

OMNI WHITTINGTON



22nd August 2005

Dear Sir or Madam

Proposed Solvent Scheme of Arrangement for Reliance National Insurance Company (Europe) Limited (formerly Reliance National Insurance Company (UK) Limited) ("the Company")

The Company has been in run-off since 2001 and is now proposing to implement a solvent Scheme of Arrangement under Section 425 of the Companies Act 1985 (the "Scheme"). It is proposed that the Scheme will cover all business underwritten by the Company, except for certain specified policies. The Scheme only covers business written by the Company and will not affect policyholders of the Company's former parent, Reliance Insurance Company.

The Scheme will affect creditors with whom the Company has a contract of insurance, reinsurance or retrocession. We believe you are, or may be, such a creditor, or that you have acted on behalf of such creditors.

Omni Whittington Insurance Services Ltd is the proposed scheme manager, and Anthony McMahon and John Wardrop of KPMG LLP are the proposed scheme advisers.

The Scheme

The primary objective of the Scheme is to conclude the run-off of the business subject to the Scheme earlier than would be the case if claims were left to mature in the normal course of business. Once the Scheme becomes effective, scheme creditors will have a period of seven months to submit their claims against the Company. The Scheme will establish a method by which current, contingent and future claims of the scheme creditors will be valued and paid in full. If agreement cannot be reached between the Company and scheme creditors regarding the value of claims there will be a procedure for the independent adjudication of these disputed claims by Peter Matthews, of EMB Consultancy LLP.

Creditors with claims that do not have a certain value, such as incurred but not reported (IBNR) claims, will be asked to estimate their claims using specified actuarial techniques and it is the estimated value, as agreed or adjudicated, that will be paid in full.

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 a creditors' meeting or at each creditors' meeting, if there is more than one. Where creditors have rights which are so different as to make it impossible for them to consult together with a view to their common interest, then they must be split into separate classes and a separate meeting must be held for each class. Since all scheme creditors have similar rights, are unsecured creditors and are to be treated in the same way under the Scheme, the Company is of the opinion that it is possible for all scheme creditors to vote at the same meeting. The Company therefore intends to convene only one meeting of scheme creditors for the purposes of considering and, if the scheme creditors think fit, approving the Scheme.

In another recent solvent insurance scheme, the High Court in England ruled that, in the particular circumstances of that case, creditors with IBNR claims should have been split into a separate class from creditors with accrued claims, such that there should be two creditors' meetings, each voting separately in relation to the scheme. We understand that this decision is to be appealed. In any

Reliance National Insurance Company (Europe) Ltd.
80 Leadenhall Street • London • EC3A 3HA • United Kingdom
Tel + 44 (0)20 7743 0900 • Fax + 44 (0)20 7743 0901
E-mail: info@omniwhittington.co.uk • Internet: www.omniwhittington.com



event, the Company does not believe the same considerations apply here, because the factual position in the present case is quite different. The Company therefore considers that a single class is justified and that one creditors' meeting should be held in which all scheme creditors vote together on the Scheme.

The Company will apply to the High Court for permission to convene the creditors' meeting. This hearing will consider the appropriate number of creditors' meetings that should be held to vote on the Scheme. The application has been listed by the Court to be heard at 10 a.m. on 4 October 2005 at the Royal Courts of Justice, Strand, London. Scheme creditors are not required to attend this hearing, but do have a 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).

If the application is approved by the Court, a scheme document (incorporating the Scheme) will be sent to scheme creditors with details of the creditors' meeting to vote on the Scheme. The scheme document will set out the anticipated time scale and key dates for the Scheme. As you have been sent this letter, you will automatically receive the scheme document in due course.

Business not included in the Scheme

Certain business written by the Company will not be included in the Scheme. This includes any policy which was still live on 30 June 2005, a small number of specific policies relating to complex claims which are backed by significant reinsurance and UK statutory employers' liability policies. Further information regarding these policies will be disclosed in the Scheme. Should you want further information in relation to the business not included in the Scheme, please contact the Company (see details below).

Contacting the Company

If you have any questions or concerns in relation to this letter, please contact the Company as soon as possible at the address below, or by telephone to the dedicated helpline on 0800 RELIANCE (0800 73542623) in the UK or +44 (0)20 7423 5378 from outside the UK, or by e-mail at RNICE-SCHEME@omniwhittington.com.

In the future, it is intended that appropriate documents and notices, including the scheme document and details of the creditors' meeting will be sent by post to potential scheme creditors. If you would prefer the documents to be emailed to you, please email RNICE-SCHEME@omniwhittington.com indicating that you wish to be sent the documentation by email and giving details of the address to which you would like the documentation sent. We will then communicate with you by email and the documentation will be sent to you by email and not by post.

Information will also be available to all creditors on the Company website at <http://www.omniwhittington.com>.

Yours faithfully

A handwritten signature in black ink, appearing to read 'R. Whatton', written over a light blue horizontal line.

Richard P. Whatton
Chairman