

**DEUTSCHE RÜCK UK
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10 September 2008

Dear Sir/Madam,

**Proposed Solvent Scheme of Arrangement for
Deutsche Rück UK Reinsurance Company Limited ("DRUK")**

Introduction

DRUK intends to propose a solvent scheme of arrangement pursuant to Part 26 of the UK Companies Act 2006 (the "**Scheme**").

As explained in the letter of 11 February 2008, a copy of which can be found on the website at www.deutscherueckuk.com (the "**Website**"), we are writing to you as we believe that you are or may be a Scheme Creditor within the meaning of the Scheme. Alternatively, you may have represented such Scheme Creditors, in which case we ask that you either pass a copy of this letter to any potential Scheme Creditors for which you act or have acted, or, alternatively please let Chilington International Limited ("**CIL**") have their details. CIL's contact details are contained at the end of this letter.

In accordance with guidance issued by the High Court of Justice of England and Wales, we are writing to inform you of:

- (a) DRUK's decision to formally propose the Scheme;
- (b) the objectives which the proposed Scheme is designed to achieve; and
- (c) the composition of the meeting of Scheme Creditors which DRUK proposes to convene for the purpose of voting on the Scheme.

Background information regarding DRUK

DRUK is authorised by the United Kingdom Financial Services Authority (the "FSA") to effect and carry on reinsurance business. The business originally written by DRUK consists of reinsurance of largely UK and European cedants, which was written by DRUK in London (the "**Original Business**"). DRUK ceased writing new business after 1992, when it entered run-off.

DRUK's parent company is Deutsche Rückversicherung AG ("**DR AG**"), domiciled in Germany and regulated by BaFin. In October 2007, pursuant to a transfer approved by BaFin, DRUK assumed two blocks of discontinued reinsurance business from DR AG.

The blocks of business transferred to DRUK (the "**Transferred Business**") consist of the following:

1. DR AG's participation in the Inter Community ("**ICRA**") pool which has been in run-off since 1980. DR AG was one of the lead pool members in ICRA and has custody in London of the original records. The ICRA business consists of UK and international reinsurance, with the majority being placed through London market brokers. The business was written by ICRA in the Netherlands.
2. DR AG's discontinued reinsurance business which has been in run-off since 1993. This business, which consists of UK and international reinsurance underwritten either through brokers or directly, was written by DR AG from its head office in Germany.

DRUK now intends to propose the Scheme in relation to both the Original Business and the Transferred Business (collectively, the "**Scheme Business**"). The Scheme Business will therefore be claims arising under the Original Business or Transferred Business, with the exception of any DRUK liability in respect of UK compulsory insurance. The directors of DRUK do not believe that it has any liability in respect of UK compulsory insurance. Further details of the Transferred Business included in the Scheme can be obtained from the Website or by contacting CIL.

CIL is the proposed Scheme Manager. Prior to the transfer of reinsurance business referred to above (and in the letter of 11 February 2008), CIL managed both the DRUK and ICRA portfolio in London. Following the transfer, CIL has continued to manage DRUK in London.

The proposed Scheme Advisers are Mike Walker and John Wardrop of KPMG.

The objectives of the Scheme

The principal purpose of the Scheme is to finalise all DRUK's liabilities in respect of the Scheme Business and make payments to Scheme Creditors in a shorter time frame than would be possible if the Scheme Business were left to run-off in the normal course.

Brief outline of the Scheme

The Scheme has been designed to offer a fair and consistent approach to claims submission and quantification. The Scheme is intended to establish an efficient and cost-effective method of determining and paying a fair value for the claims that each Scheme Creditor has against DRUK in the shortest practicable time, thus promoting certainty and finality.

Once the Scheme becomes effective, Scheme Creditors with actual, contingent or future claims (including accrued, notified, outstanding and IBNR claims) against DRUK will have a period of 180 days from the Effective Date of the Scheme to submit their claims with supporting information to the Scheme Manager. Whenever possible, the Scheme Manager will endeavour to agree claims. Failing agreement, Scheme Claims will be determined by George Maher of Tillinghast, the proposed Independent Scheme Adjudicator.

Save in respect of Unpaid Agreed Claims (as defined in the Scheme), Scheme Creditors who do not submit their claims in accordance with the Scheme, will not be entitled to receive payment thereunder.

The Meeting and the Proposed Voting Class

For a scheme of arrangement of the type proposed by DRUK to be implemented, it must be approved by a majority in number, and not less than 75% in value, of those creditors who vote (in person or by proxy) at the meeting convened for the purpose of considering the Scheme, or at each such meeting if there were to be more than one class of creditors. If the rights of creditors are so different or would be affected so differently by a scheme of arrangement as to make it impossible for them to consult together with a view to their common interest, they must be divided into classes and vote at separate class meetings.

DRUK has taken account of recent decisions of the High Court in determining the appropriate constitution of scheme creditor meetings for the purpose of considering and, if thought fit, approving the Scheme.

It is proposed that a single meeting of DRUK's creditors be convened, (the "**Creditors' Meeting**"). As the Scheme Business is pure reinsurance, it is considered that the rights of reinsurance creditors should be sufficiently similar for them to be able to consult together in their common interest as a single class.

If the Scheme is approved by Scheme Creditors, it will become effective if it is sanctioned by the High Court and subsequently a copy of the Court's order sanctioning the Scheme is delivered to the Registrar of Companies in England and Wales.

The Court Hearing

DRUK intends to apply to the High Court of Justice at the Royal Courts of Justice, Strand, London WC2A 2LL, United Kingdom, for a court hearing to be held no earlier than January 2009, for permission for DRUK to convene the Creditors' Meeting (the "**Court Hearing**"). The date of the Court Hearing will be confirmed on the Website. Formal notice of the Creditors' Meeting will be sent to you in due course.

Scheme Creditors should consider taking advice from their professional advisers if they have any concerns in relation to the constitution of the Creditors' Meeting.

Next Steps and FSA Consultation

As DRUK is regulated by the FSA, it is consulting with the FSA to ensure that the proposed Scheme meets with the FSA's expectations and requirements.

The FSA do not give statements of approval regarding individual schemes of arrangement. Instead, where they are satisfied that a proposed scheme of arrangement "*falls within the reasonable range of possible reasonable actions the firm might make, depending on what is fair in the circumstances*", they provide what is referred to as a letter of non-objection in respect of the relevant scheme confirming the position. DRUK is liaising with the FSA in relation to the Scheme and does not anticipate that it will object to it. At the appropriate time, DRUK will seek a letter of non-objection to the Scheme from the FSA. 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 anticipated timescale and key dates for the Scheme, including the Creditors' Meeting and Court hearing to sanction the Scheme, will be set out in due course in the Scheme document which will be sent to you and all known Scheme Creditors once the Court has given DRUK permission to convene the Creditors' Meeting. The Scheme document will contain, along with the full text of the Scheme, an explanatory statement explaining the effect of the Scheme and the notice convening the Creditors' Meeting. 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 request, from DRUK at the address set out below and on the Website).

Contact Details

If you require any further information concerning your contracts with DRUK, regarding the proposed Scheme, or if you would like to discuss the valuation of your claims in the proposed Scheme, please contact the proposed Scheme Manager by one of the following methods:

By Post: Chilton International Limited

Holland House

1-4 Bury Street

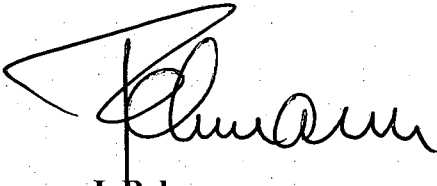
London EC3A 5AW

Marked for the attention of: Alec MacMillan or David Burns

By Fax: + (44) (0) 207 621 6344
By Email: druk@chiltington.co.uk
By Phone: (44) (0) 207 621 6333
Website: www.deutscherueckuk.com

If we have used an incomplete or incorrect address on this letter, if you would like CIL to communicate with you by email in future, or if you would like CIL to correspond with someone else in your organisation about DRUK, please advise CIL.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'J. Rehmann', with a large, stylized initial 'J'.

J. Rehmann
Director
Deutsche Rück UK Reinsurance Company Limited