

HAVEN INSURANCE POLICIES LIMITED

- and -

NORWICH UNION INSURANCE LIMITED

SCHEME

SCHEME

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HAVEN INSURANCE POLICIES LIMITED

- and -

NORWICH UNION INSURANCE LIMITED

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IN THE MATTER OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

SCHEME

INTRODUCTION

1. **INTERPRETATION**

In this Scheme, the following expressions bear the meanings specified opposite them:

"Court"	the High Court of Justice in England;
"CRR"	the capital resources requirement for the Transferor as required by the FSMA;
"Effective Date"	the time and date on which this Scheme shall become effective in accordance with paragraph 10;
"Encumbrance"	any mortgage, charge, pledge, security, lien, option, restriction, right of first refusal, right of pre-emption, third party right or interest, any other encumbrance or security interest of any kind and any other type of preferential arrangement (including, without limitation, title, transfer and retention arrangements) having a similar effect;
"Excluded Policies"	all Policies written by the Transferor, whether insurance or inwards reinsurance, which are in force on the Effective

Date and which are not transferred pursuant to this Scheme on the Effective Date and any further Policy issued by the Transferor pursuant to the exercise of any right or option under an Excluded Policy as described in paragraph 7.3;

"FSMA "

the Financial Services and Markets Act 2000;

"Insurance Regulator"

the Financial Services Authority, or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to general insurance business carried on in the UK as are allocated to the Financial Services Authority under the FSMA;

"Policy"

the meaning set out in Section 424(2) of the FSMA and Regulation 2 of the Financial Services and Markets Act 2000 (Meaning of "Policy" or "Policyholder") Order 2001;

"Residual Assets"

- (a) any property of the Transferor relating to the Transferred Business which the Court declined to transfer by its order pursuant to section 112(2) of the FSMA but not, for the avoidance of doubt, any property in respect of the CRR held by the Transferor;
- (b) any property of the Transferor relating to the Transferred Business which the Transferor and the Transferee shall agree prior to the Effective Date shall not be transferred on the Effective Date; and
- (c) any proceeds of sale or income or other accrual or return, whether or not in the form of cash, earned or received from time to time after the Effective Date in respect of any property referred to in paragraph (a) or (b) of this definition;

"Residual Liability"

any liability relating to the Transferred Business or a Transferred Policy and any liability to taxation, duties and other imposts directly attributable to the implementation of this Scheme whensoever incurred:

- (a) which the Court declined to transfer by its order pursuant to section 112(2) of the FSMA;

(b) which the Transferor and the Transferee shall agree prior to the Effective Date shall not be transferred on the Effective Date; or

(c) which arises after the Effective Date as a liability of the Transferor;

"Scheme" this Scheme in its original form or with or subject to any modification, addition or condition that may be approved or imposed by the Court;

"Subsequent Transfer Date" in relation to any Residual Asset or Residual Liability, the date on which such Residual Asset or Residual Liability is or is to be transferred to the Transferee, namely:

(a) in respect of any Residual Assets which falls within paragraph (a) of the definition of Residual Assets and in respect of any Residual Liability which falls within paragraph (a) of the definition of Residual Liability, the date on which the impediment to its transfer shall have been removed or overcome;

(b) in respect of any Residual Assets which falls within paragraph (b) or (c) of the definition of Residual Assets and in respect of any Residual Liability which falls within paragraph (b) or (c) of the definition of Residual Liability, the date on which the parties agree that the transfer shall take effect;

"Transferee" Norwich Union Insurance Limited, a company incorporated in England and Wales under the Companies Acts 1862 to 1907 with registered number 99122 and whose registered office is at 8 Surrey Street, Norwich, Norfolk NR1 3NG;

"Transferor " Haven Insurance Policies Limited, a company incorporated in England and Wales under the Companies Act 1985 with registered number 2052028 and whose registered office is at 8 Surrey Street, Norwich, Norfolk NR1 3NG;

"Transferred Assets"	<p>(a) the rights, benefits and powers of the Transferor under or by virtue of the Transferred Policies; and</p> <p>(b) property of the Transferor selected by the Transferor and the Transferee with a value immediately prior to the Effective Date equal to the sum of:</p> <p style="margin-left: 40px;">(i) the value immediately prior to the Effective Date of the Transferred Liabilities; plus</p> <p style="margin-left: 40px;">(ii) the value immediately prior to the Effective Date of the Residual Liabilities less the value of the Residual Assets,</p> <p style="margin-left: 40px;">but not, for the avoidance of doubt, any property in respect of the CRR held by the Transferor and provided that all values to be calculated for the purposes of this definition shall be calculated in accordance with the FSMA using methodologies and bases which taken as a whole are consistent with those used for the Transferor's most recent returns to the Insurance Regulator, except to the extent that changes are necessary to reflect legislative and regulatory changes in the period up to the Effective Date;</p>
"Transferred Business"	<p>the general insurance business of the Transferor carried on in the UK (including, without prejudice to the generality of the foregoing, all activities carried on in connection with or for the purposes of such business and any proposals for insurance not yet accepted) as at the Effective Date;</p>
"Transferred Liabilities"	<p>all liabilities of the Transferor relating to the Transferred Business or the Transferred Policies and all liabilities of the Transferor to taxation, duties and other imposts directly attributable to the implementation of this Scheme, in each case immediately prior to the Effective Date;</p>
"Transferred Policies"	<p>all Policies written by the Transferor, whether insurance or inwards reinsurance, which are in force on the Effective Date, including:</p>

- (a) all proposals for insurance or reinsurance received by the Transferor before the Effective Date which become Policies on or after the Effective Date; and
- (b) any Policy written by the Transferor that has lapsed on or before the Effective Date and which is reinstated by the Transferee after the Effective Date; and

"UK" the United Kingdom of Great Britain and Northern Ireland.

1.2 In this Scheme:

- (a) "**property**" includes (without limitation) property, assets, rights (including, without limitation, contingent rights as to the repayment of tax) and powers of every description (whether present or future, actual or contingent) and includes property held on trust and securities, benefits, powers of any description and any interest whatsoever in any of the foregoing;
- (b) "**liabilities**" includes (without limitation) duties and obligations of every description (whether present or future, actual or contingent);
- (c) "**transfer**" includes (as the context may require) "assign", "assignation" or "assignment", "dispose" or "disposal" or "convey" or "conveyance";
- (d) any reference to the singular shall include a reference to the plural and vice versa and words denoting one gender include the other gender;
- (e) any reference in this Scheme to an enactment, a statutory provision or any subordinate legislation (including without limitation the rules and guidance made by the Insurance Regulator) shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time and to any instrument or order made from time to time under such enactment, statutory provision or subordinate legislation;
- (f) any references to paragraphs or Parts are to paragraphs or Parts of this Scheme;
- (g) headings are inserted for convenience only and shall not affect the construction of this Scheme; and
- (h) any reference to an amount shall be exclusive of any applicable value added or other tax.

2. THE TRANSFEROR, THE TRANSFEREE AND THE PROPOSAL TO TRANSFER THE TRANSFERRED BUSINESS

- 2.1 Each of the Transferor and the Transferee is authorised under the FSMA to effect and carry out contracts of general insurance in the UK.
- 2.2 It is proposed to transfer the Transferred Business, other than the Excluded Policies, to the Transferee in accordance with this Scheme, subject to, and in accordance with, Part VII of the FSMA.

OPERATIVE PROVISIONS

3. TRANSFER OF BUSINESS

- 3.1 On the Effective Date, the Transferred Business shall be transferred to and be vested in the Transferee in accordance with this Scheme, so that:
- (a) on and with effect from the Effective Date, the Transferred Assets shall, by the Order and without any further act or instrument, be transferred to the Transferee, subject to any Encumbrances affecting such assets;
 - (b) on and with effect from each Subsequent Transfer Date, each Residual Asset to which such Subsequent Transfer Date applies shall, by the Order and without any further act or instrument, be transferred to the Transferee, subject to any Encumbrances affecting such asset;
 - (c) on and with effect from the Effective Date, the Transferred Liabilities shall, by the Order and without any further act or instrument, be transferred to the Transferee and shall cease to be liabilities of the Transferor; and
 - (d) on and with effect from each Subsequent Transfer Date, each Residual Liability to which such Subsequent Transfer Date applies shall, by the Order and without any further act or instrument, be transferred to the Transferee and shall cease to be a liability of the Transferor.
- 3.2 The transfers made pursuant to paragraph 3.1 shall have effect notwithstanding any provision to the contrary in any agreement or arrangement with any person and whether or not the Transferor and the Transferee have capacity to effect the same.
- 3.3 On and with effect from the Effective Date or Subsequent Transfer Date as the case may be, all references to the Transferor in any contract between the Transferor and any other party, or in any document or instrument, relating to the Transferred Business shall, in so far as they relate to the Transferred Business, be read and construed as if the same were

references to the Transferee so that such contract, document or instrument shall operate as if such references had always been to the Transferee rather than the Transferor.

- 3.4 The Transferee shall accept without investigation or requisition such title as the Transferor shall have at the Effective Date to the Transferred Assets and, at each Subsequent Transfer Date, to each Residual Asset then transferred.

4. CONTINUITY OF PROCEEDINGS

- 4.1 On and with effect from the Effective Date, any proceedings which are pending by or against the Transferor in connection with the Transferred Policies, the Transferred Assets or the Transferred Liabilities (including without limitation any proceedings arising by virtue of subrogation) shall be continued by or against the Transferee and the Transferee shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to the Transferor in relation to the Transferred Policies, the Transferred Assets and the Transferred Liabilities.

- 4.2 On and with effect from the Subsequent Transfer Date applicable thereto, any proceedings which are pending by or against the Transferor in connection with the Residual Assets or the Residual Liabilities shall be continued by or against the Transferee and the Transferee shall be entitled to all defences, claims, counterclaims and rights of set-off that would have been available to the Transferor in relation to the Residual Assets and Residual Liabilities.

5. PREMIUMS AND MANDATES

- 5.1 All premiums attributable or referable to the Transferred Policies shall on and after the Effective Date be payable to the Transferee.
- 5.2 Any direct debit mandate, standing order or other instruction in force on the Effective Date and providing for the payment by a bank or other intermediary of premiums or other amounts payable under any Transferred Policy or other Transferred Asset shall thereafter take effect as if it had provided for and authorised such payment to the Transferee.
- 5.3 Any mandate or other instruction in force on the Effective Date as to the manner of payment by the Transferor of any sum payable under any Transferred Policy shall continue in force as an effective authority to the Transferee.

6. RIGHTS AND OBLIGATIONS UNDER TRANSFERRED POLICIES

- 6.1 On and with effect from the Effective Date, the Transferee shall become entitled to all the rights, benefits and powers of the Transferor whatsoever subsisting on the Effective Date under or by virtue of the Transferred Policies.
- 6.2 Every person who is a holder of any of the Transferred Policies shall on and with effect from the Effective Date become entitled, in succession to, and to the exclusion of, any rights which he may have had against the Transferor under any of the Transferred

Policies, to the same rights against the Transferee as were available to him against the Transferor under such Policy and (as regards Transferred Policies under which premiums or other sums attributable or referable thereto continue to be payable) shall on and with effect from the Effective Date account to the Transferee for any further or additional premiums or other sums attributable or referable thereto as and when the same become due and payable.

- 6.3 All references in any Transferred Policy to the Transferor, its board of directors, any other officers or employees or agents of the Transferor shall from and after the Effective Date be read as references to, as appropriate the Transferee, its board of directors, any other officers or employees or agents of the Transferee. In particular, but without limitation, all rights and/or duties exercisable or expressed to be exercisable or responsibilities to be performed by the Transferor, its board of directors, any other officers or employees or agents of the Transferor in relation to any of the Transferred Policies shall, from and after the Effective Date, be exercisable or required to be performed by the Transferee, its board of directors, any other officers or employees or agents of the Transferee.

7. **EXCLUDED POLICIES**

- 7.1 Subject to paragraph 7.2, the Excluded Policies shall not be transferred to the Transferee by this Scheme and the liabilities under the Excluded Policies shall remain liabilities of the Transferor but shall at all times after the Effective Date be reinsured in their entirety into the Transferee on the following terms:

- (a) all the liabilities of the Transferor attributable to the Excluded Policies and all other amounts paid or payable by the Transferor in respect of the Excluded Policies (including without limitation amounts paid or payable in connection with the surrender of any Excluded Policy) shall be reinsured in their entirety into the Transferee;
- (b) the Transferor shall pay the following premiums to the Transferee in respect of the reinsurance obligations assumed by the Transferee under paragraph 7.1(a):
 - (i) premium equal to the aggregate amount of the technical provisions (which for this purpose shall be determined in accordance with the FSMA using methodologies and bases which taken as a whole are consistent with those used for the Transferor's most recent returns to the Insurance Regulator, except to the extent that changes are necessary to reflect legislative and regulatory changes in the period up to the Effective Date) relating to the Excluded Policies immediately prior to the Effective Date, which shall be deemed to have been satisfied by the transfer to the Transferee of the appropriate proportion of the Transferred Assets; and

- (ii) premium equal to all subsequent premium payments and all other amounts (save for claim payments pursuant to paragraph 7.1(a)) received by the Transferor in respect of the Excluded Policies at any time after the Effective Date, which amounts shall be paid to the Transferee as soon as practicable after such premiums or other amounts are received by the Transferor.

7.2 If any person exercises any right or option granted under the terms of an Excluded Policy which provides for a new, additional or replacement Policy to be issued such person shall be entitled to require that the obligation thereby arising shall be satisfied by the issue by the Transferor of a Policy which complies with the terms of such right or option. Any new Policy issued by the Transferor pursuant to this paragraph 7.2 shall be treated as an Excluded Policy and shall be reinsured on the basis set out in this paragraph 7.

7.3 Without prejudice to the right of a person set out in paragraph 7.2 to have a right or option satisfied by the issue of a Policy by the Transferor, the Transferor shall be entitled to procure that the Transferee shall offer to such person a Policy which complies with the terms of such right or option.

7.4 If the novation of any Excluded Policy to the Transferee is procured, the rights and liabilities relating to such Policy shall, to the extent not previously transferred, be transferred to the Transferee and such policy shall thereafter be dealt with by the Transferee under the provisions of this Scheme in all respects as if such Excluded Policy were a Transferred Policy.

8. **DECLARATION OF TRUST**

8.1 If:

- (a) any property of the Transferor is not, or is not capable of being, transferred to and vested in the Transferee by the Order on the Effective Date by reason of such property being a Residual Asset; or
- (b) any Residual Asset is not, or is not capable of being, transferred to and vested in the Transferee by the Order on the Subsequent Transfer Date applicable thereto; or
- (c) in any circumstances the Transferee shall decide before the Effective Date (or, in the case of any Residual Asset, before the Subsequent Transfer Date applicable thereto) that it is expedient not to effect a transfer of any property of the Transferor,

the Transferor shall, from the Effective Date (but save to the extent that giving effect to such a trust would require a consent or waiver which has not been obtained) hold any property referred to in paragraphs 8.1(a) to (c) together with

any proceeds of sale or income or other right accrued or return arising in respect thereof (including any payment, property or right within paragraph 8.3 below) on trust absolutely for the Transferee.

8.2 On and from the Effective Date, the Transferor shall be subject to the exclusive directions of the Transferee in respect of any property referred to in paragraph 8.1 until the relevant property:

- (a) is transferred to or otherwise vested in the Transferee; or
- (b) is disposed of (whereupon the Transferor shall, so far as it is able, account to the Transferee for the proceeds of sale thereof),

and the Transferee shall have authority to act as the attorney of the Transferor in respect of such property for all such purposes.

8.3 In the event of any payment being made to, property being received by or right being conferred upon the Transferor on or after the Effective Date in respect of the Transferred Business, any Transferred Asset or any Residual Asset, the Transferor shall, as soon as is reasonably practicable after its receipt, pay over the full amount of such payment or (to the extent to which it is legally able to do so) transfer such property or right to, or in accordance with the directions of, the Transferee and the Transferee shall indemnify the Transferor on demand against any costs or liability incurred in making any such payment or transfer.

9. **INDEMNITY**

9.1 Subject to paragraph 9.2, the Transferee shall discharge on the Transferor's behalf or, failing that, shall indemnify the Transferor from and after the Effective Date against:

- (a) all Transferred Liabilities and Residual Liabilities that are not, or are not capable of being, transferred on the Effective Date by this Scheme or by any vesting order pursuant to Part VII of the FSMA, until the relevant liability is transferred to or becomes a liability of the Transferee; and
- (b) save as otherwise provided in this Scheme, any other loss or expense incurred by or demand made against the Transferor that is attributable to the Transferred Business including without limitation any expense which it may incur in pursuing any claim against any third party as is referred to in paragraph 9.2.

9.2 The Transferee shall not indemnify the Transferor against and shall not be obliged to discharge any liability of the Transferor to the extent that the Transferor is entitled to recover the same from any third party (including, without limitation, by way of insurance), unless, and only then to the extent that, the Transferor shall have failed to recover, or the Transferor and the Transferee shall agree that the Transferor shall not attempt to recover,

any such amount pursuant to rights it may have against any third party (including, without limitation, under any applicable contract of insurance).

9.3 Subject to paragraph 9.4, the Transferor shall indemnify the Transferee against all liabilities, losses, claims and expenses in respect of the Transferred Business, the Transferred Assets, the Residual Assets, the Transferred Liabilities and the Residual Liabilities:

(a) to the extent that they are otherwise recoverable by the Transferor from any third party; or

(b) in connection with any defect (whether in title or otherwise) in relation to, or any other diminution in the value of, any property transferred to the Transferee under this Scheme to the extent that the loss resulting therefrom is otherwise recoverable from any third party.

9.4 The indemnity in paragraph 9.3 shall be limited to such amounts as the Transferor shall recover pursuant to the rights it may have against any third party (including, without limitation, under any applicable contract of insurance).

10. **EFFECTIVE DATE**

10.1 This Scheme shall become operative at 11.59 pm (UK Time) on 27 February 2006 or such other date as may be specified in an Order of the High Court of Justice in England sanctioning this Scheme under Part VII of the FSMA, or as the Court may allow upon the application of the Transferor and the Transferee.

10.2 Unless this Scheme shall become operative on or before 27 February 2006, or such later date as the Court may allow upon the application of the Transferor and the Transferee, it shall lapse.

11. **MODIFICATIONS OR ADDITIONS**

11.1 The Transferor and the Transferee may apply jointly at any time prior to the Effective Date to the Court for any amendment, variation, modification or addition to this Scheme.

11.2 The Transferee may apply at any time on or after the Effective Date to the Court for any amendment, variation, modification or addition to this Scheme.

DATED this [] of [] 2006.