

EQUITAS

EQUITAS HOLDINGS LIMITED
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27 April 2009

Dear Reinsured Name,

You will recall that in October 2006 we entered into an agreement under which National Indemnity Company, a member of the Berkshire Hathaway group of companies, reinsured all Equitas' liabilities and took on the staff, operations and run-off of Equitas.

The transaction was structured to occur in two phases. Phase I was completed in March 2007, at which time Lloyd's made a contribution to Equitas of £72 million.

In Phase II Equitas will seek the approval of the High Court to transfer the 1992 and prior year non-life Lloyd's liabilities of open and closed year Names by means of a statutory transfer under Part VII of the Financial Services and Markets Act 2000. If this transfer occurs before the end of 2009 National Indemnity Company is committed to provide up to an additional \$1.3 billion of reinsurance cover for a further premium of up to £40 million, and we expect that Lloyd's will contribute £18 million at the same time.

The transaction was structured in two phases because at the time of Phase I the relevant legislation did not permit the 1992 and prior year non-life Lloyd's liabilities of all Names to be transferred in this way. Following amendments to the legislation in 2008 it is possible for Equitas to pursue Phase II on behalf of all Names and we are now taking the necessary steps to do so.

The Court hearing of the application for the Part VII transfer is expected to take place on or about 24 June 2009. Subject to the approval of the Court, it is proposed that the transfer will take effect on 30 June 2009.

If Phase II is successfully completed, policyholders will benefit from a total of \$7 billion reinsurance cover from National Indemnity Company over and above Equitas' 31 March 2006 carried reserves and Names will achieve finality under English law in respect of their 1992 and prior year non-life Lloyd's liabilities. In the very unlikely event that Equitas subsequently becomes insolvent, no policyholder with an unsatisfied claim will be able to recover it from any Name anywhere in the European Economic Area – that is all of the European Union, together with Iceland, Norway and Liechtenstein.

We are still considering the extent to which it is practicable to seek recognition of the Part VII transfer in other major overseas jurisdictions, in particular the United States of America. If it does not prove to be possible to achieve recognition overseas Names will, nevertheless, be entitled to be indemnified by National Indemnity Company, within the limits of the reinsurance contract, should claims be made against them directly in a foreign jurisdiction. Such claims would almost certainly only be made if Equitas were to become insolvent, which I believe to be an extremely remote possibility.

You are not required to take any action in respect of the Part VII transfer.

Further information about the Part VII transfer is set out in the following paragraphs and in the background note "Frequently Asked Questions" enclosed with this letter.

1. A new company, which will require to be authorised by the Financial Services Authority (the "FSA"), has been formed to accept the transfer of Names' 1992 and prior year non-life Lloyd's liabilities. The company is a member of the Equitas Group and is ultimately owned by the Equitas Trustees. National Indemnity Company did not exercise its contractual right to take ownership of this company and therefore Equitas rather than National Indemnity Company will be responsible for providing its regulatory capital.
2. The Part VII transfer must be approved by the High Court. An Independent Expert is required to report to the Court on the effects of the Part VII transfer on policyholders and other key stakeholders. Mr Allan Kaufman, a Fellow of the Casualty Actuarial Society (US) and an Honorary Fellow of the Institute of Actuaries (UK), of Navigant Consulting (Europe) Limited has been appointed as the Independent Expert and his appointment has been approved by the FSA.
3. In the absence of any unforeseen developments, the Board of Equitas intends to buy all \$1.3 billion additional reinsurance available under the agreement with National Indemnity Company.
4. The Court will approve the Part VII transfer if it considers in all the circumstances that it is appropriate to do so. We are optimistic but cannot guarantee that the Court will approve the Part VII transfer.
5. The Equitas Trustees and I had hoped that when Phase II was completed, it would be possible to pay a further small return premium in addition to the £50 million already distributed. The FSA has, however, informed us that, having reviewed the capital requirements of the Equitas Group, they have decided not to permit a further return premium to be paid at this time. While it remains possible that such a payment may be made at a later date, in view of the current financial climate this is highly unlikely in the foreseeable future and, indeed, it is possible that such a payment may never be made.
6. If you were a member of the PCW syndicates you will receive a separate letter from the Chairman of Lloyd's containing additional information of particular relevance to you. Further information for PCW Names will also be available on Lloyd's website. www.lloyds.com
7. We are holding an Open Meeting for Names to explain the Part VII transfer in more detail and to give you the opportunity to raise any questions you may have. The meeting will be held on Tuesday 2 June 2009 at the Queen Elizabeth II Conference Centre, Westminster. Full details of the arrangements for the meeting are given on the attached reply slip.

Please complete and return the slip to us by Tuesday 26 May 2009 if you would like to attend.

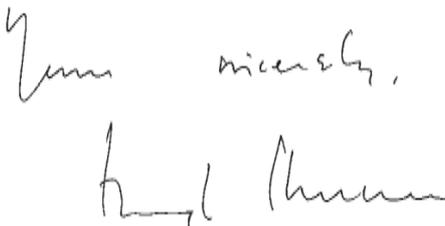
If you believe that you will be adversely affected by the Part VII transfer you have the right to make written representations and to appear at the Court hearing. If you intend to make written representations or appear at the Court hearing, either in person or by Counsel, it would be helpful to us if you would provide the written representations or written notice of your intention to appear at Court and details of your concerns as soon as possible, and in any event by no later than 9 June 2009. Please send any such representations or notice to:

The Company Secretary
Equitas Holdings Limited
33 St Mary Axe
London EC3A 8LL
or via email to info@equitas.co.uk

Please also use this address to contact us should you require a copy of the Independent Expert's report or of a summary of the document provided to the Court setting out the detailed provisions of the Part VII transfer. You may also obtain these and other Equitas related documents from our website. www.equitas.co.uk

If you would like any further information or if you have any comments or queries about the Part VII transfer please send them to us in writing or by email at the above address or contact our dedicated helpline +44 (0) 20 7213 5125.

To conclude, **The Board of Equitas and the Equitas Trustees strongly believe that the proposed Part VII transfer is in the best interests of Names and recommend it to you unanimously and unreservedly.**



HA Stevenson
Chairman