

The Meadows Indemnity Company Limited

PO Box 33
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21 November 2008

Dear Sirs

THE MEADOWS INDEMNITY COMPANY LIMITED PROPOSAL FOR A SCHEME OF ARRANGEMENT

Introduction

The Meadows Indemnity Company Limited (“**Meadows**” or the “**Company**”) is proposing to implement a solvent scheme of arrangement pursuant to Part 26 of the Companies Act 2006 (the “**Scheme**”) with all of its policyholders. The effect of the Scheme, if approved by the requisite majorities of policyholders and sanctioned by the Court, will be to value and pay all claims in full and final settlement of the Company’s liability to such policyholders pursuant to the terms of the Scheme. On termination of the Scheme, Meadows will have no further liability to its policyholders or the policyholders of Meadows Syndicate, Inc. For further information about the Scheme please see the explanation set out below or download the Scheme documents from the Company’s website www.meadowsindemnity.com. We are sending you this letter because we believe that you, as a policyholder of Meadows, or Meadows Syndicate, Inc may be affected by the Scheme or because we believe you are a broker who placed relevant business with Meadows or Meadows Syndicate. Brokers are requested to forward a copy of this letter to such of their clients as they believe may be affected by the Scheme.

The Scheme which Meadows is proposing to implement also covers business written by Meadows Syndicate, Inc as a member of the New York Insurance Exchange.

Background

Meadows was formed on April 29 1976 in St Peters Port, Guernsey, Channel Islands as an insurance and reinsurance company. It was a wholly owned subsidiary of Gould Inc. whose headquarters were in the state of Illinois USA. Initially, Meadows participated only in insuring and reinsuring its parent’s property and activities but in 1978 it began to participate in external reinsurance risks.

Meadows’ book of business included Aviation, Casualty, Financial, Marine, Non-Marine, Multi-Line, Professional Indemnity and Property accounts. The majority of those accounts were written through the London market.

In early 1991, Meadows ceased assuming new reinsurance and began the process of settling its outstanding reinsurance claims. In 1992, Meadows ceased underwriting altogether and went into run-off.

Meadows wishes to accelerate the valuation and settlement of its outstanding liabilities arising out of the business included within the scope of the Scheme, and intends to achieve this by implementing a solvent scheme of arrangement with its policyholders (referred to in the Scheme as “**Scheme Creditors**”).

Business included in the Scheme

The Scheme is proposed between the Company and its Scheme Creditors. The term “Scheme Creditor” is defined in the Scheme itself but, in summary, means any person or organisation who has a “Claim”, as defined, arising under or in relation to Scheme Business.

The scope of the Scheme is therefore limited to the Company’s Scheme Business, namely:

- (i) all insurance and reinsurance policies underwritten by the Company; and
- (ii) all insurance and reinsurance policies underwritten by Meadows Syndicate, Inc as a member of the New York Insurance Exchange, Inc.

Policyholders of Meadows Syndicate, Inc should note that the Company has assumed liability in respect of present and future claims arising under the policies described in (ii) above which will be dealt with in accordance with the terms of the Scheme. For further information regarding Meadows Syndicate, Inc please refer to Section B of the Explanatory Statement which may be downloaded from the Company’s website www.meadowsindemnity.com.

For the avoidance of doubt, there is specifically excluded from the scope of the Scheme all claims for brokerage or legal and other costs owed by the Company (other than those for which a policyholder is entitled to claim pursuant to the terms of a policy included within the scope of the Scheme).

The Scheme

The objective of the proposed Scheme is to terminate the run-off of the business included within the scope of the Scheme earlier than would be the case if claims were left to mature in the normal course of business. Under the Scheme, Scheme Creditors will be required to complete a “Claim Form” giving details of their current and estimated contingent and future claims, and to submit this with supporting evidence to Meadows.

The information Scheme Creditors will need to provide in respect of their claims and the supporting evidence they should supply are set out in the guidelines (referred to in the Scheme as “**Estimation Guidelines**”) at Appendices 1 and 2 to the Scheme and in the Guidance Notes which will accompany the Claim Forms. The Company’s assessment of the value of future and contingent claims (and any disputes determined by the Independent Expert) will be based on the principles outlined in the Estimation Guidelines. The Estimation Guidelines do not establish an obligatory methodology for valuing claims but are designed to assist Scheme Creditors in the valuation of their outstanding and IBNR claims.

Claims not submitted within 180 days of the date on which the Scheme becomes effective (the “**Final Claims Submission Date**”) will be deemed to have been satisfied in full although the Company does have an absolute discretion to accept a Claim Form received after the Final Claims Submission Date, if having consulted with the Scheme Adviser, it deems such action to be appropriate. Throughout the period for which the Scheme is in force the Company will continue to settle all unpaid balances that have been advised to and agreed by the Company and reconciled with the relevant broker and/or Scheme Creditor prior to the Effective Date, provided those Claims

are not time barred or otherwise unenforceable, whether or not the Scheme Creditor concerned submits details of such balances on a Claim Form.

The Company will attempt to agree Scheme Creditors' claims with them, but if this should not prove possible, the Claim will be referred to the Independent Expert for valuation. The prospective Independent Expert has been selected because of his independence and expertise. The decision of the expert will be final and binding on both parties (to the extent permitted by law). Claims will be paid in full at the value determined, whether by agreement or adjudication, under the Scheme, subject to the application of set-off.

The provisions of the Scheme relating to set-off will enable balances due from the Company to a Scheme Creditor under the Scheme to be set off against amounts owed by that Scheme Creditor to the Company, arising out of its reinsurance of Scheme Business provided that the Company and the Scheme Creditor agree on the amount of any such set-off.

Meetings and the proposed voting classes

On 15 April 2002, the High Court of Justice of England and Wales (the "**High Court**") issued a practice statement that requires any company proposing to implement a scheme of arrangement to notify those affected by the Scheme that is being promoted of (i) the purpose the Scheme is designed to achieve; (ii) the meetings of creditors the company believes are required for the purposes of voting on the Scheme; and (iii) the constitution of those meetings. Point (i) has been covered above.

For the Scheme to be implemented it must be approved by more than 50% in number representing not less than 75% in value of those creditors who vote at a creditors' meeting or at each creditors' meeting if there is more than one. Where creditors have rights which are so different as to make it impossible for them to consult together with a view to their common interest, then they must be split into separate classes and a separate meeting must be held for each class. In light of several recent decisions of the High Court, Meadows has concluded that two separate meetings of Scheme Creditors should be held, one meeting for Scheme Creditors with Notified Outstanding Claims and one meeting for Scheme Creditors with IBNR Claims (together the "**Meetings**"). Notified Outstanding Claims include those arising out of liabilities or losses which have been notified to the Scheme Creditor, but which are not yet certain in amount and those arising out of losses which have been notified to the Scheme Creditor and are certain in amount. IBNR Claims are those arising out of liabilities or losses which have been incurred but have not yet been reported to the Scheme Creditor and, for the avoidance of doubt, may include an allowance for IBNER.

Meadows' application for leave to convene meetings of creditors to vote on the Scheme (the "**Application**") will take place on 27 January 2009. In the event that there is any change to the proposed date of the Application, notice to that effect will be published on the website www.meadowsindemnity.com. Scheme Creditors who wish to raise any issues in relation to the constitution of the class meetings the Company proposes to convene, or which may affect the conduct of those meetings, are requested to notify the Company (c/o Ambant Limited at the address set out below) of those issues in writing by 13 January 2009. The Company will then draw the issues raised to the attention of the High Court at the hearing of the Application. Alternatively, Scheme Creditors may attend the hearing of the Application in person and draw the issues raised to the attention of the High Court themselves.

Next Steps

The anticipated timescale and key dates for the Scheme are set out in the document which contains the full text of the Scheme and a full explanatory statement explaining the effect of the Scheme (the "**Scheme Document**"), which is now available in draft form on the website www.meadowsindemnity.com.

In the event that leave to convene meetings of Scheme Creditors is granted, a letter will be dispatched to Scheme Creditors enclosing the notice convening the Meetings to vote on the Scheme. All documentation relevant to the Scheme including the proxy and voting forms will be available to download from the Company's website www.meadowsindemnity.com. Hard copies of all documentation will also be made available upon written application to the Company c/o Ambant Limited at the address below.

Scheme Creditors are encouraged to discuss their claims valuations with the Company prior to the Meetings, with a view to agreeing indicative values (subject to the provision of information consistent with the requirements of the Estimation Guidelines and the Scheme).

Further Assistance

If you have any questions or concerns in relation to this letter or the proposed Scheme, please contact Philip Grant at Ambant Limited, Lloyd's Avenue House, 6 Lloyd's Avenue, London, EC3N 3ES (tel: +44 (0)20 7 264 0807, fax: +44 (0)20 7264 0801, email: meadowsenquiries@ambant.com).

Yours faithfully



David K. Morgan
Director
The Meadows Indemnity Company Limited