

# EQUITAS



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27 April 2009

Dear Sir/Madam

**Proposed transfer of the 1992 and prior years non-life business (the "Transferring Business") written by Lloyd's Names (the "Names") to Speyford Limited ("Speyford")**

This letter is being sent to you as we believe that you have an insurance or reinsurance policy or policies with the Names. We are writing to provide you with important information regarding the proposed transfer of the policies underwritten by the Names to Speyford, a newly formed company that is to be authorised as an insurer by the Financial Services Authority ("FSA").

## **Introduction**

As you are probably aware, the 1992 and prior year non-life business underwritten at Lloyd's by the Names was reinsured by Equitas Reinsurance Limited ("ERL") and retroceded to Equitas Limited ("Equitas") at the time of Lloyd's Reconstruction and Renewal ("R&R") in 1996.

On 30 March 2007, Equitas and others agreed a run-off reinsurance contract with National Indemnity Company ("NICO"), a Berkshire Hathaway group company, under which NICO provided US\$ 5.7 billion of reinsurance coverage to Equitas in excess of Equitas' adjusted reserves as at 31 March 2006. At the same time another member of the Equitas group of companies, Equitas Management Services Limited, was transferred into the Berkshire Hathaway group and renamed Resolute Management Services Limited ("RMSL"). RMSL now manages the run-off of the liabilities reinsured by Equitas as agent for the Names. The NICO reinsurance provides both greater security to policyholders and practical finality for Names.

This letter is being sent to you in connection with the second phase of the transaction which will involve:

- the transfer of all 1992 and prior year non-life business underwritten at Lloyd's by open and closed year Names to Speyford, using the insurance business transfer provisions of Part VII of the Financial Services and Markets Act 2000 ("FSMA") (the "Part VII Transfer"); and
- the purchase by Equitas of a further US\$ 1.3 billion of reinsurance coverage from NICO to cover the liabilities to be transferred to Speyford.

## **The Proposal**

In order for the Part VII Transfer to become effective, the High Court of Justice of England and Wales (the "Court") must sanction the Part VII Transfer, whereupon the Transferring Business will automatically transfer to Speyford. The Court hearing for this purpose is currently expected to take place on or about 24 June 2009 and it is proposed that the Part VII Transfer will take effect on 30 June 2009.

From the date the Part VII Transfer becomes effective Speyford will be the insurer or reinsurer of the Transferring Business in place of the Names and will be wholly responsible for all obligations under the Transferring Business. Names will have no further liabilities in respect of the

Transferring Business. All claims under the Transferring Business currently being dealt with by RMSL on behalf of the Names will continue to be handled by RMSL on behalf of Speyford in the same manner. Future claims arising under the Transferring Business will be similarly dealt with by RMSL on behalf of Speyford. The benefit of the Equitas reinsurance will transfer to Speyford under the Part VII Transfer and the NICO retrocession will continue to reinsure Equitas.

The Part VII Transfer will have no effect on:

- the terms and conditions of your cover;
- the duration of your policy/policies; or
- any claim, or the manner in which the claim is handled, which you have made or may make under a policy.

**The main effect of the Part VII Transfer for you will be that after the Part VII Transfer you will have no further claims, as a matter of English law, against the Names who underwrote your policies at Lloyd's. Although the Names underwrote with unlimited several liability, you should be aware that the principle of unlimited liability is limited by both legal and practical considerations as explained in the report of the independent expert referred to below. Instead of your claims against Names you will have claims against an FSA authorised insurance company, Speyford. The liabilities of Speyford will be covered by the existing Equitas and NICO reinsurances but with the additional security in the form of the extra US\$ 1.3 billion of reinsurance coverage from NICO.**

### **Report of the Independent Expert**

When the Court is asked to approve a Part VII Transfer an independent expert is required to report, pursuant to section 109 of FSMA, on the effects of the Part VII Transfer on policyholders and policyholder protection (the "Report"). 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. Mr. Kaufman has prepared the Report in which he concludes that the Part VII Transfer does not materially disadvantage any group of policyholders.

The independent expert also concludes that as the run-off management of the Transferring Business will not change as a result of the Part VII Transfer he does not believe policyholders will be disadvantaged by the policy administration or claims handling aspects of the Part VII Transfer.

The independent expert intends to issue a supplemental report in respect of certain matters that arise or develop after the date of the Report and prior to the date of the Court hearing to sanction the Part VII Transfer.

### **Action Required**

**You do not need to take any action in respect of the Part VII Transfer.** However, should you require further information, please see the section entitled "Further Information" below.

If you believe that you will be adversely affected by the Part VII Transfer you have the right under FSMA to make written representations and/or to appear at the Court hearing, which is currently scheduled to take place on or about 24 June 2009 at the Royal Courts of Justice, Strand, London, WC2A 2LL.

If you intend to make written representations and/or appear at the Court hearing, either in person or by Counsel, you are requested to provide the written representations or written notice of your intention to appear at Court and details of your concerns as soon as possible, and preferably by no later than 9 June 2009. This should be sent to PricewaterhouseCoopers LLP, Plumtree Court, London, EC4A 4HT, United Kingdom for the attention of Deirdre Won or via email to [info@equitas.co.uk](mailto:info@equitas.co.uk).

## Further Information

We have organised presentations to explain the Part VII Transfer in more detail and to give you the opportunity to raise any queries you may have. These presentations will be held in:

<u>City</u>	<u>Venue</u>	<u>Date and time</u>
New York	Hilton New York	26 May 2009 at 10.00am
Chicago	Crowne Plaza O'Hare	27 May 2009 at 10.00am
Los Angeles	Four Points Sheraton	28 May 2009 at 10.00am
London	The Chartered Insurance Institute (Insurance Hall)	5 June 2009 at 10.00am

If you or your representative would like to attend, please complete and return the reply slip to register by 19 May 2009.

Should you require a summary of the Report or of the document provided to the Court setting out the detailed provisions of the Part VII Transfer (the "Scheme"), these may be found on [www.equitas.co.uk](http://www.equitas.co.uk) or [www.lloyds.com](http://www.lloyds.com) or requested by writing to PricewaterhouseCoopers LLP at Plumtree Court, London, EC4A 4HT, United Kingdom for the attention of Deirdre Won. A full copy of the Report and (when available) any supplemental independent expert's report can be found on the websites and are available on request.

If you would like any further information or have any comments or queries about the Part VII Transfer, you can contact us by email at [info@equitas.co.uk](mailto:info@equitas.co.uk), in writing to PricewaterhouseCoopers LLP at Plumtree Court, London, EC4A 4HT, United Kingdom for the attention of Deirdre Won or by telephone on +44 (0) 20 7213 5125.

## IMPORTANT INFORMATION FOR NAMES

If you are also a Name please note that a separate meeting for Names is being held in London on Tuesday 2 June 2009, at which information of particular interest to you will be discussed. **There is no necessity to attend that meeting.** If, however, if you wish to ask questions about the Part VII Transfer in person you should attend that meeting rather than any of those listed above.

**Any Name who attends the 2 June 2009 meeting does not need also to attend any other meeting.**

Further details of the meeting for Names are contained in the Chairman's letter dated 27 April 2009, which has been sent to Names at the address last notified to Equitas. If you are a Name and would like a further copy of that letter it can be obtained from our website [www.equitas.co.uk](http://www.equitas.co.uk) or on written request to Equitas at 33 St Mary Axe, London, EC3A 8LL, United Kingdom.

Yours faithfully



JV Barker  
Chief Executive



Reply slip

Company Name .....

Name of Attendee(s) .....

**I will be attending the following presentation:**

- Hilton New York, New York** – Tuesday 26 May 2009  
commencing at 10.00am
  
- Crowne Plaza O'Hare, Chicago** – Wednesday 27 May 2009  
commencing at 10.00am
  
- Four Points Sheraton LAX, Los Angeles** – Thursday 28 May 2009  
commencing at 10.00am
  
- The Chartered Insurance Institute, London** – Friday 5 June 2009  
commencing at 10.00am

If you plan to attend any of the presentations, please return this reply slip by 19 May 2009 to PricewaterhouseCoopers LLP, Plumtree Court, London, EC4A 4HT, United Kingdom for the attention of Deirdre Won. Thank you.