

Our Ref:

14 September 2007

CHIEF FINANCIAL OFFICER

Dear Sir / Madam

SPHERE DRAKE INSURANCE LIMITED (SPHERE DRAKE): PROPOSED SCHEME OF ARRANGEMENT RELATING TO PARTICIPATION IN THE WFUM POOLS

NOTICE OF RECONVENED MEETINGS OF SPHERE DRAKE'S SCHEME CREDITORS

Summary of this letter

On 27 June 2006 the High Court of England & Wales directed that two meetings of the Scheme Creditors of Sphere Drake be convened to vote on the WFUM Pools scheme of arrangement proposals.

On 27 October 2006, Sphere Drake's Scheme Creditors' meetings were opened but adjourned prior to any votes being taken (the "**Original Meetings**").

The purpose of this letter is to inform you that Sphere Drake's Scheme Creditors' meetings will be reconvened and held on Friday 19 October 2007 commencing at 11.00am with registration from 10.00am (the "**Reconvened Meetings**"). The venue for the Reconvened Meetings is:

The offices of Sidley Austin LLP
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
England

We are writing to you because you submitted a Voting Form in respect of, and attended (in person or by proxy), the Original Meetings as a Scheme Creditor. We will also be writing to brokers or other intermediaries who have represented Scheme Creditors of Sphere Drake, asking them to bring this letter to the attention of their relevant clients. Notice of the Reconvened Meetings will also be posted on the WFUM Pools website at www.wfumpools.com.

This letter explains why the Original Meetings are now being reconvened, and how votes may be cast at the Reconvened Meetings.

Introduction

Sphere Drake is one of 16 companies which participated in the WFUM Pools. The 16 companies are listed in the appendix to this letter (the "**Scheme Companies**"). The Scheme Companies have proposed collective schemes of arrangement in respect of their WFUM Pools business (the "**Scheme**"). PRO Insurance Solutions Limited ("**PRO**"), the proposed Scheme Manager, administers the run-off of the WFUM Pools business on behalf of the Scheme Companies and is writing this letter on behalf of Sphere Drake.

You have previously been sent several letters (including those of 2 December 2005, 20 January 2006 and 31 July 2006) explaining the proposed Scheme, as well as a copy of the Scheme Document. Copies of all of these letters, and the Scheme Document, are available to download from the WFUM Pools website at www.wfumools.com. Alternatively paper copies may be obtained from PRO (please see contact details at the end of this letter).

The two Meetings of the Scheme Creditors of Sphere Drake to vote on its proposed Scheme – namely:

- 1) the Meeting of its Scheme Creditors in relation to their Scheme Claims other than IBNR claims; and
- 2) the Meeting of its Scheme Creditors in relation to their IBNR Claims,

were opened on 27 October 2006 but were adjourned, before any votes were counted, because Sphere Drake had received notification of several claims at levels which were markedly higher than the previously advised claim values suggested and which, therefore, gave rise to issues which Sphere Drake wished to seek to resolve with the Scheme Creditors concerned prior to holding the vote. Following the Original Meetings, PRO and Sphere Drake worked with the Scheme Creditors concerned to identify and resolve the issues which had arisen. Sphere Drake has been able to reach a commercial resolution with each of those Scheme Creditors and they will no longer be submitting votes at the Reconvened Meetings.

Sphere Drake is therefore reconvening the Original Meetings to be held on Friday 19 October 2007 commencing at 11.00am with registration from 10.00am.

The venue for the Reconvened Meetings is:

The offices of Sidley Austin LLP
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA
England

A map to the venue is attached.

Why are we writing to you?

We are writing to you because you are one of the Scheme Creditors who submitted a vote to be cast at one or both of the Original Meetings, and you attended those Meetings either in person or by appointing a proxy to do so in your place. We will also be writing to brokers or other intermediaries who have represented Scheme Creditors of Sphere Drake, asking them to bring this letter to the attention of their relevant clients. Notice of the Reconvened Meetings will be placed on the WFUM Pools website at www.wfumools.com.

This letter explains the action which you need to take if you wish to submit a revised vote or appoint a different proxy in relation to the Reconvened Meetings.

What should you do next?

If you do not wish to make any revisions to your Voting Form in relation to Sphere Drake and do not wish to appoint a different proxy, you do not need to take any further action. Your Voting Form and appointment of proxy will stand and will be treated as your Voting Form and appointment of proxy for the purposes of the Reconvened Meetings.

In the event that you wish to revise your Voting Form for the Reconvened Meetings you must submit a new Voting Form to PRO. In the event that you do so, this will be deemed to have superseded and replaced entirely any Voting Form submitted in relation to the Original Meetings. Please contact PRO if you require a new Voting Form. Any revised Voting Form must be based on the ascertainment date of 31 December 2005.

You are requested to post, fax or e-mail your revised, signed Voting Form to PRO, marked for the attention of Toby Wooldridge, to be received by no later than 4.00pm on Thursday 18 October 2007. If you intend to attend and submit a revised vote at the Reconvened Meetings in person or by proxy, you may hand in your signed Voting Form at the registration desk prior to the start of the Reconvened Meetings. Please ensure that the person attending the Reconvened Meetings brings proof of identity and of their authority to act.

Please note that faxed or e-mailed Voting Forms will not be accepted unless legible and you must return the original to PRO, marked for the attention of Toby Wooldridge, to be received no later than seven days after the Reconvened Meetings, or hand it in at the registration desk at the Reconvened Meetings prior to their commencement.

If you wish to appoint a different proxy for the Reconvened Meetings, you must submit a revised proxy form to PRO prior to the start of the Reconvened Meetings. Any new proxy form submitted will be deemed to have superseded and replaced entirely any previous appointment of proxy in relation to the Original Meetings. Please contact PRO if you require a new proxy form.

If you intend to attend the Reconvened Meetings in person, please arrive no later than 10.00am in order to register and so as to be present to hear the Chairman's address at the start of the Reconvened Meetings.

The WFUM Pools website contains a secure section in which any Scheme Creditor may require its name and certain other information to be inserted. This section is designed to assist Scheme Creditors who wish to consult with one another in relation to the Scheme to do so and will be accessible by any Scheme Creditor (whether or not its own name is included). If you would like your contact details to be made available to other Scheme Creditors for this purpose, please contact PRO. Scheme Creditors who have obtained a website password and username will be able to access this section of the website through their secure site, and view the contact details posted there.

How will the Meetings and vote be conducted?

The procedure for the Reconvened Meetings will be exactly the same as that proposed for the Original Meetings.

There will be two separate Reconvened Meetings (one for Sphere Drake's Scheme Creditors voting in respect of their Scheme Claims other than IBNR Claims, and one for Sphere Drake's Scheme Creditors voting in respect of their IBNR Claims). If more than 50% by number and at least 75% by value of those voting at each Reconvened Meeting (whether in person or by proxy) approve Sphere Drake's Scheme, it will, subject to Court sanction and the delivery to the UK Registrar of Companies of the relevant Order from the Court, be binding on all of Sphere Drake's Scheme Creditors whether they voted or not.

The Chairman of the Reconvened Meetings (the "**Chairman**") will be Stephen Adamson, who is a Fellow of the Institute of Chartered Accountants and is independent of Sphere Drake and the other Scheme Companies. Mr Adamson has had no connection with the preparation of the Scheme nor with any of the Scheme Companies or the advisers on the Scheme, other than acting as Chairman of the Meetings of the other Scheme Companies and reporting back to the Court on the results of those Meetings. A copy of his CV is available on the WFUM Pools website.

The Chairman will consider the value of your claim as submitted on your Voting Form and, if he considers it reasonable, will admit it for voting purposes. Votes will be valued with a discount to reflect the time value of money with set-off being applied in respect of, and only in respect of, any amounts which are currently established as being due from Scheme Creditors to Sphere Drake. The Chairman has absolute discretion and the power to reject a vote or determine what he considers to be a fair and reasonable assessment of the Scheme Creditor's vote value. If the Chairman disagrees with the value submitted on your Voting Form, and you and he cannot resolve the dispute, it will be assessed by the Vote Adjudicator, who will be the first Scheme Actuary proposed by Sphere Drake, namely David Hindley of Deloitte & Touche LLP.

The Chairman and the Vote Adjudicator will refer to the records held by PRO and any supporting documentation which is supplied by you to support your vote value. It is therefore important that you provide adequate supporting documentation to support the vote value that you assert. Guidance as to the type of information that might be suitable can be found in the Estimation Methodology at Appendix B of the Scheme Document. Failure to supply suitable supporting documentation may result in your vote being rejected or receiving a lower value than you assert.

Where a vote is rejected or valued at less than the amount you originally asserted, you will be notified of this decision as soon as possible, and in any event prior to the Court hearing to sanction the Scheme. This rejection or revision of your vote value will be reported to the Court at the sanction hearing and should you wish to object you may do so at that hearing or by writing to PRO in advance of the hearing, and PRO will bring your letter to the Court's attention.

The assessment of any vote value by the Vote Adjudicator and/or the Chairman will not determine the value of your Scheme Claim under the Scheme in the event that the Scheme goes ahead. The actual value of your Scheme Claim in the event that the Scheme proceeds may be higher or lower (in either case, possibly materially so) than the value assessed by the Vote Adjudicator and/or the Chairman. This is because there may be significantly more information available during the claims submission process under the Scheme, both from the relevant Scheme Creditor and also from other Scheme Creditors with similar claims.

It may be necessary to delay the announcement of the result of the vote until unagreed votes have been adjudicated upon.

A copy of the protocol for the vote adjudication process is enclosed with this letter.

If you have any questions regarding the above, or would like to discuss the way in which your claims data is likely to be evaluated under the Scheme process, including the Estimation Methodology, please contact PRO using the contact details below. PRO's contact details are as follows:

- **E-mail: pro_wfumpools@pro-ltd.co.uk**
- **Post: WFUM Pools c/o PRO Insurance Solutions Limited, Bruton Court, Bruton Way, Gloucester GL1 1DA, United Kingdom**
- **Fax: +44 (0)1452 523 437 (marked for the attention of Toby Wooldridge)**
- **Telephone: +44 (0)1452 523 426**

Sources of information available to you

- You can access the WFUM Pools Website at www.wfumpools.com.
- You should consult advisers and/or your broker or other intermediary for advice.
- You can contact the Scheme helpline by e-mail, fax or telephone (see PRO's contact details above).

Yours faithfully

PRO Insurance Solutions Ltd

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Appendix

List of the Scheme Companies

1. Sovereign Marine & General Insurance Company Limited
2. Allianz Insurance plc
3. Allianz Global Corporate & Specialty (France)
4. Atlantic Mutual Insurance Company
5. Continental Reinsurance Corporation International Limited
6. Greyfriars Insurance Company Limited
7. Heddington Insurance (U.K.) Limited
8. Hibernian General Insurance Limited
9. Mitsui Sumitomo Insurance Company (Europe), Limited
10. The Ocean Marine Insurance Company Limited
11. Oslo Reinsurance Company (UK) Limited
12. Sovereign Insurance (UK) Limited
13. Sphere Drake Insurance Limited
14. The Sea Insurance Company Limited
15. Tokio Marine Europe Insurance Limited
16. Wausau Insurance Company (U.K.) Limited