

**TO ALL KNOWN REINSURANCE CREDITORS, BROKERS, AGENTS AND INTERMEDIARIES  
OF HIGHLANDS INSURANCE COMPANY (U.K.) LIMITED (IN ADMINISTRATION)**

March 2009

Dear Sir/Madam

**HIGHLANDS INSURANCE COMPANY (U.K.) LIMITED (IN ADMINISTRATION)(the “Company”)**

Please find enclosed a copy of a letter sent to creditors of the Company with claims or potential claims arising from contracts or policies of direct insurance, as opposed to contracts of reinsurance, in relation to a proposed scheme of arrangement pursuant to Part 26 of the Companies Act 2006. It should be noted that such direct creditors, as well as any with insurance policies written in accordance with section 1 (1) of the UK Employers’ Liability (Compulsory Insurance) Act 1969, rank in priority to other creditors in the insolvency of the Company by virtue of the Insurers (Reorganisation and Winding Up) Regulations 2004 (SI 2004/353).

Please note that it is anticipated that the strategy for dealing with the claims of the Company’s reinsurance creditors will be determined during the implementation of the proposed scheme of arrangement for direct creditors. We will therefore be contacting you further in this respect in due course.

In the meantime, should you have any queries in relation to the proposed scheme of arrangement for direct creditors, or indeed in relation to the Company more generally, please do not hesitate to contact me or my colleagues listed at the end of the attached letter.

Yours faithfully  
For and on behalf of  
Highlands Insurance Company (U.K.) Limited



Dan Schwarzmann  
**Joint Administrator**

Enclosure

*Dan Schwarzmann and Mark Batten have been appointed as joint administrators of Highlands Insurance Company (U.K.) Limited to manage its affairs, business and property as its agents. Dan Schwarzmann and Mark Batten are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.*