

FOR IMMEDIATE RELEASE

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PwC announces scheme of arrangement for Highlands Insurance Company (U.K.) Limited (in Administration)

Dan Schwarzmann and Mark Batten of PricewaterhouseCoopers LLP, joint administrators of Highlands Insurance Company (U.K.) Limited ('Highlands UK'), are pleased to announce that a scheme of arrangement for dealing with the direct insurance business of the company has just become effective.

The Scheme is groundbreaking as it utilises a UK mechanism to provide certainty and finality to both a UK and a US company. In summary, the Scheme resolves a long-standing legal dispute between Highlands Insurance Company in the US ("Highlands US") and Highlands UK. Direct policyholders' claims will now be dealt with under the Scheme and, furthermore, these policyholders are now prohibited from taking action against Highlands US as the Scheme has been granted Chapter 15 relief. The Scheme will also result in the payment of US\$13 million by Highlands US to Highlands UK.

Dan Schwarzmann, partner at PricewaterhouseCoopers LLP, said:

"This is a good example of innovative use and design of Schemes. Importantly, it means direct policyholders should be paid in full at the earliest possible time and by no later than July 2010. It also enables us to formulate the most appropriate and expedient strategy for dealing with the claims of Highlands UK's reinsurance creditors."

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Notes to editor:

1. It is by virtue of the Insurers (Reorganisation and Winding Up) Regulations 2004 (SI 2004/353) that direct insurance creditors rank above other creditors.
2. Highlands UK was placed into Administration on 1 November 2007 after the directors concluded that the company was insolvent. As at 31 December 2005, the date of its last audited balance sheet, Highlands UK had gross technical insurance liabilities of approximately £77million.
3. The ultimate parent company of Highlands UK is Highlands Insurance Group Inc., incorporated in the State of Delaware, USA which, since October 2002 has (together with several subsidiaries) been subject to bankruptcy proceedings in Delaware, USA.

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