

24 August 2009

THIS LETTER AND THE DOCUMENTS TO WHICH IT REFERS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

Dear Sir/Madam

Scheme of Arrangement under Part 26 of the Companies Act 2006 (the "Scheme") between Highlands Insurance Company (U.K.) Limited (in Administration) (the "Company") and its "Scheme Creditors" (as defined in the Scheme)

Terms used in this letter have the same meaning given to them in the Scheme.

Our records indicate that you are, or may be, a Scheme Creditor or a broker of a Scheme Creditor. Scheme Creditors are more fully defined in the Scheme but, essentially, comprise creditors with claims or potential claims arising from contracts or policies of direct insurance, as opposed to contracts or policies of reinsurance. Brokers are kindly requested to forward this letter to any client they believe may be a Scheme Creditor.

The Scheme was approved at a Meeting of Scheme Creditors held on 18 June 2009. The High Court of Justice of England and Wales sanctioned the Scheme by an order (the "Sanction Order") dated 30 July 2009. The United States Bankruptcy Court granted permanent injunctive relief under Chapter 15 of the US Bankruptcy Code (the "Chapter 15 Order") dated 18 August 2009. I am pleased to report that the Scheme became effective on 19 August 2009 following the lodging of the Sanction Order with the Registrar of Companies on that date. In accordance with the requirements of the United States Bankruptcy Court, a copy of the Chapter 15 Order is enclosed with this letter.

There are two important deadlines of which Scheme Creditors should be aware.

First, Scheme Creditors should give advance notice of their intention to claim against the Company by completing and submitting a Claim Notification by no later than **5pm (London time) on Tuesday 17 November 2009**. This is the Claim Notification Date for the purposes of the Scheme.

Second, Scheme Creditors who have submitted a Claim Notification by the Claim Notification Date, must then provide full details of the claim(s) and supporting documents by completing and submitting a Final Claim Form by no later than **5pm (London time) on Monday 15 February 2010**. This is the Final Claims Submission Date for the purposes of the Scheme.

Please note that if a Claim Form is not submitted by the relevant deadline, your claim(s) will be deemed to have been satisfied in full and you will not be entitled to receive any payment in this respect.

Enclosed with this letter is a Claim Notification and a Final Claim Form for use in submitting claims in the Scheme. Both forms should be returned to:

Highlands Insurance Company (U.K) Limited (in Administration)
c/o PRO Insurance Solutions Limited,
Bruton Court,
Bruton Way,
Gloucester, GL1 1DA
United Kingdom
Attention: Aine Davies/Ian Leighton

For the avoidance of doubt, you are not required to submit a Claim Notification or a Final Claim Form where you are seeking to claim against the Company in respect of an Agreed Claim only. You will be notified in writing if the Company considers that you have an Agreed Claim. However, if you are in any doubt as to whether you have an Agreed Claim or you wish to assert any other claim against the Company, please complete and submit both the Claim Notification and Final Claim Form as early as possible and by no later than the relevant deadlines.

Completion of Claim Forms

Please read the instructions for completion of both the Claim Notification and the Final Claim Form carefully. Please ensure that you complete all parts of the Claim Notification and Final Claim Form, indicating those parts that are not relevant to you, and provide all relevant supporting evidence required by the instructions.

In completing the Final Claim Form, please specify each Insurance Contract reference number under which each of your claims against the Company may arise and provide a copy of the contract schedule or cover note and the schedule of insurers with particulars of each claim in supporting schedules (where applicable).

Your insurance broker will be able to assist in confirming or identifying Insurance Contracts and reference numbers under which you may have a claim against the Company. If you are unable to identify contract information from your own records or from your broker or other intermediary, PRO Insurance Solutions Limited, the run-off managers of the Company, may be able to assist. Please contact PRO at the address given below or call the helpline on +44 (0) 1452 413 985.

Further information and copy documents may be obtained by contacting either the Administrators or PRO using the contact details overleaf or by visiting the Company's website at www.ukhighlands.co.uk.

Yours faithfully,

For and on behalf of

Highlands Insurance Company (U.K.) Limited (in Administration)



Dan Schwarzmann

Joint Scheme Administrator

Enclosures

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.

Highlands Insurance Company (U.K.) Limited (in Administration)

Contact details

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