



allegations relate to the period between 1999 and early 2006 when Cavell was managing the run-offs of Seaton and Stonewall.

From late 2005 the owners of Seaton and Stonewall, Dukes Place Holdings LP, an affiliate formed by Greenwich Street Capital Partners II LP, a New Jersey hedge fund ("GSC"), pressured Cavell to withdraw from the management of Seaton and Stonewall. In early 2006 Cavell agreed to the termination of its contracts and entered an agreement which, inter alia, provided that Dukes Place released Cavell and Mr Randall from all claims related to the run-offs, except claims in fraud. The parties to the agreement submitted all future disputes to the exclusive jurisdiction of the English court. The New York court concluded that the terms of the settlement agreement required Seaton and Stonewall to bring their alleged claims before the English court.

Seaton and Stonewall are understood to have spent considerable sums in legal fees pursuing the New York action.

Meanwhile, Cavell and Mr Randall, who strongly refute all of the allegations, have commenced their own proceedings against Seaton and Stonewall in the English Commercial Court seeking declarations and damages. Cavell and Mr Randall also argue in the English proceedings that Seaton and Stonewall have breached the settlement agreement. The English proceedings assert that the claim was pursued in the wrong jurisdiction and that the false allegations would not amount to fraud even if they were true.

Seaton and Stonewall had been seeking to stay the English proceedings, pending the hearing of the New York proceedings. Their application for an outright stay of the English proceedings was rejected in the English Commercial Court by Mr Justice Flaux in a judgment delivered on 11 April 2008.

The dismissal of Seaton and Stonewall's New York proceedings against Cavell and Mr Randall is the latest chapter in a complex legal saga initiated against the reinsurer of Seaton and Stonewall, National Indemnity Company, and former run-off manager, Cavell.

Seaton and Stonewall failed in a 2007 arbitration to persuade two separate US arbitration panels that National Indemnity's reinsurance coverages ought to be rescinded and National Indemnity removed as their claims servicer. Seaton and Stonewall have recently filed duplicative arbitration demands, again seeking rescission of the reinsurance agreements.

National Indemnity responded in April 2008 with a New York federal suit seeking to enjoin the new arbitrations on the basis that the issue had already been resolved. National Indemnity has also filed a further New York federal law suit alleging GSC, Dukes Place, the run-off group Enstar and several affiliated entities had conspired to remove National Indemnity as claim servicer so that the two insurers (Seaton and Stonewall) can be sold. This Complaint alleges that prior to the arbitration rulings and while Cavell was still run-off manager, GSC commenced negotiations to sell the two insurers to an affiliate company of Enstar. The Complaint further alleges that GSC and Enstar launched efforts to coerce National Indemnity to forego its right to control claims under its reinsurance agreements to facilitate a sale of the companies.