

MALAYAN INSURANCE COMPANY (UK) LIMITED
(Registered Company No: 1420622 England)

**Holland House
1-4 Bury Street
LONDON
EC3A 5JAW**

☎ 020 7621 6333

25th June 2008

Please quote the above reference number in all correspondence.

Dear Sirs,

Proposed Solvent Scheme of Arrangement for Malayan Insurance Company (U.K.) Limited (“the Company”)

Malayan Insurance Company (U.K.) Limited has been in run-off since 1987 and is now proposing to implement a solvent Scheme of Arrangement under new rules for such schemes in Part 26 of the Companies Act 2006 (the “Scheme”). It is proposed that the Scheme will include all business written by the Company including business written through the London Branch of Malayan International Insurance Corporation which was transferred to the Company in 1989.

We are sending you this letter either because we believe you may be a creditor under the Scheme or because we believe you are a broker who has placed, or may have placed, business with the Company, either directly yourself or as successor to a broker whose business has been taken over by your company. Brokers are requested to forward a copy of this letter to such of their clients as they believe may be affected by the Scheme.

Chiltington International Limited is duly appointed as the proposed Scheme Manager and Ian Marshall is the proposed Scheme Adviser.

The Scheme

A Scheme of Arrangement is a compromise or arrangement between a company and its creditors (or any class of them) under Part 26 of the Companies Act 2006 (previously section 425 of the Companies Act 1985). This Scheme will be one of the earliest applications under the new rules of the Companies Act 2006 which came into force in England and Wales with effect from 6 April 2006.

The primary objective of the Scheme proposed by the Company is to conclude the run-off of the insurance business earlier than would be the case if claims were left to mature in the normal course of business. Once the Scheme becomes effective after the Court's sanction, scheme creditors will have a period of six months to confirm or submit their claims against the Company. Scheme Creditors who have not agreed to use the Voting Form and supporting evidence supplied for the Creditors Meeting as their Claim Form will be required to complete a formal "Claim Form" giving details of any current unpaid and estimated future claims which they genuinely believe they have and to submit this with supporting evidence to the Company. After the deadline for submission, no further claims may be taken into account for distribution purposes.

The Creditors' Meeting

For the Scheme to be implemented, it must be approved by a majority in number, representing not less than 75% in value, of those creditors who vote at the scheme creditors' meeting, and at each creditors meeting if there is more than one class of creditor.

Where creditors have rights which are so different as to make it impossible them to consult together with a view to their common interest, then they are required to be divided into separate classes and a separate meeting must be held for each class of creditor. Since it appears at this stage that all scheme creditors have similar rights, are unsecured creditors and are to be treated in the same way under the Scheme, the Company is currently of the opinion that it is possible for all scheme creditors to be treated as of the same class and to discuss their issues and vote at the same meeting. The Company therefore intends at this stage to convene only one meeting of scheme creditors for the purpose of considering and voting on the Scheme.

The Company has applied for there to be a hearing before a Registrar of the High Court at 10.30am on 8 July 2008 in order to seek an order for one creditors' meeting to be summoned and for directions to be given for notifying all known Scheme creditors, and for the advertising and calling of the creditors meeting which is anticipated to take place in early October 2008. The hearing for directions will consider whether there needs to be more than one creditors' meeting that should be held to vote on the Scheme and the constitution of those meetings. Scheme creditors are not required to attend this hearing, but do have the right to be heard if they have any objection to the Company's view that a single class is appropriate. Any scheme creditors with questions or concerns should first contact the Company (see details below).

Role of the Courts

The Court is involved at two points in the process. It is first involved, as above, when the Company seeks directions to summon the Scheme creditors' meeting as already mentioned. The second occasion is shortly after the Scheme creditors meeting scheduled for October. At this point the Company will report the results of the Scheme creditors' meeting(s) to the Court. Where the required majorities have been achieved, the Company will ask the Court for an order to sanction the Scheme and its implementation. If the Court grants the order, the Company will then deliver it to the Registrar of Companies for registration. The Scheme will become effective and can only be implemented once registration has taken place.

Once a Scheme becomes effective, it becomes legally binding on the Company and the Scheme creditors. When the Scheme is announced, creditors will be invited to submit claims in relation to their policies with the Company. These claims are then agreed or adjusted, and then paid under the terms of the Scheme. The Scheme will establish a method by which claims will be assessed, valued and, where found to be valid and in good order, paid in full. If agreement cannot be reached between the Company and scheme creditors regarding the value or validity of claims, there will be a procedure for the independent adjudication of these disputed claims by (assuming the appointment is approved by the Court) Mr Colin Czapiewski, an experienced actuary and adjudicator of claims.

Next Steps and FSA Consultation

The Company is currently consulting with the Financial Services Authority (FSA) who as a matter of practice review all such Schemes to ensure that the proposed Scheme Company meets with their expectations and requirements. The FSA's Scheme review process is set out in the 'FSA process guide to decision making on Schemes of Arrangement for insurance firms' this document can be found at: http://www.fsa.gov.uk/pages/Library/Other_publications/Miscellaneous/2007/schemes_arrangement.shtml.

The FSA do not approve firms' Schemes of Arrangement, but in practice they may indicate their objection to Schemes that pose a risk to the achievement of their statutory objectives. The FSA have stated that they are unlikely to object to a Scheme if they are satisfied that the Company's proposed course of action appears fair and reasonable. The Company does not anticipate difficulties in this case. After the FSA's review, the Company will seek a letter from the FSA before the first Court hearing confirming that the FSA has no objection to the Scheme and we may refer to this in the Scheme documentation and at the Court hearing for consideration of both the Court and the Scheme creditors.

The anticipated timescale and key dates for the Scheme, including creditors' meeting and anticipated High Court hearing to sanction the Scheme, will be set out in due course in the Scheme document which will be sent out to you and all known Scheme creditors after

the first Court hearing before the Registrar authorizing the calling of the Scheme creditors' meeting. The Scheme document will contain, along with the full text of the Scheme, an explanatory statement explaining the effect of the Scheme for creditors and the notice convening the meeting(s) to vote on the Scheme. All documentation relevant to the Scheme including the proxy and voting forms will be contained within the Scheme document (and will also be obtainable on written application to the Company at the address set out below).

Contacting the Company

The Company's run-off is currently managed by Chiltington International Limited who are the proposed Scheme Managers and will be responsible for overseeing the Scheme and approving claims values agreed pursuant to its terms.

If you have any questions or concerns in relation to this letter, please contact Anne Bagshaw at Chiltington International Limited, Holland House, 1-4 Bury Street, London, EC3A 5AW, telephone number +44 (0) 20 7621 6332, fax number +44 (0) 20 7621 6344/6355, e-mail abagshaw@chiltington.co.uk.

Yours faithfully,

Mrs E A Bagshaw
Director