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To all Scheme Creditors of English &
American Insurance Company Limited

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18 December 2017

www.englishandamericanpools.com

Dear Creditor

English & American Insurance Company Limited ('EAIC')
The Scheme Administrators' Annual Report to Creditors

1 Introduction

Further to our previous report to the Scheme Creditors of EAIC we are writing to update you on progress made towards the closure of the estate.

2 Summary

- The Bar Date for EAIC's Closure Scheme passed on 11 April 2011. All claims have now been agreed and the total value of agreed claims was \$730 million.
- Following consultation with the Creditors' Committee, the Scheme Administrators set the final Scheme Payment Percentage as 49.6% effective from 2 November 2015. Final payments were distributed during late 2015 and early 2016. The Closure Scheme was declared complete on 15 December 2016.
- EAIC continues to be run-off for the benefit of creditors with unagreed claims under Marsh Mac Protected Policies, which were excluded from the Closure Scheme.

3 Closure

3.1 Closure Strategy

The Closure Scheme became effective on 12 October 2010 and Scheme Claims of \$730 million became subject to binding Valuation Statements. The final Scheme Payment Percentage was set at 49.6% and approximately \$370 million has been paid to Scheme Creditors in respect of these Scheme Claims.

Under the terms of the Closure Scheme, if any payment which is uncashed or unclaimed by the intended payee after the expiration of six months from the posting of the cheque, or from the making of the attempted payment by telegraphic transfer, the Scheme Manager shall be entitled to treat the Scheme Creditor's right to such payment as forever extinguished.

The Closure Scheme was declared complete on 15 December 2016.

3.2 Closure – ILU Policies

The Closure Scheme excluded claims for outstanding or IBNR amounts under EAIC policies signed and issued by the Institute of London Underwriters ('ILU') between 3 July 1980 and 6 October 1983 ('Marsh Mac LOC Period'). The Marsh & McLennan Companies Inc. ('Marsh Mac') secured an irrevocable letter of credit in favour of the ILU on these policies, as a result of which policyholders may be entitled to additional payments on claims, in respect of these policies, settled in the normal course. Further details of ILU protected policies are set out in section 4.

As mentioned in previous reports, these claims were excluded as the Scheme Administrators were unable to secure an undertaking from Marsh Mac that cover from the letter of credit would attach to any contingent claims which were crystallised under the Closure Scheme. As a result, claims under Marsh Mac Protected Policies which had not already become agreed prior to the Closure Scheme Bar Date (11 April 2011) were excluded from the Closure Scheme, due to the risk that policyholders may lose the right of recourse under the letter of credit.

Consequently EAIC continues to be run-off for the benefit of creditors with unagreed claims under the Marsh Mac Protected Policies. Claims agreed under those policies prior to the Bar Date were included in the Closure Scheme.

Future claims under the excluded Marsh Mac Protected Policies will be agreed by EAIC in the normal course under the Run-Off Scheme, and creditors should continue to present claims together with supporting documentation to Toby Wooldridge, PRO Insurance Solutions Limited, Southgate House, Southgate Street, Gloucester GL1 1UB, UK. Creditors will then be entitled to receive payment at the final Scheme Payment Percentage from funds set aside for this purpose.

Scheme Creditors with agreed claims should apply to the ILU for payment of the balance of their claim under the ILU guarantee arrangements for the Marsh Mac Protected Policies. Policyholders who consider they may be entitled to payments should contact the ILU at The Institute of London Underwriters, International Underwriting Association, London Underwriting Centre, 3 Minster Court, Mincing Lane, London EC3R 7DD, UK.

3.3 Closure – Protected Policyholders

EAIC's Protected Policyholders (Scheme Creditors who have claims against EAIC which are protected by virtue of the Policyholders Protection Act 1975) will, subject to eligibility, still be entitled to receive payment from the Financial Services Compensation Scheme on their claims as they are agreed in the normal course in future.

Protected policyholders should continue to present claims together with supporting documentation to Toby Wooldridge, PRO Insurance Solutions Limited, Southgate House, Southgate Street, Gloucester, GL1 1UB, UK.

4 ILU Protected Policies

4.1 Policies issues through The Institute of London Underwriters ('ILU')

EAIC was a member of the ILU for a number of years. As a result, some Scheme Creditors of EAIC may also be entitled to receive payments from guarantee arrangements which the ILU had in place for the benefit of member policyholders. There are two relevant periods: 3 July 1980 to 6 October 1983; and 1 September 1983 to 19 March 1993.

4.1.1 3 July 1980 to 6 October 1983 ('Marsh Mac LOC Period')

As set out in Section 3.2 above, now that the Closure Scheme has been completed, EAIC will continue to be run-off for the benefit of creditors with unagreed claims under Marsh Mac Protected Policies, as these claims were excluded from the Closure Scheme.

4.1.2 1 September 1983 to 19 March 1993

Policyholders who placed business with EAIC through the ILU after 1 September 1983 ('ILU Policyholder creditors') may have a guarantee claim against two related companies, English & American Group Plc ('EAG') and English & American Insurance Holdings Plc ('EAIH'). These two companies became insolvent and in 2003 schemes were approved by creditors, under which non-insurance creditors received a full and final small dividend, and the balance of funds were paid to EAIC to hold in trust for the relevant ILU Policyholder creditors.

There is a short period of approximately five weeks when the Marsh Mac LOC Period overlaps the EAG and EAIH guarantees period. The trust deed under which the Scheme Administrators are appointed trustees for the funds received from EAG and EAIH for the benefit of ILU Policyholder creditors requires all claim values to be finalised before payments under the trust can be made. As the Marsh Mac Protected Policies were excluded from the Closure Scheme it would not be possible to place a final value on eligible claims which fell within this period.

In order to facilitate payment of these trust funds to the vast majority of ILU Policyholder beneficiaries who do not fall into the overlap period, the Scheme Administrators/Trustees made an application to Court to vary the trust deed to enable payment to be made. In October 2013, the Court agreed the variation to the trust deed, and a small amount of funds was set aside for the benefit of policyholders in the five week overlap period.

During 2014, a top-up payment in respect of their trust fund entitlement was distributed to ILU Policyholder creditors. The top-up distributed to eligible creditors was 24.0%. A further

attempt to distribute the top-up payment was made to eligible trust fund creditors that did not cash their original cheques in parallel with the issuance of the final scheme payments in late 2015 and early 2016.

Based upon legal advice received to date, the Scheme Administrators would need to seek direction of the Court regarding the treatment of any uncashed Trust Fund payments as the terms of the Closure Scheme set out in Section 3.1 do not apply to the Trust Fund. It is anticipated any hearing will take place during 2018. In view of the relatively small amounts now involved, it is likely that the costs of any further distribution will be uneconomic and the Scheme Administrators are considering the options currently available. In the meantime, should any Trust Fund creditors that failed to cash their payments contact the Scheme Administrators, payment will be reissued to further reduce the number and value of residual Trust Fund balance being held.

The status of the Trust Fund distribution is as follows:

- Payments totalling \$19.4 million were distributed to 691 eligible Trust Fund creditors during the course of 2014 to 2017.
- To date 103 Trust Fund creditors, owed approximately \$0.36 million, remain unpaid despite at least two attempts to send payment.
- There are a further 12 eligible creditors, due approximately \$0.11 million in aggregate, where payment could not be issued due to ongoing international sanctions (3 creditors) or inability to find any contact details (9 creditors).

5 Financial position

5.1 Summary balance sheet as at 31 December 2016

The latest audited financial position of EAIC is summarised below:

English & American Insurance Company Limited		
Summary Balance Sheet as at 31 December 2016		
	2016	2015
	US\$m	US\$m
Assets		
Cash and investments	9.3	12.1
Total assets	<u>9.3</u>	<u>12.1</u>
Liabilities		
Due to policyholders		
- agreed claims	1.0	730.1
- less scheme payments	(0.5)	(361.1)
- Outstanding and IBNR reserves	13.2	13.9
Provision for run-off costs	4.9	7.4
Other creditors	0.9	1.0
	<u>19.4</u>	<u>391.3</u>
Shareholders' deficit	(10.1)	(379.2)
Total liabilities	<u>9.3</u>	<u>12.1</u>
Notes to summary balance sheet		
<i>The above amounts have been taken from the audited financial statements for the year ended 31 December 2016.</i>		
<i>The summary balance sheet cannot be used to estimate the ultimate Scheme Payment Percentage.</i>		
<i>The value of any outstanding and IBNR reserves will not become clear until all claims are agreed and crystallised.</i>		
<i>The asset and liability values reflect foreign exchange fluctuations.</i>		

Copies of the audited accounts can be obtained from Companies House records.

5.2 Receipts and payments to 30 June 2017

A summary of the Scheme Administrators' receipts and payments from the commencement of the scheme to 30 June 2017 is set out below.

English & American Insurance Company Limited	
Receipts and payments for the period 9 February 1995 to 30 June 2017	
	US\$m
Balance brought forward at 9 February 1995	10.7
Receipts	
Reinsurance recoveries	486.9
Recoveries from bank accounts and fund managers	25.3
Tax refunds	9.4
Investment income	74.7
Other receipts	3.4
	<hr/>
Total receipts	610.5
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Payments	
Scheme Administrators' fees	63.7
KPMG actuarial fees	3.9
Run-off managers' fees	74.0
Legal fees	6.2
Other professional and agents' fees	8.9
VAT	14.9
Other payments	7.7
Scheme Payments to creditors <i>(including accelerated payments)</i>	369.3
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Total payments	548.6
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Exchange rate loss	53.3
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Funds held at 30 June 2017	8.6
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6 Responsibilities and contact details

6.1 Scheme Administrators

The current Scheme Administrators of EAIC are Mike Walker and Darryl Ashbourne of KPMG in London.

The Scheme Administrators control the affairs of the Company in accordance with the provisions of the scheme. These include provision for consultation with the Creditors' Committee.

6.2 Creditors' Committee

The interests of creditors are represented by the Creditors' Committee. The Committee sanctions significant transactions, is involved in the setting of the Scheme Payment Percentage, and approves the Scheme Administrators' fees.

The Scheme Administrators report to the Committee on a six monthly basis and hold a meeting or conference call whenever it is deemed appropriate to do so. The current constitution of the Committee is as follows:

Member	Represented by
Anderson Kill & Olick PC, on behalf of various policyholders	Mr R Mark Keenan
Fireman's Fund Insurance Company	Mr R Mehta
International Policyholders Association	Bette M Orr Esq
Sheppard Mullin Richter and Hampton LLP, on behalf of various policyholders	Mr M Katz

6.3 Run-off agent

The day to day management of the Scheme and the run-off, including maintenance of the records and handling of Scheme Creditor enquiries in relation to Scheme Claims, is the responsibility of PRO.

6.4 Scheme Claims and Scheme Creditor enquiries

General queries about Scheme Claims should be directed to Toby Wooldridge, PRO Insurance Solutions Limited, Southgate House, Southgate Street, Gloucester, GL1 1UB, UK (Email: pro_eauapools@proisinsurance.com; Tel: +44 (0)1452 330 514).

All other enquiries should be directed to the Scheme Administrators at the following address: KPMG LLP, 15 Canada Square, London E14 5GL, UK.

7 Annual meeting of creditors

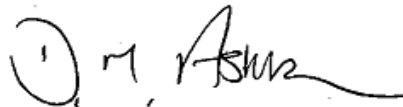
Under the terms of the scheme, the Creditors' Committee has agreed that no annual meeting of creditors will be held in 2017.

An electronic copy of this report is available at www.englishandamericanpools.com.

Yours faithfully
For English & American Insurance Company Limited



Mike Walker
Scheme Administrator



Darryl Ashbourne
Scheme Administrator