debtors' Schemes under Chapter 15 of the Bankruptcy Code.

⁷ As used herein, "United States" is defined to include the fifty states, and all U.S. territories and possessions.

⁸ On April 20, 2005, the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 (the "Act") was enacted. The Act contains a number of amendments to the Bankruptcy Code, including

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JURISDICTION AND VENUE

9. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157 and the "Standing Order of Referral of Cases to Bankruptcy Judges" of the United States District Court for the Southern District of New York (Ward, Acting C.J.), dated July 10, 1984. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2)(P).

10. Venue is properly located in this District pursuant to 28 U.S.C. § 1410.

SPHERE DRAKE AND THE WFUM POOLS

11. Sphere Drake was incorporated in England on February 27, 1953 under the name Sphere Drake Insurance Limited. On April 1, 1982, Sphere Drake re-registered as a public limited company and changed its name to Sphere Insurance plc. On July 1, 1982, it changed its name to Sphere Drake Insurance Public Limited Company. On March 20, 1998, Sphere Drake re-registered as a private limited company and changed its name to Odyssey Re (London) Limited. Sphere Drake changed its name to its current name on October 1, 1999. The address of Sphere Drake's registered office is Park Gate, 161-163 Preston Road, Brighton, East Sussex BN1 6AU.

12. All of the Scheme Companies conducted insurance business in the London market for a number of years. In particular, all of the Scheme Companies' WFUM Pools business included in the Schemes (the "WFUM Pools Business") was underwritten through the WFUM Pools in London and administered in England at different times by WFUM and/or

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new Chapter 15. Chapter 15 replaces section 304 and applies to ancillary cases, such as these, filed on or after October 17, 2005.

WF&D, and, ultimately, the Petitioner. The WFUM Pools ceased underwriting business in 1991 and are in run-off. From 1991 to 1998, WFUM continued to manage the run-off of the WFUM Pools. In 1998, the administration of the WFUM Pools was transferred to the Petitioner.

13. In 1997, Sovereign Marine, the company with by far the largest individual share (approximately 50%) of the WFUM Pools estimated remaining liabilities, became insolvent. Sovereign Marine was subject to the Original Sovereign Scheme, which became effective in January 2000. Pursuant to the Original Sovereign Scheme, Sovereign Marine continued to run off its liabilities and pay creditors a percentage of Established Scheme Liabilities (as defined in the Original Sovereign Scheme).

14. Upon concluding that the majority of Sovereign Marine's recoverable assets had been collected or secured, the Scheme Administrators of Sovereign Marine, supported by the Creditors' Committee of Sovereign Marine, determined that it was no longer cost-effective or in the best interests of Sovereign Marine's creditors to continue Sovereign Marine's run-off under the Original Sovereign Scheme. Accordingly, the Scheme Administrators of Sovereign Marine proposed a closing scheme of arrangement so as to value Sovereign Marine's remaining Liabilities so that its assets could be distributed to its Scheme Creditors and its estate closed.

15. The relationship among the Scheme Companies is interwoven and complex.⁹ Moreover, the WFUM Pools Business is intertwined given the obligations to pay claims under the policies issued and the fronting and reinsurance arrangements between the Scheme

⁹ Indeed, two of the Chapter 15 Debtors -- Greyfriars and Sovereign UK -- are subsidiaries of Sovereign Marine.

Companies and the WFUM Pools' reinsurers.¹⁰ Accordingly, the run-off of the WFUM Pools Business was conducted on a unified basis.¹¹ Upon Sovereign Marine deciding to close its run-off, the other Scheme Companies concluded that it would be appropriate and administratively beneficial to the Scheme Companies and their Scheme Creditors to promote their own Schemes, alongside Sovereign Marine's Scheme, with respect to their WFUM Pools Business so as to bring finality to the WFUM Pools and terminate the WFUM Pools Business.¹²

¹⁰ By way of example, a feature of WFUM Pools is that they wrote business on many different "stamps," each representing a different sharing programs for the various Scheme Companies' percentage participations. The number and composition of the underwriting stamps would change by line of business on a yearly basis. Some stamps would show the name of a single Scheme Company which was "fronting" for other Scheme Companies (i.e., its involvement on that stamp is either wholly or partly reinsured by other Scheme Companies). The Scheme Companies wrote business on a total of not fewer than 196 different stamps. A typical stamp would involve more than one Scheme Company, underwriting in different shares.

¹¹ For instance, as claims were administered and paid on a unified basis, the split between the Scheme Companies on any particular stamp was of little or no concern to the policyholder. A Scheme Creditor would simply present a claim to "the WFUM Pools" and would not be concerned with the split, which was an internal matter to be administered by the Petitioner, as the run-off manager of the WFUM Pools.

¹² Although Sphere Drake's Scheme did not become effective at the same time as the other Scheme Companies' Schemes, it is nevertheless intended that Sphere Drake's Scheme will be implemented by the Petitioner in a uniform manner with the other Schemes. One of the benefits of the Schemes is the avoidance of the fragmentation of the WFUM Pools and the consequent inconvenience for creditors of having to submit separate claims presentations to the different Scheme Companies. Although Sphere Drake's Scheme has a different Effective Date and therefore a different Bar Date than the Schemes of the other Scheme Companies. Sphere Drake has preserved the benefit to Scheme Creditors of the ability to submit a single Claim Form in respect of all their Scheme Claims. Sphere Drake has committed to accept, and has accepted, any Claim Form submitted in relation to the other Scheme Companies' Schemes (provided that it was submitted in accordance with their terms and contains details of Scheme Claims in respect of policies on which Sphere Drake participated) as having also been submitted in relation to Sphere Drake's Scheme. The continued unified run-off of the WFUM Pools will ensure that the claims handling and reinsurance collection will remain cohesive and costs will be minimized and shared between the Scheme Companies whose Schemes have become effective.

THE SCHEMES

16. The WFUM Pools have been in run-off since 1991. The Petitioner estimates that in the ordinary course, it would take at least another 19 years to complete the run-off of the WFUM Pools given that certain risks, by their nature, will not materialize, be reported and be processed for some time. The payment of claims would be correspondingly slow. To shorten the time period for the run-off of the WFUM Pools, to reduce administrative costs and to terminate the WFUM Pools Business in a unified and coordinated manner, the Scheme Companies formulated their Schemes pursuant to section 425 of the Companies Act 1985 of Great Britain (the "Companies Act") with the aim of:

- (a) enabling the Scheme Companies and their Scheme Creditors to terminate all their WFUM Pools involvements with each other simultaneously;
- (b) providing a mechanism for fairly valuing the Scheme Creditors' Scheme Claims including outstanding claims and IBNR claims; and
- (c) resulting in the values of Scheme Claims being paid in full (subject to a time-value discount).

17. The Liabilities that are subject to the Schemes are fully defined in Appendix A to the Schemes. Sphere Drake's Scheme applies to its Agency Liabilities -- broadly all liabilities arising from business written through and/or managed by WFUM and or WF&D on behalf of Sphere Drake.¹³

¹³ Under Sphere Drake's Scheme, Agency Liabilities do not include (i) Liabilities with respect to fees, costs and expenses (including any tax thereon) for services or advice, payable to service providers, excluding brokers, but including, without limitation, lawyers and loss adjusters, and (ii) any Liability arising from a claim under an Insurance Contract to which section 6 of the Policyholders

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18. Each of the Schemes is an "estimation" or "cut off" scheme. The purpose of the Schemes is to terminate the run-off of the WFUM Pools and Scheme Claims by estimating the value of all Scheme Claims as of December 31, 2005 (the "Ascertainment Date") and making full and final payments to Scheme Creditors based on such valuations.

19. Under the Companies Act, a scheme of arrangement is a compromise or arrangement between a company and its creditors or any class of creditors to restructure their rights and liabilities. It may be used to permit an orderly wind-up of all, or a portion of, a company's business. Pursuant to the Companies Act, a scheme of arrangement can only become effective and legally binding when (i) a majority in number representing not less than 75% in value of each class of creditors present and voting in person or by proxy, vote in favor of the scheme of arrangement at a meeting or meetings specially convened with leave of the High Court; (ii) the High Court subsequently issues an order sanctioning the scheme of arrangement; and (iii) an office copy of that order is delivered for registration to the Registrar.

20. In accordance with the Convening Order, Sphere Drake convened two separate Meetings to vote on its Scheme -- one for Scheme Creditors in relation to its Scheme Claims other than incurred but not reported ("IBNR") claims and one for Scheme Creditors in relation to IBNR claims. During the Reconvened Meetings, the requisite majorities of each class of Scheme Creditors of Sphere Drake voted in favor of Sphere Drake's Scheme. Accordingly, Sphere Drake submitted its Scheme to the High Court for sanction. On

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Protection Act 1975 refers, including, but not limited to, claims under compulsory United Kingdom employers' liability policies and the compulsory element of United Kingdom motor policies.

November 5, 2007, the High Court sanctioned Sphere Drake's Scheme. Sphere Drake's Scheme became effective on November 6, 2007, following delivery of a copy of the Sanction Order to the Registrar.

PROVISIONS FOR FIXING CLAIMS UNDER THE SCHEME

21. Sphere Drake designed its Scheme to terminate the run-off of its WFUM Pools Business earlier than would be the case if Scheme Claims were left to mature in the normal course, and to make distributions to Scheme Creditors in an orderly and efficient fashion. Given its financial status, Sphere Drake anticipates that all Scheme Claims against Sphere Drake will be paid in full (at an estimated amount and subject to a time-value discount) pursuant to the terms of its Scheme.

22. Sphere Drake's Scheme establishes a method by which the unliquidated Scheme Claims are to be estimated. As a consequence, the remaining unascertained liabilities of Sphere Drake's WFUM Pools Business will be crystallized at an earlier stage than would be possible if the run-off of Sphere Drake's WFUM Pools Business were to continue its normal course, which will enable creditors to receive payment in full of the estimated value of their Scheme Claims (subject to a time-value discount) at an earlier date than would otherwise be the case. The Petitioner, as the foreign representative of Sphere Drake, believes that Sphere Drake's Scheme will be the quickest and most economical method of making payment on account of Scheme Claims against Sphere Drake in full (at an estimated amount and subject to a time-value discount, in accordance with the Scheme) to creditors in the shortest time practicable.

23. By its terms, Sphere Drake's Scheme only applies to Scheme Creditors of and Scheme Claims against Sphere Drake. Sphere Drake has appointed KPMG LLP as

Scheme Adviser. The Scheme Adviser will provide advice to Sphere Drake in order to facilitate the implementation of Sphere Drake's Scheme. In addition, Sphere Drake has appointed the Petitioner as its Scheme Manager, which will manage and conduct Sphere Drake's business and affairs as they relate to Sphere Drake's Scheme.

24. To achieve the objectives of the Schemes (i.e., the crystallization and payment of Scheme Claims in an orderly and efficient fashion), each of the Schemes established a deadline (the "Bar Date") for the submission of Scheme Claims to the Scheme Manager. The Bar Date was one minute before midnight in England on the first Business Day 180 days after each Scheme became effective. In the case of Sphere Drake, the Bar Date was 11:59 p.m. (London time) on May 6, 2008. In the case of the other Scheme Companies with sanctioned and effective Schemes, the Bar Date was 11:59 p.m. (London time) on April 7, 2008.

25. On November 8, 2006, the Scheme Manager sent to every known Scheme Creditor of Sphere Drake notification of (i) Sphere Drake's Effective Date, (ii) Sphere Drake's Bar Date, (iii) details of the Scheme Companies' website located at www.wfumpools.com (the "Website"), and (iv) instructions on how to access their Claim Forms on the Website.¹⁴ This notification also stated that Sphere Drake would accept any Claim Form submitted in relation

¹⁴ Claim Forms were made available to Scheme Creditors on a secure area of the Website and are also available, if requested, on paper, CD-ROM, or via e-mail. To assist Scheme Creditors in making their Scheme Claims, the Scheme Manager made available to each Scheme Creditor of which it was aware, a Claim Form containing details of each Insurance Contract of which the Scheme Manager was aware and which may have given rise to a Scheme Claim, details of Unpaid Agreed Claims arising under such Insurance Contracts, and any details of claims or Insurance Contracts entered on the Website by the Scheme Creditor for voting purposes, provided such details were entered with respect to a Scheme Creditors' individual claims at claim level (rather than values at policy level with no claims breakdown).

to the other Scheme Companies' Schemes (provided that it was submitted in accordance with the terms of those Schemes and contained details of Scheme Claims in respect of policies on which Sphere Drake participated) as having also been submitted in relation to Sphere Drake's Scheme. Therefore if Scheme Creditors had submitted Claim Forms in the other Scheme Companies' Schemes in respect of policies on which Sphere Drake participated, they would not need to submit a separate Claim Form in Sphere Drake's Scheme. This information was also advertised in certain publications between November 16 and 23, 2007.¹⁵

26. As long as the completed Claim Form was received by the Bar Date, the Scheme Manager was required to review the Scheme Claims asserted thereunder and either accept them or, if they were unexpectedly high, review and negotiate them. Pursuant to Sphere Drake's Scheme, a period of up to 182 days after the Bar Date is set aside for this agreement process, allowing the Scheme Manager to ask for further information and evidence to support claims, and to engage in discussions with Scheme Creditors. This process is currently ongoing.

27. If a Scheme Creditor did not revise and return a Claim Form by the Bar Date, its Claim Form, as prepared by the Scheme Manager, was deemed to have been submitted immediately before the Bar Date.¹⁶ Such a Scheme Creditor waived any entitlement to assert any additional Scheme Claims.

¹⁵ On February 8, 2008, a reminder of Sphere Drake's Bar Date was sent to Scheme Creditors of Sphere Drake and known placing brokers. A reminder was also advertised in certain publications between February 11 and 25, 2008.

¹⁶ Where a Scheme Creditor entered detailed information at an individual claim level on the Website for voting purposes, but failed to submit a Claim Form prior to the Bar Date, the Claim Form sent to such Scheme Creditor containing the information it entered onto the Website was deemed to have been submitted by such Scheme Creditor immediately prior to the Bar Date.

28. If an agreement cannot be reached with respect to a Scheme Creditor's Scheme Claims within the time period allowed by Sphere Drake's Scheme, then the Scheme Manager is required to refer the dispute either to a Scheme Adjudicator or the Scheme Actuary.

29. A Scheme Adjudicator is required to deal with disputes as to fact or law. There is no pre-appointed Scheme Adjudicator under the Schemes. Rather, the Schemes provide that Adjudication will be before a single adjudicator as agreed between the Scheme Manager and Scheme Creditor or, if an agreement cannot be reached, an adjudicator appointed by the Chairman of the AIDA Reinsurance and Insurance Arbitration Society in the UK. The Scheme Adjudicator is required to inform the Scheme Manager and the Scheme Creditor of his determination in relation to a disputed matter in writing within a maximum of 140 days after the matter has been referred to the Scheme Adjudicator. To the extent permitted by applicable law, the Scheme Adjudicator's decision is final and binding on the Scheme Companies and such Scheme Creditor except in cases of Manifest Error.

30. Where a disputed matter relates to projected claims or IBNR claims, which are determined by reference to the Estimated Methodology, such disputed matter is required to be referred to the Scheme Actuary. Pursuant to the Schemes, the Scheme Actuary is required to apply the Estimation Methodology to place a value on the disputed Scheme Claim. If the Scheme Actuary believes that a Scheme Creditor's own method of projecting claims is more appropriate than the one set forth in the Estimation Methodology, the Scheme Actuary is required to consider adopting all or parts of such Scheme Creditor's own method of projecting claims. The Scheme Actuary is required to notify the Scheme Manager and the Scheme Creditor of his valuation of the disputed amount of a Scheme Claim within a maximum of 140 days after the matter has been referred to the Scheme Actuary. To the extent permitted by

applicable law, the Scheme Actuary's valuation is final and binding on the Scheme Companies and such Scheme Creditor provided the Scheme Creditor does not raise an objection to the valuation in accordance with the terms of the Schemes.

31. A Scheme Creditor may dispute the Scheme Actuary's valuation, provided it does so within 28 days of dispatch of the valuation. A dispute on the grounds of Manifest Error is required to be dealt with by the Scheme Manager. A dispute on grounds other than Manifest Error is required to be referred to the independent Actuarial Adjudicator who is required to determine whether the Estimation Methodology was correctly applied (including any decision of the Scheme Actuary as to whether to adopt a Scheme Creditor's own methodology) and, if not, to reapply it to provide an amended valuation. To the extent permitted by applicable law, the Actuarial Adjudicator's decision is final and binding on the Scheme Companies and such Scheme Creditor except in cases of Manifest Error.

32. A Valuation Statement is required to be sent or made available to each Scheme Creditor within 42 days of the latest of:

- (a) agreement or valuation of a Scheme Creditor's Scheme Claims, and conversion into the relevant currency;
- (b) where applicable, calculation of the value of the Scheme Creditor's Scheme Debts; and
- (c) where applicable, the making of a Final Award in respect of any Proceedings commenced or continued by the Scheme Creditor in accordance with the Scheme.

33. The Valuation Statement is required to set out the total value of a Scheme Creditor's Agreed Claims established under the procedures for agreement, adjudication and

actuarial estimation discussed above and will set-off any amounts in relation to Scheme Debts shown as due from a Scheme Creditor against the sums due to the Scheme Creditor.¹⁷ In addition, a time-value discount will be applied under the principles of the Estimation Methodology to reflect the net present value of Scheme Claims as of the date of the Valuation Statement. The amount shown on a Valuation Statement after adjustments made in accordance with the Schemes is the Scheme Creditor's "Net Ascertained Claim" (or "Net Debt" if it is an amount in favor of the Scheme Company).

34. A Valuation Statement becomes final and binding upon the Scheme Creditor unless disputed within 56 days of the date of the Valuation Statement. Under the Schemes, the Scheme Companies will pay each Net Ascertained Claim within 42 days of a Valuation Statement becoming final and binding.

35. The Schemes contain long-term stay provisions enjoining Scheme Creditors from commencing or continuing actions against the Scheme Companies, or their property, in any jurisdiction whatsoever, to establish the existence or amount of a Scheme Claim, except as expressly provided for in the Schemes or with the written consent of the Scheme Manager. However, the Schemes do not prevent a Scheme Creditor from commencing proceedings against a Scheme Company if such Scheme Company has failed to perform its obligations to make a payment to the Scheme Creditor under its Scheme.

¹⁷ Scheme Debts are generally amounts which are, or may become, payable from a Scheme Creditor to a Scheme Company in connection with the business subject to the Scheme, generally under contracts of reinsurance, although such debts could arise by virtue of an obligation to return premium or over-payments by the Scheme Company.

36. To ensure the continued unified winding up of the WFUM Pools Business, the Schemes provide that where (as will generally be the case), a Scheme Creditor is a Scheme Creditor of more than one Scheme Company, it must abide by the terms of the other Schemes that have been sanctioned by the High Court and are effective.¹⁸ Accordingly, a Scheme Creditor that, by virtue of the relief granted under Chapter 15 of the Bankruptcy Code, becomes bound by Sphere Drake's Scheme, must also abide by the terms of the sanctioned and effective Schemes of the other Scheme Companies notwithstanding that certain of such Schemes have not been recognized in the United States. If Scheme Creditors of Sphere Drake could challenge or act in contravention of the Schemes of the other Scheme Companies, the unified winding up of the WFUM Pool Business would be impaired.

STATUTORY BASIS FOR RELIEF REQUESTED

37. Chapter 15 of the Bankruptcy Code was specifically designed to assist foreign representatives, such as the Petitioner, in the performance of their duties. One of its express objectives is the "fair and efficient administration of cross-border insolvencies that protects the interests of all creditors, and other interested entities, including the debtor." 11 U.S.C. § 1501(a)(3).

38. The relief sought herein is well within the scope of Chapter 15 and the criteria for recognition and the issuance of an injunction under Chapter 15 are satisfied under the facts of this case. Relief under Chapter 15 of the Bankruptcy Code is necessary to ensure

¹⁸ In particular, clause 2.8.4 of the Schemes provides, in pertinent part, that "[i]t is a requirement of the Scheme between each Scheme Company and its Scheme Creditors that such creditors shall, insofar as they are Scheme Creditors of any other Scheme Company, abide and be bound by the terms of the Scheme as it relates to that other Scheme Company."

that United States Scheme Creditors of Sphere Drake will not be able to take action to their advantage and to the disadvantage of other Scheme Creditors, thereby potentially jeopardizing the Scheme.

39. Sphere Drake has Scheme Creditors located throughout the United States, including in this District. Moreover, Sphere Drake has assets consisting of, among other things, accounts and recoverables due from entities located in the United States, including in this District. Absent the relief requested, including injunctive relief, Sphere Drake, its estate and creditors could be irreparably harmed. If United States Scheme Creditors are permitted to seek their own remedies, the assets of Sphere Drake could be depleted, thereby preventing a fair distribution to all creditors. In addition, those creditors could gain an advantage over others, and there would be no orderly and uniform administration of the WFUM Pools Business and the assets of, and claims against, Sphere Drake in one central forum.

40. In contrast to the hardships described above, preservation of Sphere Drake's assets for distribution in accordance with the terms of its Scheme will not prejudice United States creditors. To preserve assets for equitable distribution among Scheme Creditors, the Schemes bar any proceeding against the Scheme Companies or their property, wherever located, seeking to establish the existence or amount of any Scheme Claim or to obtain payment of any Scheme Claim, unless (i) a Scheme Company has failed to perform its obligation to make payment of a Net Ascertained Claim in accordance with the Schemes, or (ii) the Scheme Manager consents to such proceeding.

41. Recognition of Sphere Drake's Scheme under Chapter 15 and the grant of the additional appropriate relief requested are necessary to promote the goals of the Scheme and ensure its effective implementation. In order to best preserve assets that may be made available

to satisfy Scheme Claims, all claims and distributions should be administered in accordance with the terms of the Scheme. If Scheme Creditors of Sphere Drake in the United States are not stayed in accordance with the terms of the Scheme, the orderly determination and settlement of Scheme Claims may be jeopardized and Sphere Drake may be forced to expend resources unnecessarily in order to defend collection and other actions brought by United States creditors.

RELIEF REQUESTED

42. The Petitioner, as the foreign representative of Sphere Drake, seeks entry of an order, substantially in the form of the Proposed Order granting the following relief as necessary to best advance the goals of Sphere Drake's Scheme and assure its effective implementation:

- (a) recognition of the proceeding respecting Sphere Drake's Scheme commenced under the Companies Act as a foreign main proceeding as defined in section 1502(4) of the Bankruptcy Code; and
- (b) all relief afforded a foreign main proceeding automatically upon recognition pursuant to section 1520 of the Bankruptcy Code, as of right if Sphere Drake's Scheme is recognized as a foreign main proceeding.¹⁹

43. In addition, the Proposed Order provides further additional relief, as authorized by section 1521 of the Bankruptcy Code, including, among other things:

¹⁹ Alternatively, if this Court determines that the proceeding respecting Sphere Drake's Scheme commenced under the Companies Act is a foreign nonmain proceedings, as defined in section 1502(5) of the Bankruptcy Code, rather than foreign main proceeding, the Petitioner respectfully requests that this Court grant all relief afforded a foreign main proceeding, pursuant to section 1520 of the Bankruptcy Code, as additional relief for a foreign nonmain proceeding as authorized by section 1521 of the Bankruptcy Code.

(i) that Sphere Drake's Scheme (including any modifications or amendments of such Scheme) shall be given full force and effect in the United States, and shall be binding on and enforceable against any person or entity that is a Scheme Creditor of Sphere Drake, including, without limitation, against such person or entity in its capacity as a debtor of a Scheme Company in the United States;

(ii) that a Valuation Statement, including all amounts (including, without limitation, Scheme Debt) determined by the Scheme Adjudicator, Scheme Actuary or Actuarial Adjudicator, shall be final and binding on the Scheme Companies subject to sanctioned and effective Schemes and any person or entity that is a Scheme Creditor of Sphere Drake, including, without limitation, against such person or entity in its capacity as a debtor of a Scheme Company in the United States;

(iii) that all Scheme Creditors of Sphere Drake are permanently enjoined from taking any action in contravention of, or inconsistent with, the sanctioned and effective Schemes;

(iv) that, in accordance with clause 2.8.4 of the Schemes, all Scheme Creditors of Sphere Drake must abide by, and be bound by, the terms of the sanctioned and effective Schemes;

(v) that, except as otherwise provided in the Schemes or the Proposed Order, all Scheme Creditors of Sphere Drake are permanently enjoined from seizing, repossessing, transferring, relinquishing or disposing of any property of any Scheme Company, subject to a sanctioned and effective Scheme, or the proceeds thereof, in connection with any Scheme Claims in the United States;

(vi) that, in accordance with the Schemes, all Scheme Creditors of Sphere Drake are permanently enjoined from: (a) commencing or continuing any Proceedings (including, without limitation, arbitration, mediation or any judicial, quasi-judicial, administrative action, proceeding or process whatsoever) in connection with any Scheme Claim, including by way of counterclaim, against a Scheme Company subject to a sanctioned and effective Scheme, or any of its property in the United States, or any proceeds thereof, and seeking discovery of any nature against such Scheme Company; (b) enforcing any judicial, quasi-judicial, administrative judgment, assessment or order, or arbitration award obtained in connection with any Scheme Claim, and commencing or continuing any Proceedings in connection with any Scheme Claim (including, without limitation, arbitration, mediation or any judicial, quasi-judicial, administrative action, proceeding or process whatsoever) or any counterclaim to create, perfect or enforce any lien, attachment, garnishment, setoff or other claim arising out of a Scheme Claim against any Scheme Company subject to a sanctioned and effective Scheme or any of its property in the United States, or any proceeds thereof, including, without limitation, rights under reinsurance or retrocession contracts; (c) invoking, enforcing or relying on the benefits of any statute, rule or requirement of federal, state, or local law or regulation requiring a Scheme Company subject to a sanctioned and effective Scheme to establish or post security in the form of a bond, letter of credit or otherwise as a condition of prosecuting or defending any Proceedings (including, without limitation, arbitration, mediation or any judicial, quasi-judicial,

administrative action, proceedings or process whatsoever) in connection with any Scheme Claim and such statute, rule or requirement will be rendered null and void for Proceedings; provided, however, that nothing in the Proposed Order shall in any respect (i) affect any Security or the replacements for such Security or (ii) enjoin any policy or regulatory act of a governmental unit, including a criminal action or proceeding, in accordance with section 1521(d) of the Bankruptcy Code; (d) drawing down any letter of credit established by, on behalf or at the request of, a Scheme Company subject to a sanctioned and effective Scheme, that relates to a Scheme Claim or the WFUM Pool Business in excess of amounts expressly authorized by the terms of the contract or other agreement pursuant to which such letter of credit has been established; and (e) withdrawing from, setting off against, or otherwise applying property that is the subject of any trust or escrow agreement or similar arrangement that relates to a Scheme Claim or the WFUM Pool Business in which a Scheme Company subject to a sanctioned and effective Scheme has an interest in excess of amounts expressly authorized by the terms of the contract and any related trust or other agreement pursuant to which such letter of credit, trust, escrow, or similar arrangement has been established; provided, however, no drawing against any letter of credit shall be made in connection with any commutation unless the amount has been agreed in writing with the Petitioner or the Scheme Manager or permitted by further Order of the Court;

(vii) that, in accordance with the terms of Sphere Drake's Scheme, all persons and entities in possession, custody or control of property of Sphere Drake or the proceeds thereof, are required to turn over and account for such property or proceeds thereof to Sphere Drake or the Scheme Manager;

(viii) that all Scheme Creditors of Sphere Drake that are beneficiaries of letters of credit established by, on behalf or at the request of a Scheme Company subject to a sanctioned and effective Scheme or parties to any trust, escrow or similar arrangement in which a Scheme Company subject to a sanctioned and effective Scheme has an interest that relates to a Scheme Claim or the WFUM Pool Business, are required to: (a) provide notice to the Petitioner's United States counsel (Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, NY 10112, Attn: Francisco Vazquez, Esq.) of any drawdown on any letter of credit established by, on behalf or at the request of, a Scheme Company subject to a sanctioned and effective Scheme, or any withdrawal from, setoff against, or other application of property that is the subject of any trust or escrow agreement or similar arrangement in which a Scheme Company subject to a sanctioned and effective Scheme has an interest, together with information sufficient to permit the Scheme Manager to assess the propriety of such drawdown, withdrawal, setoff or other application, including, without limitation, the date and amount of such drawdown, withdrawal, setoff or other application and a copy of any contract, related trust or other agreement pursuant to which any such drawdown, withdrawal, setoff, or other application was made, and provide such notice and other information contemporaneously therewith; and (b) turn over and account to the Scheme Manager for all funds resulting from such drawdown, withdrawal, setoff, or other application in excess of amounts expressly authorized by the terms of the contract, any related trust or other agreement pursuant to which such letter of credit, trust, escrow or similar arrangement has been established;

(ix) that every Scheme Creditor of Sphere Drake that has a claim of any nature or source arising out of a Scheme Claim or the WFUM Pool Business and that is a party to any Proceedings (including, without limitation, arbitration or any judicial, quasi-judicial, administrative action, proceeding or process whatsoever) pending in connection with any Scheme Claim or WFUM Pool Business in which a Scheme Company subject to a sanctioned and effective Scheme is or was named as a party, or as a result of which a Scheme Claim may be established, is required to place such Scheme Company and the Scheme Manager and the Petitioner's United States counsel (Chadbourne & Parke LLP, 30 Rockefeller Plaza, New York, NY 10112, Attn: Francisco Vazquez, Esq.) on the master service list of any such Proceedings, and to take such other steps as may be necessary to ensure that such counsel receives: (a) copies of any and all documents served by the parties to such action or other legal proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding; and (b) any and all correspondence, or other documents circulated to parties named in the master service list;

(x) that nothing in the Proposed Order shall in any respect prevent the commencement or continuation of proceedings against any person, entity or other insurer other than the Scheme Companies subject to sanctioned and effective Schemes; provided, however, that if any third party shall reach a settlement with, or obtain a judgment against, any person or entity other than the Scheme Companies subject to sanctioned and effective Schemes, such settlement or judgment shall not be binding on or enforceable against any of the Scheme Companies;

(xi) that, except as otherwise provided in Sphere Drake's Scheme, all persons be permanently enjoined from commencing or continuing any Proceedings against the Scheme Companies subject to sanctioned and effective Schemes, the Scheme Manager, the Scheme Adviser, or any of their respective directors, officers, agent employees, representatives, financial advisers or attorneys (the "Scheme Parties"), or any of them with respect to any claim or cause of action, in law or in equity, which may arise out of the construction or interpretation of the Schemes or out of any action taken or omitted to be taken by any of the Scheme Parties in connection with the administration of the Schemes;

(xii) that the High Court has exclusive jurisdiction to hear and determine any suit, action, claim or proceeding and to settle any dispute which may arise out of the construction or interpretation of Sphere Drake's Scheme, or out of any action taken or omitted to be taken by any of the Scheme Parties in connection with the administration of Sphere Drake's Scheme; provided, however, that in relation to the determination of Scheme Claims nothing in the Proposed Order will affect the validity of provisions determining governing law and jurisdiction, whether contained in any contract between a Scheme Company and any of its Scheme Creditors or otherwise;

(xiii) that no action taken by Sphere Drake, the Petitioner, the Scheme Adviser, the Scheme Manager, their respective successors, directors, officers, agents, employees, representatives, advisers or attorneys, or any of them, in preparing, disseminating, applying for, implementing or otherwise acting in furtherance of Sphere Drake's Scheme, the Proposed Order,

any further order for additional relief in the ancillary proceedings or cases filed under Chapter 15 of the Bankruptcy Code, or any adversary proceedings in connection therewith as the Bankruptcy Code may make, will be deemed to constitute a waiver of the immunity afforded to Sphere Drake, the Petitioner, the Scheme Adviser, the Scheme Manager, their respective successors, directors, officers, agents, employees, representatives, advisers or attorneys, pursuant to section 1510 of the Bankruptcy Code;

(xiv) that, except as otherwise provided in Sphere Drake's Scheme, all persons are permanently enjoined from commencing or continuing any Proceeding against Sphere Drake, the Scheme Adviser, the Scheme Manager, or any of their respective successors, directors, officers, agents, employees, representatives, advisers or attorneys (the "Pre-Scheme Parties"), or any of them with respect to any claim or cause of action, in law or in equity, arising out of or relating to any action taken or omitted to be taken as of the Effective Date by any of the Pre-Scheme Parties in connection with the Chapter 15 cases or in preparing, disseminating, applying for or implementing Sphere Drake's Scheme or the Proposed Order;

(xv) that Sphere Drake and the Scheme Manager are authorized to transfer to the foreign proceedings subject to the Chapter 15 case for distribution, pursuant to Sphere Drake's Scheme, any monies or assets of Sphere Drake, which Sphere Drake or the Scheme Manager have or may hereafter recover;

(xvi) that this Court shall retain jurisdiction with respect to the enforcement, amendment or modification of the Proposed Order, and requests for any additional relief in the Chapter 15 case and all adversary proceedings in connection therewith properly commenced and within the jurisdiction of this Court;

(xvii) that except with respect to the matters over which this Court has expressly retained jurisdiction, the Chapter 15 case is hereby closed, subject to it being reopened pursuant to section 350(b) of the Bankruptcy Code; and

(xviii) awarding the Petitioner such other and further relief as this Court may deem just and proper.

44. Granting the above relief and recognizing Sphere Drake's Scheme will ensure that Sphere Drake's affairs are expeditiously resolved, consistent with the goal of Chapter 15 to provide assistance to foreign courts.

NOTICE

45. Pursuant to section 1517(c) of the Bankruptcy Code, a petition for recognition shall be decided at the "earliest possible time." By Application for Order Limiting Notice, Scheduling Hearing, and Specifying the Form and Manner of Service of Notice the

Petitioner will request, among other things, that the Court set the date for the hearing (the "Hearing") on recognition and relief at the earliest possible time, preferably sometime after August 25, 2008.

46. As soon as the Hearing is scheduled, the Petitioner will cause a copy of (i) the Petition; (ii) this Verified Petition (without Exhibit "A"), and (iii) the Notice of Filing and Hearing on Petitions under Chapter 15 of the United States Bankruptcy Code (the "Notice"), to be sent by first-class mail to all Scheme Creditors of Sphere Drake and other parties in interest located in the United States.²⁰

47. By such notice, all U.S. parties in interest will be advised of the commencement of the Chapter 15 case, the relief requested by the Petition, the central documents filed with the Court respecting the Chapter 15 case, as well as the date, place and time of the Hearing and the date, time and manner for lodging a response or motion respecting the Petitions, in accordance with the Bankruptcy Rules and the Local Rules of Bankruptcy Procedure. The Notice shall be sent so as to provide U.S. parties in interest at least 20 days notice by mail prior to the Hearing, as required by Bankruptcy Rules 2002(q). The Petitioner also shall cause such notice in substantially the form of the Notice to be published expeditiously on the Website and in Business Insurance magazine, Insurance Day magazine and The Wall Street Journal (National Edition).

²⁰ Copies of Exhibit A hereto and all other pleadings, including (i) the Lists submitted by the Petitioner pursuant to Bankruptcy Rule 1007(a)(4), (ii) the Statements of Foreign Representative required pursuant to 11 U.S.C. § 1515; and (iii) the Montgomery Declaration will be provided upon request to the Petitioner's counsel.

CONCLUSION

WHEREFORE, the Petitioner respectfully requests that this Court enter an Order granting the relief requested herein substantially in the form of the Proposed Order annexed hereto and grant Petitioner such other and further relief as may be just and proper.

Dated: New York, New York
July 22, 2008

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Francisco Vazquez (FV 1244)

**UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK**

-----	X
In re	:
Petition of PRO Insurance Solutions Limited, as foreign representative of SPHERE DRAKE INSURANCE LIMITED	: In a Case Under Chapter 15 of the Bankruptcy Code :
Debtor in a Foreign Proceeding.	: Case No. 08-B-_____
-----	X

Richard Emmett, pursuant to 28 U.S.C. § 1746, hereby declares under penalty of perjury as follows:

I am a Divisional Manager of PRO Insurance Solutions Limited, the duly appointed foreign representative of Sphere Drake Insurance Limited.

I have the full authority to verify this Petition.

I have read the foregoing petition, and I am informed and believe that the factual allegations contained therein are true and accurate.

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

Executed this 18 day of July, 2008
in London, England

/s/ Richard Emmett
Richard Emmett, Divisional Manager
PRO Insurance Solutions Limited