

Cologne Commutations Rendez-vous 2010

Latest developments in schemes of arrangement

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8 March 2010

Agenda

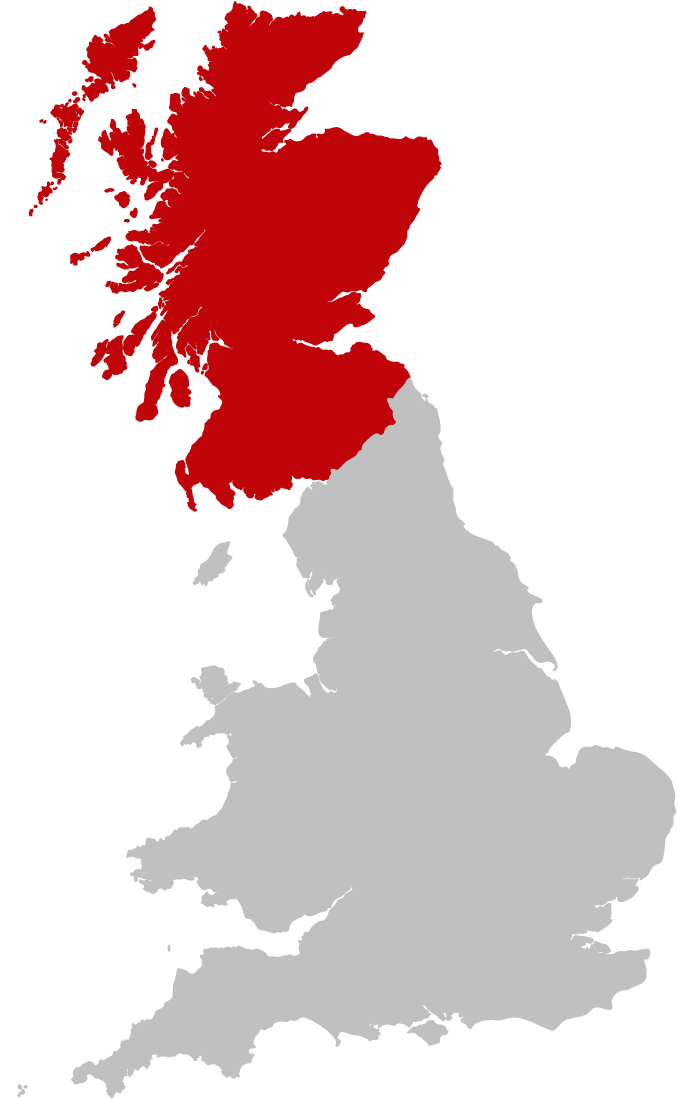
Scottish Lion Insurance Company Limited (“Scottish Lion”)

- Overview and Scottish Court process
- First instance decision
- Appeal
- Implications

Where next for solvent schemes?

Scottish Lion

Two legal systems



Scottish Court process



2 March 2009 – scheme creditors' meetings



Application for sanction

What the Court considered

Fundamental legal issue:

- Can it ever be fair to sanction a scheme of arrangement for a solvent company where no impairment exists?

Application for sanction

What the Court considered

Fundamental legal issue:

- Can it ever be fair to sanction a scheme of arrangement for a solvent company where no impairment exists?

What the Court did not consider

- Valuation principles
- Expert testimony

First instance decision

Creditor democracy should apply where:

- There is a problem requiring a solution
- Failure to agree would ruin for all





First instance decision – implications

Creditor democracy replaced by a
single creditor veto

Implications for solvent restructuring

Appeal decision

Problem requiring a solution is not a pre-condition to sanctioning a scheme


All evidence must be considered on balance

Contractual rights can be varied under a scheme

Protection offered by IBNR class

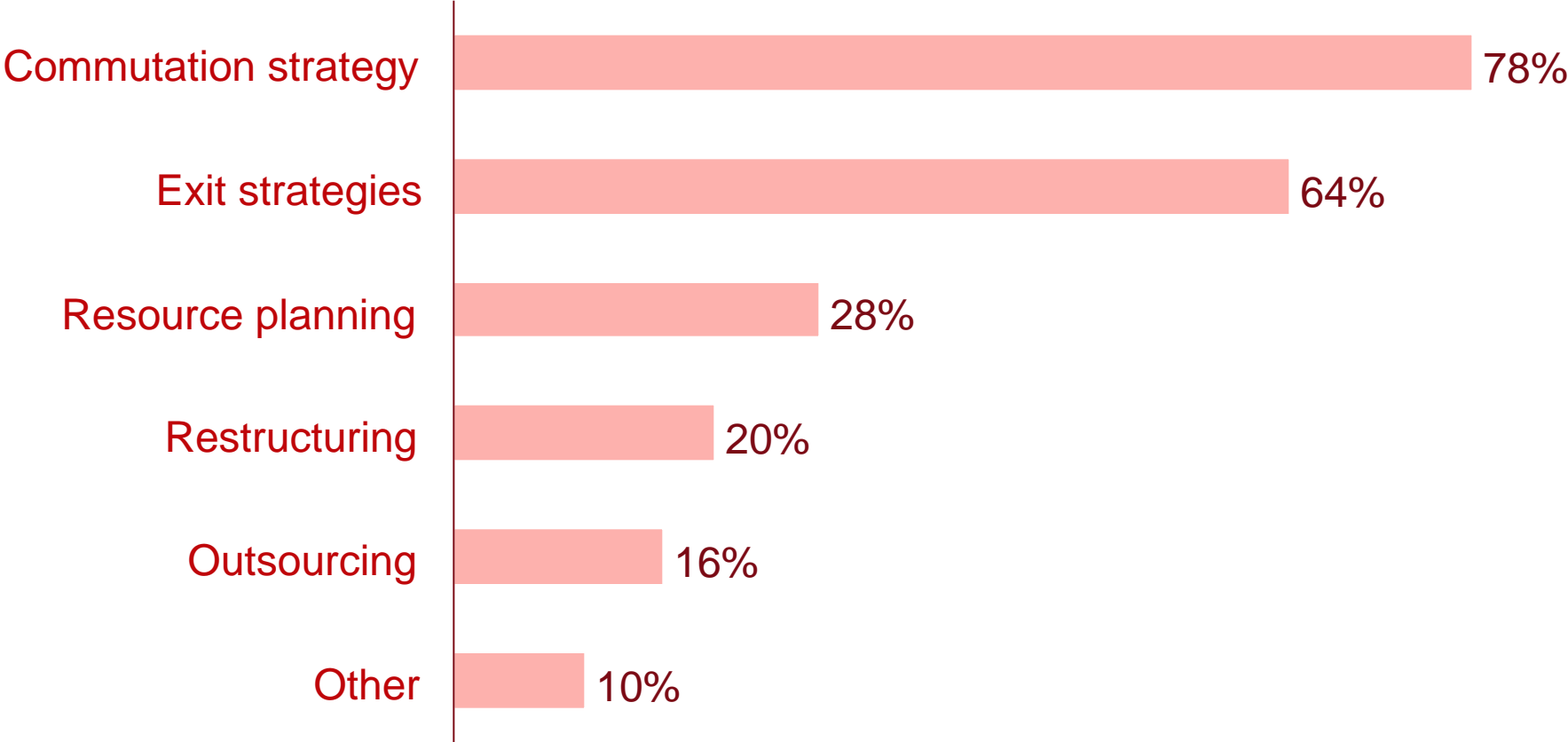
BAIC – comments were obiter



An aerial photograph of a model airport. The runway and taxiway are made of light-colored paving stones. There are several toy airplanes: a white one on the runway, a white one on the taxiway, a blue one on the taxiway, and a white one on the far right. There are also some green grassy areas with dark borders. The text "Where next for solvent schemes?" is overlaid in white on the right side of the image.

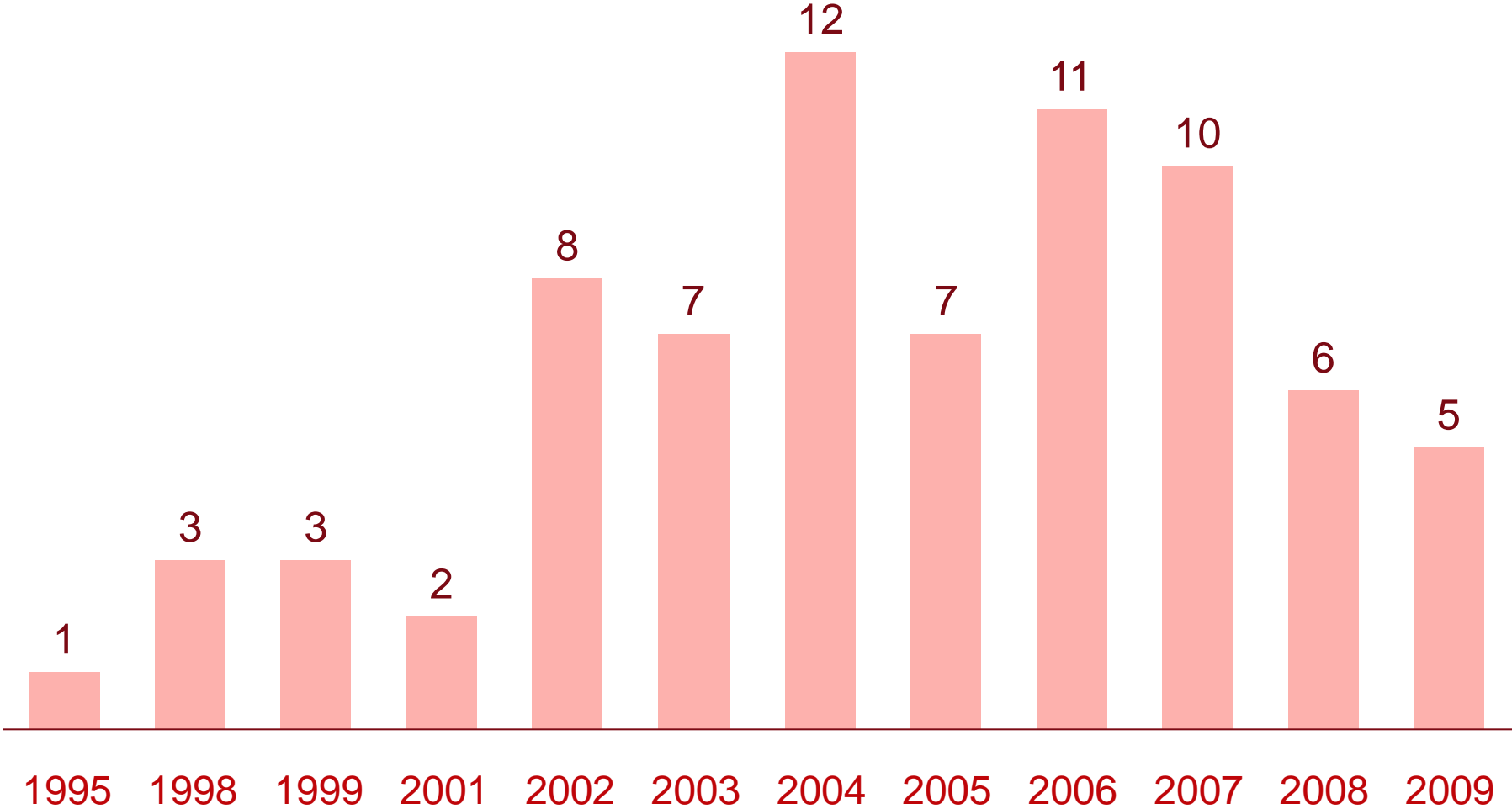
Where next for solvent schemes?

Key features of European run-off plans



Source
PricewaterhouseCoopers LLP

Seven solvent schemes a year on average



Schemes proposed for 2010

Scheme	Description
Minster Insurance Company	Largest whole company solvent scheme to date
EAUA Pools	Significant insolvent and solvent underwriting pool
Camomile Underwriting Agencies	London market pool underwriting from 1978 to 1995
Tokio Marine Europe	Proposed reinsurance scheme

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