

## **PART II: THE SCHEME**

**CLAIM NO. 10552 of 2009**

**IN THE HIGH COURT OF JUSTICE**

**CHANCERY DIVISION**

**COMPANIES COURT**

**IN THE MATTER OF DEUTSCHE RÜCK UK REINSURANCE COMPANY  
LIMITED**

**AND**

**IN THE MATTER OF THE COMPANIES ACT 2006**

### **SCHEME OF ARRANGEMENT**

**(pursuant to Part 26 of the Companies Act 2006)**

**For full details of the business included in the Scheme and the company names under which the business included in the Scheme was written, please see Appendix A to the Scheme at pages 103 to 104, the description in the Explanatory Statement at page 9 and the Scheme Website at [www.deutscherueckuk.com](http://www.deutscherueckuk.com).**

**BETWEEN**

**DEUTSCHE RÜCK UK REINSURANCE COMPANY  
LIMITED**

**(incorporated in England and Wales with registered number 995292)**

**and its**

**SCHEME CREDITORS**

**(AS DEFINED IN THE SCHEME)**

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## 1. DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In this Scheme, unless the context otherwise requires or expressly provides, the following words shall have the following meanings:

**"Adjudication"** the procedure for the resolution of disputes set out in clause 2.5;

**"Admissible Interest"** any interest provided for in a Scheme Reinsurance Contract or any relevant statute or any other relevant law from the date provided for therein up to the last Business Day of the month prior to the date of the Valuation Statement;

**"Advertise"** the placing of advertisements in the same publications as notice of the Meeting was placed (or, if that is not practicable, in such other publications or forums as the Scheme Manager shall reasonably deem appropriate);

**"Appendices"** the Appendices to Scheme referred to in the contents page and set out at pages 103 to 134 of the Scheme when viewed or printed in its entirety;

**"Blocked Monies"** any money or amount payable to a Scheme Creditor under the Scheme the payment of which is prohibited by an applicable law or regulation referred to in clause 8.6;

**"Board"** the board of directors of Deutsche Rück from time to time;

**"Business Day"** any day other than (1) Saturday, (2) Sunday or (3) a day on which the UK clearing banks are not open for business in London;

**"Chairman"** Frank Atwood;

**"Charity"** CHILDREN with LEUKAEMIA, registered charity number 298405;

**"Claim Form"** the form entitled Claim Form including all guidance notes and instructions sent to Scheme Creditors in accordance with clause 2.2, an example of which is at Appendix C;

**"Claims Submission Date"** 5pm London time on the date falling 182 days after the Effective Date (or, if such date is not a Business Day, on the next following Business Day);

**"Claims Valuation Methodology"** the actuarial methodology which is set out at Appendix B;

**"Companies Act"**, the Companies Act 2006 as amended and in force at the Effective Date;

**"Company Directors Disqualification Act"** the Company Directors Disqualification Act 1986;

**"Complaint"** shall have the meaning given to it in clause 7.2.3;

**"Completion Date"** in respect of a Scheme Creditor, the date upon which the Scheme is certified to have been completed in accordance with clause 8.1;

**"Court"** the High Court of Justice of England and Wales;

**"Delegate"** any person to whom the Scheme Manager or Scheme Advisers delegate any of their powers, rights, duties or functions;

**"Determined Claim"** the amount of the valuation of a Scheme Claim determined in accordance with clauses 2.2.8, 2.4.3, 2.4.5, 2.4.6 or 2.4.7 as applicable;

**"Deutsche Rück"** Deutsche Rück UK Reinsurance Company Limited, company number 995292, a company incorporated in England and Wales;

**"Disputed Claim"** a claim referred to the Scheme Adjudicator under clause 2.4.6;

**"Disputed Valuation Claim"** a Scheme Claim referred to the Scheme Adjudicator under clause 2.8.3;

**"Effective Date"** the date on which a copy of the order of the Court sanctioning the Scheme is delivered to the Registrar of Companies;

**"E-mail"** delivery, where permitted by the terms of the Scheme and where a Scheme Creditor has provided an E-mail address, by electronic mail;

**"Employee"** any partner or director in the same firm, company, limited liability partnership or partnership as another, or any individual employed, whether under a contract of service or a contract for services, by that firm, company or partnership or by any company owned by such firm, company or partnership;

**"Euro"** the currency adopted by participating Member States in furtherance of economic and monetary union under Article 109 of the Treaty of the European Union;

**"Explanatory Statement"** the explanatory statement prepared in accordance with Section 897 of the Companies Act in relation to the Scheme which is at pages 1 to 46;

**"Insolvency Act"** the Insolvency Act 1986 as amended and in force at the Effective Date;

**"Insolvency Event"**

- (a) the making of an Order by the Court to wind up Deutsche Rück compulsorily pursuant to the Insolvency Act; or
- (b) the commencement of a creditors' voluntary liquidation in respect of Deutsche Rück in accordance with the provisions of the Insolvency Act; or
- (c) Deutsche Rück entering into a company voluntary arrangement with its creditors in accordance with the provisions of the Insolvency Act; or
- (d) the appointment of an administrator, administrative receiver, receiver or provisional liquidator in respect of Deutsche Rück in accordance with the provisions of the Insolvency Act; or
- (e) the determination by Deutsche Rück that the value of its assets is less than the value of its liabilities; or
- (f) the taking in relation to Deutsche Rück of any analogous proceeding in any other jurisdiction;

**"Letter of Credit"** any valid letter of credit issued, whether by Deutsche Rück or any other party to or for the benefit of a Scheme Creditor in respect of any Scheme Reinsurance Contract;

**"Liability"** any debt or liability (being a liability to pay money or money's worth) of a person, whether it is present or future, certain or contingent, whether or not its amount is fixed or liquidated, or is capable of being ascertained by fixed rules or as a matter of opinion, whether or not it involves the payment of money and whether it arises at common law, in equity or by statute, in England and Wales or in any other jurisdiction or in any manner

whatsoever, but excluding any liability which is barred (as at the time at which it would be measured in accordance with the relevant clause) by statute or is otherwise unenforceable or which is claimed to arise in respect of a contract which is void or, being voidable, has duly been avoided.

Provided however that any sum representing a current Unpaid Agreed Claim inserted by the Scheme Manager on a Claim Form pursuant to clause 2.2.4.2 shall constitute a Liability notwithstanding any statutory bar or unenforceability which would otherwise apply to it;

"**Lloyd's**" the society incorporated by the Lloyd's Act 1871 by the name of Lloyd's and situated at One Lime Street, London EC3M 7HA, United Kingdom;

"**Lloyd's Syndicate**" a group of underwriting members of Lloyd's to which a number is assigned on behalf of the Council of Lloyd's in respect of an underwriting year;

"**Manifest Error**" an arithmetical or typographical error which is apparent either on the face of the document concerned or by reference to the information which has been or should, in accordance with the Scheme, have been inserted in the document concerned and has been incorrectly transcribed;

"**Meeting**" the meeting of Scheme Creditors convened by Deutsche Rück with the leave of the Court for the purpose of considering and, if thought fit, approving the Scheme;

"**Net Ascertained Claim**" the final balance shown on a Valuation Statement where that balance is in favour of the Scheme Creditor;

"**Net Debt**" the final balance shown on a Valuation Statement where that balance is in favour of Deutsche Rück;

"**Net Debtor**" any person who has a Net Debt shown on their Valuation Statement;

"**Post**" delivered by hand (including by a generally recognised commercial courier service), pre-paid first class post or air mail;

"**Pounds Sterling**" pounds sterling, being the lawful currency of the United Kingdom;

"**Proceedings**" any form of proceedings in any jurisdiction or forum including, without limitation, any demand, legal proceedings, regulatory proceedings, insolvency proceedings,

arbitration, alternative dispute resolution, adjudication, mediation, seizure, distraint, forfeiture, re-entry, execution or enforcement of judgment or any step taken for the purpose of creating or enforcing a lien;

**"Property"** all forms of property including money, goods, things in action, land and every description of property wherever situated and also obligations and every description of interest, whether present or future or vested or contingent, arising out of, or incidental to, property;

**"Registrar of Companies"** the registrar or other officer performing under the Companies Act the duty of registration of companies in England and Wales;

**"Released Parties"** Deutsche Rück and any person holding, or who has at any time held, the position of Scheme Manager, Scheme Adviser, Scheme Adjudicator (including a substitute or additional Scheme Adjudicator appointed pursuant to clause 6.4, clause 6.5 or clause 6.6.1), Chairman or Vote Assessor, or any past or present director of Deutsche Rück, including any Delegate, Employee or alternate of any of the foregoing persons, carrying out a role in connection with or pursuant to the Scheme, in each case in their capacity as such;

**"Scheme"** the scheme of arrangement as set out in this document and approved by the requisite majorities of creditors at the Meeting with, or subject to any modification, addition or condition approved or imposed by the Court;

**"Scheme Adjudicator"** George Maher of Tillinghast or such other person as may be appointed as such (whether as a replacement or substitute or additional Scheme Adjudicator) pursuant to the provisions of the Scheme;

**"Scheme Advisers"** John Mitchell Wardrop and Michael Steven Walker of KPMG LLP or such other person or persons as may be appointed as such pursuant to the Scheme;

**"Scheme Claim"** any Liability included at paragraph 2 at Appendix A arising out of a Scheme Reinsurance Contract as at the Effective Date, including Liabilities arising under any agreement entered into prior to the Effective Date by which Deutsche Rück has commuted, settled or compromised all or part of its Liability under any such Scheme Reinsurance Contract;

**"Scheme Creditor"** a creditor of Deutsche Rück in respect of a Scheme Claim;

**"Scheme Currency"**

- (a) for the purpose of Scheme Claims submitted in Euros, Euros;
- (b) for the purpose of Scheme Claims submitted in Pounds Sterling, Pounds Sterling;
- (c) for the purpose of Scheme Claims submitted in US Dollars, US Dollars;
- (d) for the purposes of Scheme Claims submitted in any other currency, Pounds Sterling;

**"Scheme Debt"** a Liability which is or may become payable to Deutsche Rück arising in connection with the business which is referred to at Appendix A including, without limitation, reinstatement premiums, claim reserve deposits, premium reserve deposits, refunds, rights of subrogation and reinsurance recoverables, and also including (for the avoidance of doubt) any such Liability arising by virtue of the application of Determined Claims, whether calculated by the application of the Claims Valuation Methodology or otherwise valued in accordance with the terms of the Scheme, to reinsurance contracts;

**"Scheme Document"** the document containing the terms of the Scheme and the Explanatory Statement and the Appendices and schedules thereto;

**"Scheme Exchange Rate"** the closing mid-market rate of exchange quoted in the Financial Times for the currency in question on the last Business Day of the month preceding the date of the Valuation Statement or, if no such rate is published, such rate as may reasonably be selected by the Scheme Manager;

**"Scheme Manager"** Chilton International Limited and any person or entity as may be appointed in substitution for it pursuant to the Scheme;

**"Scheme Period"** the period from the Effective Date to the Completion Date;

**"Scheme Reinsurance Contract"** any of the contracts or policies of reinsurance or retrocession issued by Deutsche Rück or assumed by it as described in Appendix A including those listed on the Website;

**"Security"** any deposit or reserve of funds, cash reserves or assets established by Deutsche Rück to the extent only that it secures payment of a Scheme Claim, but not including any Letter of Credit;

**"Tax"** any form of taxation, levy, duty, charge, contribution, withholding or impost of any nature (including any related fine, penalty, surcharge or interest) imposed, collected or concerned by or payable to any Tax Authority;

**"Tax Authority"** any government, state municipality or any local state, federal or other fiscal, revenue, customs or excise authority, body or official anywhere in the world (including in the United Kingdom, without limitation, Her Majesty's Revenue & Customs);

**"Tillinghast"** the Tillinghast insurance consulting business of Towers, Perrin, Forster & Crosby Inc. registered in England and Wales under BR 001790;

**"Unpaid Agreed Claim"** any balance in relation to a Scheme Reinsurance Contract recorded in the books of Deutsche Rück as at the Effective Date as due for payment having been agreed in writing by or on behalf of Deutsche Rück and by the relevant other party or parties, but which has not been paid or discharged (including by the operation of set-off or otherwise);

**"US Dollars"** United States dollars, being the lawful currency of the United States;

**"Valuation Statement"** the statement to be prepared in accordance with clause 2.6.2 or 2.7 in substantially the form set out in Appendix D;

**"Vote Assessor"** George Maher of Tillinghast, or such other person as may be appointed as the vote assessor for the Meeting;

**"Voting and Proxy Form"** the voting and proxy form approved by the Court for the purposes of voting at the Meeting;

**"Website"** means the website at [www.deutscherueckuk.com](http://www.deutscherueckuk.com).

## 1.2 Interpretation

In the Scheme unless the context otherwise requires or the Scheme expressly provides otherwise:

- 1.2.1 references to clauses, sub-clauses and Appendices are references to clauses, sub-clauses and Appendices, respectively of the Scheme;
- 1.2.2 references to months are to calendar months;
- 1.2.3 references to a person include an individual, firm, partnership, company, unincorporated body of persons or any state or state agency;
- 1.2.4 references to "insurance" shall include "reinsurance" and "retrocession", except where the context otherwise requires;
- 1.2.5 references to any enactment or other legislative provision shall be deemed to include the same as re-enacted, amended or extended save where expressly provided to the contrary;
- 1.2.6 the singular includes the plural and vice versa;
- 1.2.7 in the event that a Scheme Currency is replaced by another unit of currency, references to that Scheme Currency shall, where appropriate, be deemed to refer to such replacement unit of currency and any amounts denominated in the original Scheme Currency shall be converted into the replacement unit of currency at the rate of exchange specified in the legislation introducing the replacement unit of currency;
- 1.2.8 time periods laid down by the Scheme shall, unless otherwise expressly stated, be calculated by reference to elapsed days and not Business Days, and, in the event that a time period expires on a day which is not a Business Day, such period shall be deemed not to expire until 5.30pm in England on the Business Day next following. Any time period expressed to run from a fixed date shall not include such date;
- 1.2.9 words importing one gender include all genders;

- 1.2.10 references in the Scheme to a firm or company other than Deutsche Rück or a Scheme Creditor shall include any predecessor or successor of that firm or company whether by merger, demerger, amalgamation or otherwise; and
- 1.2.11 headings are for ease of reference only and shall not affect the interpretation of the Scheme.

## **2. VALUATION OF SCHEME CLAIMS**

### **2.1 Application and purpose of the Scheme**

2.1.1 The Scheme shall become effective on the Effective Date whereupon the Scheme shall apply to all Scheme Claims and be binding on Deutsche Rück and all Scheme Creditors.

2.1.2 The purpose of the Scheme shall be to value each Scheme Creditor's Scheme Claims in accordance with this clause 2 and to pay any resulting Net Ascertained Claim in accordance with clause 3.

2.1.3 At the Scheme Manager's absolute discretion, prior to the completion or termination of the Scheme, any unexpired period of time or deadline referred to in the Scheme (other than the Claims Submission Date and the periods of time referred to in clause 2.5) may be extended by the Scheme Manager in relation to a specific Scheme Claim or Scheme Creditor or generally provided that, (unless the relevant parties agree a longer period in writing), the period of such extension shall not exceed the aggregate of (i) the duration length of the original maximum period of time specified in the Scheme for the taking of the relevant step(s) and (ii) the time, if any, taken to replace a Scheme Adjudicator or Scheme Manager during the relevant period. In the event that the Scheme Manager exercises such discretion:

2.1.3.1 references to any relevant period of time or deadline elsewhere in the Scheme shall be construed accordingly, provided that the Claims Submission Date once determined shall not be changed; and

2.1.3.2 specifically affected Scheme Creditors shall be given written notice of such extension. In the event that Scheme Creditors generally are affected, such notice shall be placed on the Website.

### **2.2 Distribution of Claim Forms and the Claims Submission Date**

2.2.1 As soon as reasonably practicable after the Effective Date, the Scheme Manager shall Advertise and place on the Website a notice calling for Scheme

Creditors to complete and return Claim Forms and notifying them of the Effective Date and the Claims Submission Date.

2.2.2 The Scheme Manager shall ensure that notification of the Effective Date and of the Claims Submission Date together with a Claim Form and details of the Website is sent by Post or E-mail to each Scheme Creditor of whom it is aware and for which it possesses, what it reasonably believes to be, a current contact address as soon as reasonably practicable and, in any event, within 21 days of the Effective Date.

2.2.3 Prior to the Claims Submission Date, any Scheme Creditor which has not received a Claim Form pursuant to clause 2.2.2 may either:

2.2.3.1 download a copy from the Website; or

2.2.3.2 request either a paper or E-mail copy of its Claim Form in writing from the Scheme Manager who shall send this by Post or E-mail to the relevant Scheme Creditor as soon as reasonably practicable.

2.2.4 Each Claim Form provided by the Scheme Manager pursuant to clause 2.2.2 or pursuant to clause 2.2.3.2 will be based on the information in the Scheme Manager's systems and will contain, to the extent of that information, details of:

2.2.4.1 each of the Scheme Reinsurance Contracts of which the Scheme Manager is aware and which, in the reasonable opinion of the Scheme Manager, might give rise to the Scheme Creditor having a Scheme Claim;

2.2.4.2 Unpaid Agreed Claims arising under such Scheme Reinsurance Contracts; and

2.2.4.3 claims or Scheme Reinsurance Contracts details of which were provided by the Scheme Creditor for voting purposes, provided that claims details were asserted at contract level on the relevant Voting and Proxy Form.

- 2.2.5 Notwithstanding the provisions of clause 8.7.3, where the Scheme Manager does not have a last known address for a Scheme Creditor in respect of whom a Claim Form has been prepared, but does have the last known address of a broker or other person whom it reasonably believes is or may be an agent of the Scheme Creditor concerned, the Scheme Manager shall send a copy of the notice referred to in clause 2.2.2 to that broker or other person together with a request that such broker or other person forward the same to the Scheme Creditor as soon as reasonably practicable.
- 2.2.6 Scheme Claims shall be submitted in the currency of the original contract. A Scheme Creditor may elect on its Claim Form for its Net Ascertained Claim or Net Debt to be denominated in a single Scheme Currency. In the event that a Scheme Creditor does not so elect, Scheme Claims shall be denominated in the Claim Form in the currency or currencies of the relevant original contract(s).
- 2.2.7 Save as, and to the extent, provided in clause 2.2.8 and 2.3.1.5, if the Scheme Manager has not received a completed Claim Form from a Scheme Creditor on or before the Claims Submission Date, that Scheme Creditor shall not be entitled to assert any Scheme Claim and shall not be entitled to any payment pursuant to the Scheme or otherwise from Deutsche Rück in respect of a Scheme Claim. After the Claims Submission Date, no Scheme Creditor shall be entitled to amend the values submitted on a Claim Form or to assert Scheme Claims other than those detailed on a Claim Form which has been submitted prior to the Claims Submission Date.
- 2.2.8 Notwithstanding the other provisions of the Scheme, any Unpaid Agreed Claims referred to in clause 2.2.4.2 shall be deemed to be included in a Claim Form sent to and received by the Scheme Manager before the Claims Submission Date and each Scheme Creditor will be entitled to receive payment under the Scheme in respect of the amounts of such Unpaid Agreed Claims, which shall constitute Determined Claims of such Scheme Creditor. Payment of such Unpaid Agreed Claims shall be made within 28 days of the Effective Date, save where the Scheme Manager believes that there is likely to be an amount to be applied in offset to the Unpaid Agreed Claim. For the

avoidance of doubt, a Scheme Debt may arise even if a Claim Form is not submitted.

## 2.3 Return of Claim Forms

2.3.1 Each Scheme Creditor shall, prior to the Claims Submission Date and to the extent it wishes to do so, complete and/or amend and return a Claim Form by Post or E-mail to be received by the Scheme Manager by the Claims Submission Date in accordance with the instructions on the Claim Form. In addition:

2.3.1.1 a Scheme Creditor who amends or adds to the information set out on its Claim Form by the Scheme Manager pursuant to this clause 2.3.1 shall, if required, provide evidence to support such amendments or additions in accordance with the instructions on the Claim Form and its accompanying guidance notes. Any such Scheme Creditor and any Scheme Creditor for whom details provided on a Voting and Proxy Form have been entered pursuant to clause 2.2.4.3 shall, if required, provide supporting evidence in relation to such details to the Scheme Manager. Such supporting evidence shall be sent by the Scheme Creditor to the Scheme Manager by Post or E-mail and, for the avoidance of doubt, must be received by the Scheme Manager prior to the Claims Submission Date;

2.3.1.2 in the period up to the Claims Submissions Date each Scheme Creditor shall be entitled to submit further or revised data on its Claim Form in accordance with the instructions upon it and the accompanying guidance notes, and shall, if required, provide evidence to support the new or revised Claim Form to the Scheme Manager;

2.3.1.3 in the event that the Scheme Manager is deemed to receive or actually receives more than one Claim Form from a Scheme Creditor in relation to the same Scheme Claim, the last to be submitted by the Scheme Creditor and received by the Scheme Manager prior to the Claims Submission Date shall prevail;

- 2.3.1.4 a Scheme Creditor submitting a Claim Form shall bear all of the costs of preparing and returning it and any supporting evidence submitted in connection with it;
  - 2.3.1.5 unless a Claim Form is submitted by the Scheme Creditor (and received by the Scheme Manager), the Voting and Proxy Form submitted by the Scheme Creditor, if any, together with any additions or alterations made in respect thereof by the Scheme Creditor, shall be deemed to have been returned by that Scheme Creditor immediately prior to the Claims Submissions Date as its Claim Form; and
  - 2.3.1.6 supporting evidence which is not available electronically shall be sent by the Scheme Creditor to the Scheme Manager by Post, provided that it is received by the Scheme Manager prior to the Claims Submission Date.
- 2.3.2 Each Scheme Creditor shall be deemed to have represented and warranted to Deutsche Rück and the Scheme Manager that the information added to or amended on the Claim Form and supporting evidence returned by it or on its behalf to the Scheme Manager, including supporting evidence and information supplied after the Claims Submission Date pursuant to clauses 2.4.4 and 2.5.3.2, is, to the best of its knowledge and belief, correct, complete and fair.

## 2.4 Agreement of Claim Forms

- 2.4.1 Where a Scheme Claim or part of a Scheme Claim requires estimation, the Scheme Manager will apply, or procure that an actuary applies, the Claims Valuation Methodology to such claim in accordance with its terms.
- 2.4.2 Following the Claims Submission Date, there shall be a 180 day period during which the Scheme Manager and each Scheme Creditor shall attempt in good faith to reach a mutually agreed value for the Scheme Creditors' Scheme Claims.

- 2.4.3 In the event that the Scheme Manager agrees with a Scheme Creditor's estimate of the values of its Scheme Claims as set out in a completed Claim Form, it shall, within 180 days after the Claims Submission Date, notify the relevant Scheme Creditor in writing by Post or E-mail of its agreement and the values of the Scheme Claims shown on the Claim Form shall be the Determined Claims of that Scheme Creditor.
- 2.4.4 In the event that the Scheme Manager considers that further supporting evidence is necessary in connection with a completed Claim Form, it shall, within 90 days of the Claims Submission Date, send notice to the relevant Scheme Creditor to that effect. The Scheme Creditor shall provide further supporting evidence within 28 days of the date of such notice. In the event that the Scheme Creditor does not send the further supporting evidence within such period (and no extension to such period has been agreed by the Scheme Manager), the Scheme Manager and, if such Scheme Claim becomes a Disputed Claim, the Scheme Adjudicator shall be entitled to adjudicate on the basis of the evidence before him and to disregard any evidence served after the deadline set by him for serving the further evidence.
- 2.4.5 In the event that the Scheme Manager and a Scheme Creditor reach agreement as to the value(s) of such Scheme Creditor's Scheme Claim(s) within 180 days of the Claims Submission Date, such agreed values shall be the Determined Claims of such Scheme Creditor. For the purposes of this clause, the agreement must be confirmed by both parties in writing (including by E-mail) but is not required to be made by way of binding contract or deed.
- 2.4.6 In the event that agreement has not been or, in the reasonable opinion of the Scheme Manager, cannot be reached within 180 days of the Claims Submission Date, the Scheme Manager will notify the Scheme Creditor concerned in writing of the value which it is prepared to accept as that Scheme Creditor's Determined Claim(s). If the Scheme Manager does not receive a written response from the Scheme Creditor within 42 days of sending such notification requesting that the valuation of its Scheme Claim be referred to the Scheme Adjudicator, the Scheme Creditor will be deemed to have accepted the notified value(s), which shall then constitute that Scheme

Creditor's Determined Claim(s). If the Scheme Creditor does make such a request, the Scheme Manager shall refer the unagreed Scheme Claim(s) to the Scheme Adjudicator as a Disputed Claim and shall simultaneously send notice to this effect to the Scheme Creditor and Deutsche Rück.

- 2.4.7 The amount determined by the Scheme Adjudicator as being due in respect of any Disputed Claim referred to him in accordance with clause 2.4.6 shall be the amount of that Scheme Creditor's Determined Claim in respect of that Disputed Claim.
- 2.4.8 The valuation of a Scheme Claim shall include a discount to reflect the time value of money between the last Business Day of the month preceding the date of the Valuation Statement and the anticipated date on which, if the Scheme were not to become effective, payment of the claims which comprise the Scheme Claim would be made in the normal course of business. The relevant discount rates are set out in the Claims Valuation Methodology.
- 2.4.9 The valuation of a Scheme Claim by the Scheme Manager and/or Scheme Adjudicator shall not result in its value being greater than the aggregate amount asserted in relation to it by the Scheme Creditor on his Claim Form.
- 2.4.10 During the Scheme Period, each Scheme Creditor shall provide such assistance and information as the Scheme Manager may reasonably require in connection with the Scheme and the realisation of Deutsche Rück's Property or the enforcement of obligations owed to Deutsche Rück. Each Scheme Creditor is deemed to acknowledge that its obligations under this clause shall continue in the event that it becomes a Net Debtor.
- 2.4.11 The amount of any Determined Claim determined or agreed under clauses 2.2.8, 2.4.3, 2.4.5, 2.4.6, or 2.4.7 shall be final and binding on Deutsche Rück and the Scheme Creditor in so far as the law allows and there shall be no right of appeal in respect thereof.

## 2.5 Adjudication of Disputed Claims

2.5.1 Subject as hereinafter provided, the Scheme Adjudicator shall within 63 days after the latest of:

2.5.1.1 receipt of notice from the Scheme Manager of the reference to him of any Disputed Claim; or

2.5.1.2 the expiry of the time (not exceeding 42 days) within which the Scheme Manager, Scheme Advisers, Deutsche Rück and/or a Scheme Creditor is required to provide supporting evidence pursuant to clause 2.5.3.2;

determine the value of the Disputed Claim and notify the Scheme Manager and the relevant Scheme Creditor in writing by Post or E-mail of his determination in respect of the Disputed Claim.

2.5.2 The Scheme Adjudicator shall be entitled to extend at his absolute discretion, the time periods referred to in clauses 2.5.3.2 and 2.5.3.3, provided that the period of such extension shall not exceed a maximum of twice the length of the original maximum period of time and provided always, for the avoidance of doubt, that the Scheme Adjudicator notifies the Scheme Manager and the Scheme Creditor of his determination within 84 days after receipt of notice from the Scheme Manager of the reference to him of any Disputed Claim.

2.5.3 The Scheme Adjudicator shall:

2.5.3.1 be entitled to lay down such reasonable provisions and prescribe such reasonable procedures as in his absolute discretion he considers appropriate for the purposes of assisting him in reaching his decision;

2.5.3.2 within 28 days of his receipt of a reference to him from the Scheme Manager, pursuant to clause 2.4.6, be entitled to require the Scheme Manager, Deutsche Rück and/or the relevant Scheme Creditor to provide him, within a period not exceeding 42 days, with such further supporting evidence as he may reasonably require at the expense of the party to whom the request is made;

- 2.5.3.3 base his determination on the evidence available to him, provided that if supporting evidence requested pursuant to clause 2.5.3.2 is not received by the Scheme Adjudicator within the aforesaid 42 days he shall be entitled to make his determination on the basis of the evidence before him and to disregard any evidence served after the deadline set by him for serving the further evidence;
  - 2.5.3.4 be entitled to consult with and take advice from such advisers, including legal experts and advisers as he may deem appropriate providing the cost of consulting such experts has been authorised by the Scheme Manager prior to such cost being incurred, which authorisation shall not be unreasonably withheld;
  - 2.5.3.5 be entitled to use his general knowledge and experience of the insurance market; and
  - 2.5.3.6 be entitled to remuneration and reimbursement of his reasonable costs and expenses (including, without limitation, the costs and fees of any experts or advisers consulted by him in connection with a Disputed Claim pursuant to clause 2.5.3.4) in carrying out his duties under the Scheme in amounts determined in accordance with clauses 2.5.7 and 2.5.8.
- 2.5.4 Where the Claims Valuation Methodology has been applied in whole or in part to a Scheme Claim which becomes a Disputed Claim, the Scheme Adjudicator shall determine whether the Claims Valuation Methodology was applied in accordance with its terms and, if it was not so applied, amend the valuation to the amount which would derive from the proper application thereof. Where a Disputed Claim falls, in whole or in part, within the Claims Valuation Methodology or requires actuarial input, then, to the extent that it has not already been applied, the Scheme Adjudicator shall apply the Claims Valuation Methodology thereto.
- 2.5.5 Adjudication shall be conducted entirely in English and all oral representations and written communications made for the purposes of an Adjudication shall be in English. Any document provided for the purposes of an Adjudication shall

be in English or accompanied by an English translation of it certified as accurate by a notary public admitted to the roll of notaries by the United Kingdom Faculty Office or such other person as is acceptable to the Scheme Adjudicator.

2.5.6 The Scheme Adjudicator shall act as an expert, not as an arbitrator, and, so far as the law permits, the determination of the Scheme Adjudicator shall, in the absence of Manifest Error, be final and binding on Deutsche Rück, the Scheme Manager and the relevant Scheme Creditor and there shall be no right of appeal or review therefrom or right to make any claim in respect thereof except as is not prohibited by clause 6.7. The Scheme Adjudicator shall not be required to provide any written reasoning of his determination. Deutsche Rück and the relevant Scheme Creditor shall each bear their own internal costs of and incidental to any Adjudication.

2.5.7 The Scheme Adjudicator shall be entitled to make such order or give such directions in respect of his remuneration, and reasonable costs and expenses incurred by him (including, without limitation, the costs of any advisers referred to in clause 2.5.3.4), as he shall think just. In the exercise of his powers, the Scheme Adjudicator shall be entitled to:

2.5.7.1 direct that some or all of his remuneration, costs, and expenses (including, without limitation, the costs of any advisers or experts referred to in clause 2.5.3.4) shall be paid by Deutsche Rück and shall, in the absence of reasonable mitigating circumstances, direct that all of his remuneration, costs and expenses (including, without limitation, the costs of any advisers and experts referred to in clause 2.5.3.4) shall be paid by Deutsche Rück in consequence of an unreasonable failure by it to submit adequate supporting information pursuant to clause 2.5.3.2; or

2.5.7.2 direct that some or all of his remuneration, costs and expenses (including, without limitation the costs of any advisers or experts referred to in clause 2.5.3.4) shall be paid by the Scheme Creditor in respect of whose Scheme Claim the dispute has arisen and shall, in

the absence of reasonable mitigating circumstances, direct that all of his remuneration, costs and expenses be paid by the Scheme Creditor in respect of whose Scheme Claim the dispute has arisen if such Scheme Creditor has unreasonably failed to submit appropriate supporting evidence or, in relation to the Disputed Claim, has produced appropriate supporting evidence pursuant to clause 2.5.3.2 which should reasonably have been provided with the Claim Form or pursuant to a request under clause 2.4.4.

2.5.8 In the event that the Scheme Adjudicator makes no order pursuant to clause 2.5.7, Deutsche Rück and the relevant Scheme Creditor shall each be responsible for paying half of the remuneration and reasonable costs and expenses of the Scheme Adjudicator referred to in clause 2.5.3.6.

2.5.9 The sums due under clauses 2.5.7 and 2.5.8 shall be paid by Deutsche Rück forthwith and in any event within ten days of the Scheme Adjudicator notifying them of his direction. The amount of the relevant Scheme Creditor's share of such remuneration, costs and expenses shall be dealt with in accordance with clause 2.5.10.

2.5.10 In the event that Deutsche Rück pays an amount of the Scheme Adjudicator's remuneration, costs and expenses for which a Scheme Creditor is liable pursuant to clause 2.5.7.2 or clause 2.5.8 the Scheme Manager shall, following such payment, either:

2.5.10.1 deduct the same from any amount which may be or may become payable to the Scheme Creditor pursuant to clause 2.7, such Scheme Creditor being treated for these purposes as having received, on account, an advance under the Scheme equal to the amount which he has been directed to pay; or

2.5.10.2 where the Scheme Creditor is not entitled to receive a payment pursuant to the Scheme, or is subsequently found to be a Net Debtor, or the amount of such remuneration, costs and expenses exceeds its entitlement to a payment pursuant to the Scheme, treat such amount

or excess as a debt owed by the Net Debtor to Deutsche Rück, which shall be payable forthwith.

## **2.6 Scheme Manager's power to commute**

2.6.1 At any time prior to the Completion Date, the Scheme Manager may enter into an agreement in writing with a Scheme Creditor for the full and final release and discharge, compromise, waiver or settlement of one or more Scheme Claims and to treat any sum agreed as being due from Deutsche Rück to the Scheme Creditor as payable outside the terms of the Scheme. For the avoidance of doubt, following such agreement, any such sum shall not constitute a Scheme Claim or a Net Ascertained Claim and following payment in respect of it, Deutsche Rück shall have no further obligations to the relevant Scheme Creditor in respect of it, or the claim(s) that gave rise to it.

2.6.2 Alternatively, without limitation, the Scheme Manager and a Scheme Creditor may agree the amount of the Net Ascertained Claim or Net Debt which shall appear on that Scheme Creditor's Valuation Statement. In the event that any such agreement is reached, the Scheme Manager shall, as soon as reasonably practicable, send the Scheme Creditor a Valuation Statement setting out the amount of the Net Ascertained Claim or Net Debt so agreed. Such Valuation Statement shall be final and binding upon Deutsche Rück and relevant Scheme Creditor whether it is issued before or after the Claims Submission Date. Clauses 2.7 and 2.8.2 to 2.8.4 shall not apply to a Valuation Statement issued pursuant to this clause 2.6.2.

## **2.7 Determination of Net Ascertained Claims**

2.7.1 Save where clause 2.6 shall apply, as soon as reasonably practicable following completion of the steps referred to in clauses 2.2, 2.3, 2.4 and 2.5 (or such of them as apply to the valuation of a Scheme Creditor's Scheme Claims), the Scheme Manager shall send to each such Scheme Creditor a Valuation Statement setting out:

2.7.1.1 the total of the Scheme Creditor's Determined Claims;

- 2.7.1.2 the amount of any adjustments reflecting payment by or to Deutsche Rück or transactions effecting netting off or set-off in respect of a Scheme Creditor's Determined Claims;
- 2.7.1.3 the amount of any unsettled Scheme Debt owed by the Scheme Creditor to Deutsche Rück;
- 2.7.1.4 the amount of any Scheme Claims which have been satisfied by the application of Security or Letters of Credit since the Effective Date and the amount of any remaining Security or Letters of Credit to be deducted from the total of such Scheme Creditor's Determined Claims with the intention that the Scheme Creditor will draw down or realise the Security or Letters of Credit in that amount;
- 2.7.1.5 any amount in respect of Scheme Adjudicator's remuneration, costs and expenses which fell due for payment by the Scheme Creditor pursuant to clauses 2.5.7 or 2.5.8 and was subsequently paid by Deutsche Rück pursuant to clause 2.5.9;
- 2.7.1.6 the amount of any advance payment treated as having been received by the Scheme Creditor for the purposes of clause 4.1.2 which is to be deducted from the total of such Scheme Creditor's Determined Claims;
- 2.7.1.7 any adjustment required to provide for a net present value discount pursuant to the Claims Valuation Methodology;
- 2.7.1.8 any amounts which are required to be deducted or withheld by Deutsche Rück for or on account of Tax in respect of Admissible Interest or otherwise;
- 2.7.1.9 any other amounts not expressly referred to in 2.7.1.1 to 2.7.1.7 above which the Scheme Manager considers ought to be taken into account for the purpose of calculating the Scheme Creditor's Net Ascertained Claim or Net Debt, as the case may be; and

2.7.1.10 the final balance following aggregation of the amounts referred to in this clause 2.7.1 which shall be that Scheme Creditor's Net Ascertained Claim or Net Debt, as the case may be.

2.7.2 Unless otherwise agreed in writing between the Scheme Manager and the relevant Scheme Creditor, in determining any set-off, counterclaim or amount available under a Letter of Credit or Security, where the set-off, counterclaim, Letter of Credit or Security is expressed in a currency other than the currency in which the Scheme Claim was incurred, the amount of set-off, counterclaim or Letter of Credit amount shall be converted into Pounds Sterling at the Scheme Exchange Rate.

2.7.3 Save as provided herein, amounts shown on a Valuation Statement shall be denominated in the currency or currencies of the Scheme Creditor's Claim Form. Where an election is made pursuant to clause 2.2.6 for a Net Ascertained Claim or Net Debt to be denominated in a single Scheme Currency, the amount of the Net Ascertained Claim or Net Debt shall be converted at the Scheme Exchange Rate. Where the Claim Form was submitted in a currency or currencies other than a Scheme Currency and no election pursuant to clause 2.2.6 is made, relevant amounts to be shown on the Valuation Statement shall be converted into Pounds Sterling at the Scheme Exchange Rate and shall be denominated on the Valuation Statement in Pounds Sterling unless the Scheme Manager agrees with the Scheme Creditor that such amounts on the Valuation Statement should be denominated in another currency.

2.7.4 Net Ascertained Claims and Net Debts shall be paid in the currency or currencies in which they are shown on the relevant Valuation Statement.

## **2.8 Disputes as to amounts on Valuation Statements**

2.8.1 Subject to clause 2.8.2, a Scheme Creditor may not dispute:

2.8.1.1 any amount shown on a Valuation Statement prepared in accordance with clause 2.6.2; or

2.8.1.2 the value of Determined Claims shown on a Valuation Statement prepared in accordance with clause 2.7.1,

except by reason of Manifest Error in accordance with clause 2.8.5.

2.8.2 Subject to clause 2.8.7, a Scheme Creditor may dispute the calculation or determination of any amount shown on its Valuation Statement on substantive grounds. It shall inform the Scheme Manager of such a dispute by notice in writing to be received by the Scheme Manager within 42 days of the date of the Valuation Statement, setting out those matters which are not agreed and the reasons for failing to agree such matters and provide any relevant additional information to support its position. The Scheme Manager and the Scheme Creditor shall endeavour to agree the disputed matters and the relevant Net Ascertained Claim or Net Debt within 70 days of the date of the Valuation Statement. In the event that a valuation can be agreed between them during this period, the Scheme Manager shall, as soon as reasonably practicable, issue a revised Valuation Statement to that Scheme Creditor incorporating the agreed valuation. Such revised Valuation Statement may only be disputed in accordance with clause 2.8.5.

2.8.3 If the disputed matters and the relevant Net Ascertained Claim or Net Debt cannot be resolved between the Scheme Creditor and the Scheme Manager within the deadline imposed by clause 2.8.2, or the Scheme Manager reasonably considers that they cannot be so resolved, the Scheme Manager shall refer the disputed matters and the relevant Net Ascertained Claim or Net Debt to the Scheme Adjudicator as a Disputed Valuation Claim. For the avoidance of doubt, a Disputed Valuation Claim shall not include the Determined Claims on a Valuation Statement. Following determination of all Disputed Valuation Claims for a Scheme Creditor the Scheme Manager shall, as soon as reasonably practicable, issue a revised Valuation Statement to that Scheme Creditor incorporating the amount(s) determined by the Scheme Adjudicator. Such revised Valuation Statement may only be disputed in accordance with clause 2.8.5.

- 2.8.4 The Scheme Adjudicator's adjudication of Disputed Valuation Claims shall be conducted in accordance with the procedure set out in clause 2.5 which provisions shall apply, with references to "Disputed Claims" to be read as references to "Disputed Valuation Claims", save for the following differences:
- 2.8.4.1 the time periods referred to in clause 2.5.3.2 within which the Scheme Adjudicator shall be able to make a request for further information and the deadline for compliance with any such request shall be reduced to 14 and 21 days respectively;
  - 2.8.4.2 the time period referred to in clause 2.5.1 within which the Scheme Adjudicator shall notify the relevant Scheme Creditor and the Scheme Manager of his determination in respect of the Disputed Valuation Claim shall be reduced to 21 days; and
  - 2.8.4.3 the overall time period (including any extensions) referred to in clause 2.5.2 within which the Scheme Adjudicator must notify the relevant Scheme Creditor and the Scheme Manager of his determination in respect of the Disputed Valuation Claim shall be reduced to 63 days.
- 2.8.5 A Scheme Creditor may dispute any amount or matter set out on its Valuation Statement on the grounds of Manifest Error and it shall notify the Scheme Manager of any such dispute within 42 days of the date of the Valuation Statement or revised Valuation Statement. The notice shall set out such details of the alleged Manifest Error as are reasonably necessary for the Scheme Manager to investigate it and, if necessary, correct it. The Scheme Manager shall investigate and, if necessary, correct the alleged Manifest Error within 63 days of the date of the Valuation Statement or revised Valuation Statement.
- 2.8.6 Having investigated an alleged Manifest Error in accordance with clause 2.8.5, the Scheme Manager shall either send the Scheme Creditor a revised Valuation Statement setting out the corrected amounts or other matters, or shall send notice in writing to the Scheme Creditor stating that preparation of a revised Valuation Statement is not necessary (and giving reasons therefor).

2.8.7 Without prejudice to a Scheme Creditor's ability to dispute the calculation of the reinsurance recovery offset, nothing in this clause 2.8.7 shall entitle a Scheme Creditor to dispute, or a Scheme Adjudicator to alter, the application of Determined Claims of Scheme Creditors to contracts by which Deutsche Rück is reinsured in respect of such claims for the purposes of set-off pursuant to clause 2.7.1.2. For the avoidance of doubt, and without prejudice to the generality of the foregoing, a Scheme Creditor cannot dispute the principle that claims valued through the Scheme are recoverable by offset under the reinsurance programme, or the amount of the valued claims used to calculate the reinsurance recoverables once the process for issuing the Valuation Statement is completed,

## 2.9 Valuation Statement becomes binding

2.9.1 If a Valuation Statement or revised Valuation Statement is not disputed pursuant to clause 2.8, it shall, so far as the law permits, become final and binding on Deutsche Rück and the relevant Scheme Creditor on the first to occur of the following:

2.9.1.1 the date upon which the Scheme Manager receives a copy of the Valuation Statement signed by the relevant Scheme Creditor to confirm that it accepts that the Valuation Statement has become final and binding; or

2.9.1.2 the date falling 43 days after the date of the Valuation Statement.

2.9.2 The value of a Scheme Creditor's Net Ascertained Claim shown on a Valuation Statement which has become binding in accordance with clause 2.9.1 shall, so far as the law permits, be binding on the relevant Scheme Creditor, Deutsche Rück and the Scheme Manager as the amount of that Scheme Creditor's Net Ascertained Claim and there shall be no right of appeal in respect thereof.

## 2.10 Effect of the Scheme

2.10.1 Each Scheme Creditor shall be deemed to agree that:

2.10.1.1 its Net Ascertained Claim shown on a Valuation Statement which has become binding in accordance with clause 2.9.1 shall constitute Deutsche Rück's entire remaining Liability to the relevant Scheme Creditor in respect of all of its Scheme Claims and that the terms of all Scheme Reinsurance Contracts giving rise to Scheme Claims are amended accordingly;

2.10.1.2 notwithstanding the terms of clause 3.4, the sending of a cheque or making of a telegraphic transfer (or any other means of payment or discharge including, without limitation, any application of Security or drawdown on Letter of Credit and any application of set-off in accordance with the terms of the Scheme) in the amount of the Net Ascertained Claim shown on a Valuation Statement which has become binding in accordance with clause 2.9.1 by Deutsche Rück shall be deemed to constitute payment in full and final settlement of all and any Scheme Claims of that Scheme Creditor against Deutsche Rück;

2.10.1.3 such payment in full and final discharge of all and any Scheme Claims shall also be deemed to be in full and final discharge of all sums and obligations due under any guarantee that may exist in respect of such Scheme Claims; and

2.10.1.4 any Liability shown on a Valuation Statement which has become binding in accordance with clause 2.9.1 as a Net Debt shall be deemed to have extinguished all of the relevant Scheme Creditor's Scheme Claims and Deutsche Rück shall not owe any amount or have any liability in respect of them.

2.10.2 Nothing in the Scheme shall result in any Liability which is not a Scheme Claim against Deutsche Rück forming part of a Net Ascertained Claim against Deutsche Rück.

### **3. PAYMENT OF NET ASCERTAINED CLAIMS**

#### **3.1 Timing of payment**

3.1.1 Within 28 days of a Valuation Statement becoming final and binding on Deutsche Rück and the Scheme Creditor in accordance with clause 2.9.1, the Scheme Manager shall procure that payment be made in the amount of any Net Ascertained Claim to the Scheme Creditor.

#### **3.2 Form of payment**

3.2.1 Payments shall be made by bank transfer to an account for which the Scheme Creditor has provided details on his Claim Form or in any other case by cheque sent by Post, at the risk of the Scheme Creditor, to the Scheme Creditor or such other person as is directed to receive payment under this clause 3.2. Deutsche Rück and each Scheme Creditor shall each bear its own costs of payment (whether by cheque or telegraphic transfer).

3.2.2 Where the Scheme Manager does not have details of a current account or correct address details sufficient to enable a payment to be made to a Scheme Creditor pursuant to clause 3.2.1, it shall use reasonable endeavours to contact the relevant Scheme Creditor in the six month period following the first date on which the Scheme Manager attempted to procure payment to the Scheme Creditor pursuant to clause 3.1. In the event that the Scheme Manager is unable to contact the Scheme Creditor in the six month period, payment shall nonetheless be deemed to have been made and the Scheme Creditor's right to such payment shall be extinguished. Monies equal to any such unpaid Net Ascertained Claim shall be paid by the Scheme Manager to the Charity as soon as reasonably practicable, after the expiration of the six month period.

#### **3.3 Payment a good discharge**

A payment made to a Scheme Creditor in respect of its Net Ascertained Claim and offset pursuant to the Scheme resulting in a Net Debt in respect of a Scheme Creditor shall be good discharge of all of Deutsche Rück's obligations to that Scheme Creditor in respect of his Scheme Claims. Payment shall be deemed to have been made when:

3.3.1 in the event that the payment is by cheque, the cheque is sent by Post to the Scheme Creditor; and

3.3.2 in the event that the payment is by electronic transfer, Deutsche Rück's bank account is debited with the payment, or, if earlier, on the expiry of six months after the transfer has left the account of the Scheme Manager.

#### **3.4 Lost or mislaid cheques**

Without prejudice to the effect of clause 3.3, in the event that a Scheme Creditor to whom a cheque is sent pursuant to clause 3.2 notifies the Scheme Manager within six months of the date on which it was sent that the cheque has been lost or mislaid, the Scheme Manager shall, if satisfied that the cheque has not been cashed and can be cancelled, send a replacement cheque to the Scheme Creditor concerned at the address notified by the Scheme Creditor.

#### **3.5 Unclaimed Monies**

3.5.1 Any payment made to a Scheme Creditor pursuant to clause 3.2 which remains uncashed or unclaimed by the intended payee after the expiration of six months from the posting of the cheque or the making of the attempted electronic transfer payment shall nonetheless be deemed to have been made and the Scheme Creditor's right to such payment shall be extinguished and funds equal to the Net Ascertained Claim to which it relates shall be paid to the Charity as soon as reasonably practicable.

3.5.2 If the Scheme Manager at any point within six months of an initial payment becomes aware that the transfer has not been effected or the cheque not presented, it shall use reasonable endeavours to contact the relevant Scheme Creditor and resolve this before the six month period referred to in clause 3.5.1 expires.

#### **3.6 Payments made on the basis of Misrepresentation or Fraud**

For the avoidance of doubt, Deutsche Rück and the Scheme Manager shall be entitled to recover any amount which it has paid on the basis of misrepresentation, breach of warranty or fraud.

## 4. PROCEEDINGS

### 4.1 Stay of Proceedings

4.1.1 Save to the extent that Deutsche Rück has failed to perform any obligation to make payment to a Scheme Creditor in respect of a Net Ascertained Claim and in respect of such failure, no Scheme Creditor shall be entitled to take or continue any step, or do or continue any act, against or in respect of Deutsche Rück or Property of Deutsche Rück, or the Scheme Manager by way of Proceedings or otherwise in any jurisdiction whatsoever after the Effective Date for the purpose of obtaining payment, or establishing the existence or quantum, of any Scheme Claim. No Scheme Creditor shall be entitled to take or continue any step, or do or continue any act, against the Scheme Manager, Scheme Advisers or Scheme Adjudicator in connection with their duties and obligations under the Scheme.

4.1.2 If any Scheme Creditor takes any action which is prohibited by clause 4.1.1 after the Effective Date, then:

4.1.2.1 it shall be deemed to have received pursuant to the Scheme an advance payment under the Scheme equal to the amount or gross value of any Property or advantage obtained by it from or at the expense of Deutsche Rück or the Scheme Manager, Scheme Advisers or Scheme Adjudicator as a result of such action, and the extent, if any, to which it is entitled to any other payment from Deutsche Rück shall be determined accordingly. Each Scheme Creditor shall be deemed to agree that in the event that the amount of any deemed receipts on account of payments by it exceed the total of all sums which it would otherwise be entitled to receive pursuant to the Scheme, it shall be treated as a debtor of Deutsche Rück in respect of such excess; and

4.1.2.2 the process of valuing its Scheme Claim may, at the discretion of the Scheme Manager, be suspended, and the process of making payment in respect of it shall be suspended, until such action is discontinued.

- 4.1.3 For the purpose of clause 4.1.2, the value of any Property or advantage obtained as aforesaid shall be conclusively determined by the Scheme Manager and (without prejudice to the generality of the foregoing) may include such amount as the Scheme Manager may, in its absolute discretion, consider to be appropriate in respect of costs, charges and expenses incurred by Deutsche Rück or the Scheme Manager as a consequence of the action taken by the Scheme Creditor in breach of clause 4.1.1.
- 4.1.4 If the amount of advance payment, which a Scheme Creditor is treated as having received pursuant to clause 4.1.2, exceeds the total amount the relevant Scheme Creditor would otherwise be entitled to receive pursuant to the Scheme, then without prejudice to any other rights of Deutsche Rück:
- 4.1.4.1 the Scheme Creditor shall immediately repay the excess to Deutsche Rück; and
- 4.1.4.2 Deutsche Rück shall be deemed to have satisfied the full amount of its liability in respect of all of such Scheme Creditor's Scheme Claims.
- 4.1.5 Each Scheme Creditor is deemed to acknowledge that if it brings or continues Proceedings against Deutsche Rück, the Scheme Manager, the Scheme Advisers or Scheme Adjudicator in breach of clause 4.1.1, such party and/or Deutsche Rück shall be entitled to obtain or procure the obtaining of an order staying or dismissing those Proceedings and providing for payment by the Scheme Creditor concerned of any interest and of any costs, charges and expenses incurred by such party or Deutsche Rück as a result of those Proceedings.

## 4.2 **Interest**

No interest other than Admissible Interest shall form part of a Scheme Claim or Determined Claim.

### 4.3 Security and Letters of Credit

- 4.3.1 Unless otherwise previously agreed in writing between the Scheme Manager and the Scheme Creditor, a Scheme Creditor may obtain payment by means of its Security at any time, provided that this is done strictly in accordance with the terms of the contract pursuant to which such Security was established and the terms (if any) of the Security.
- 4.3.2 Scheme Creditors which are beneficiaries of Letters of Credit in relation to any Scheme Reinsurance Contract may obtain payment by means of drawdown on such Letter of Credit at any time, provided that this is done strictly in accordance with the terms of the Letter of Credit.
- 4.3.3 In addition, when a Scheme Creditor's Net Ascertained Claim has become final and binding pursuant to clause 2.9.1 and to the extent that it takes account of the deduction of Security or drawdown from a Letter of Credit, the Scheme Creditor shall draw the applicable amount from the relevant Security or Letter of Credit notwithstanding any provision to the contrary in the terms on which the Security or Letter of Credit was established.
- 4.3.4 Nothing in the Scheme shall affect the rights of Deutsche Rück under any applicable law against any person in respect of any wrongful or excessive enforcement, drawdown or withdrawal of funds in respect of any Security or Letter of Credit.
- 4.3.5 Where a Scheme Creditor has exhausted its rights to apply its Security against Scheme Claims but the Security or Letter of Credit is not exhausted, each Scheme Creditor in whose favour such Security or Letter of Credit was established shall, on behalf of itself and/or on behalf of any party which has issued Security or a Letter of Credit, provide such co-operation and assistance as Deutsche Rück may require in order to obtain the release of the balance remaining of any funds deposited as, or as collateral in respect of such Security or Letter of Credit. Each Scheme Creditor is deemed to acknowledge that, in the event that its Net Ascertained Claim has been satisfied or it becomes a Net Debtor, it shall continue to be obliged to provide assistance to Deutsche Rück in accordance with this clause 4.3.5.

#### 4.4 **Third party funding**

4.4.1 Claims against Deutsche Rück by persons in respect of amounts paid by them to a Scheme Creditor in relation to sums due from Deutsche Rück to that Scheme Creditor will not be admitted as Scheme Claims nor shall that person be acknowledged to be a Scheme Creditor in lieu of the party to whom the payment was made unless either:

4.4.1.1 the person asserting that it has made the payment has acquired an assignment of the Scheme Claim or the said Scheme Creditor has provided a letter confirming that it accepts the payment received from that person in full and final settlement as between Deutsche Rück and itself of his claim against Deutsche Rück for the Liability in respect of which that payment was made and irrevocably acknowledging that person's right to assert that he has a Scheme Claim in respect of that Liability; such assignment or letter to be in a form acceptable to the Scheme Manager and to be submitted to it by that person when asserting the relevant Scheme Claim; or

4.4.1.2 the payment was made pursuant to a contractual obligation of such person to Deutsche Rück or at the written request of Deutsche Rück.

4.4.2 For the avoidance of doubt, any sum in respect of which a person is submitting a claim in accordance with clause 4.4.1.1 or 4.4.1.2 shall be included in the determination of that person's Net Ascertained Claim pursuant to clause 2.7.

#### 4.5 **Lloyd's Syndicates**

4.5.1 The Scheme Manager shall treat the members of a Lloyd's Syndicate which has Scheme Claims as if they were a single Scheme Creditor of Deutsche Rück in respect of all such Scheme Claims and any Scheme Debt or contingent Scheme Debt which has fallen due or which may fall due to Deutsche Rück from that Lloyd's Syndicate.

4.5.2 For the purposes of the Scheme, where the year of account of a Lloyd's Syndicate has been closed by means of a reinsurance to close into the year of

account of another Lloyd's Syndicate, the rights and Liabilities of the former Lloyd's Syndicate, including any deemed to be its rights and Liabilities pursuant to this clause 4.5, shall be deemed to be the rights and Liabilities of the latter Lloyd's Syndicate.

#### **4.6 Managing general agents, line-slip holders, managers of underwriting pools**

4.6.1 The Scheme Manager shall be entitled to require any manager of an underwriting pool, managing general agent, holder of a line slip, holder of a broker cover authority or binding authority to allocate Scheme Claims and, where applicable, Scheme Debts by reference to each relevant principal (provided that if it does not receive sufficient details of the Scheme Claims allocated to each such principal together with any necessary supporting evidence the Scheme Manager shall be entitled to apply the provisions of clause 4.6.2). All Scheme Creditors affected by such allocation pursuant to this clause 4.6.1 shall be bound by the allocation.

4.6.2 The Scheme Manager shall as an alternative to clause 4.6.1 have the power, the exercise of which shall bind Scheme Creditors, to treat those acting, or believed by the Scheme Manager to be acting, on behalf of principals insured or reinsured by Deutsche Rück or who reinsured Deutsche Rück, including but not limited to, managing general agents, managers of underwriting pools and the holders of line slips, broker cover authorities or binding authorities, as if they were a principal creditor or debtor in place of their principals unless, prior to the Valuation Statement becoming binding, the Scheme Manager receives notice in writing from any such insured or reinsured principal or reinsuring principal advising that the relevant party has no authority to act on their behalf, or that the relevant party's authority to act on their behalf has come to an end. For the avoidance of doubt, no payment pursuant to the Scheme shall be made to any of the parties contemplated in this clause 4.6.2 save and to the extent that they are or are believed to be acting on behalf of principals. If any such party shall unreasonably refuse, at the Scheme Manager's request, to disclose the identity of their principal, the Scheme Manager shall have the discretion not to make payment to such party. In the event that such discretion not to make payment to such party is exercised by the Scheme Manager, the

monies representing the Scheme Claim which would otherwise have been payable shall be paid by the Scheme Manager to the Charity as soon as reasonably practicable following the Completion Date and the relevant Scheme Creditor shall cease to have any entitlement to them. The Scheme Claim in respect of the monies that would otherwise be payable shall be deemed to be cancelled and the Scheme Creditor shall have no rights in respect of it. Nothing in this clause 4.6.2 shall affect the application of clause 4.5 except where and to the extent that a Lloyd's Syndicate is a principal referred to in this clause which is represented by an agent other than Equitas Limited.

- 4.6.3 In the event of doubt as to which of clauses 4.6.1 and 4.6.2 shall apply to an agent or representative, the decision of the Scheme Manager in this respect shall, so far as the law permits, be final and binding.

## 5. SCHEME MANAGER

### 5.1 General Powers and Duties

5.1.1 The first Scheme Manager shall be Chilmington International Limited of Holland House, 1-4 Bury Street, London EC3A 5AW, which has given to Deutsche Rück, and not withdrawn, its consent to act as Scheme Manager from the Effective Date and has contracted to be bound by the terms of the Scheme to the extent that the same apply to the Scheme Manager.

5.1.2 In exercising its powers and carrying out its duties and functions under the Scheme, the Scheme Manager shall act in good faith, and with due care and diligence and shall exercise its powers under the Scheme for the purpose of ensuring that the Scheme is operated in accordance with its terms.

5.1.3 Nothing in the Scheme shall render the Scheme Manager liable for any liabilities or obligations of Deutsche Rück.

5.1.4 Subject to its terms of engagement, the Scheme Manager shall have the power to manage and control the business and affairs of Deutsche Rück for the purposes of implementing the Scheme together with the powers specifically conferred on it by the Scheme.

5.1.5 The Scheme Manager shall not have the power to bind Deutsche Rück save as set out in the Scheme.

### 5.2 Specific powers and obligations of the Scheme Manager

5.2.1 In carrying out its duties and functions under the Scheme, the Scheme Manager shall (without prejudice to the full terms of the Scheme) be empowered:

5.2.1.1 to petition the courts of any jurisdiction to obtain recognition or enforcement of the Scheme or, in connection with the Scheme, to bring, commence or defend any Proceedings in the name of and, in so far as permitted by law, on behalf of Deutsche Rück, in any matter affecting Deutsche Rück, in any jurisdiction, or to prevent the

continuation or commencement of any Proceedings against Deutsche Rück or its Property, or any act or the commencement or continuation of any Proceedings to create or enforce a lien against such Property, and/or to seek such other relief as it deems appropriate or which the relevant court, tribunal or body may grant;

5.2.1.2 to the extent that the Court has jurisdiction, to apply to the Court for directions in relation to any particular matter arising under, or in the course of the operation of, the Scheme;

5.2.1.3 to do all acts, and to execute in the name and, in so far as permitted by law, on behalf of Deutsche Rück in connection with the Scheme any deed, transfer, instrument, cheque, bill of exchange, receipt or other document which may be necessary for, or incidental to, the full and proper implementation of the Scheme;

5.2.1.4 on behalf of Deutsche Rück, to enter into agreements for the compromise, waiver or settlement of Scheme Claims in accordance with clause 2.6;

5.2.1.5 to exercise any other powers necessary for, or incidental to, the full and proper implementation of the Scheme whether in the name of Deutsche Rück or otherwise;

5.2.1.6 to do all other things incidental to the exercise of the foregoing powers.

5.2.2 In the event that the Scheme Manager does not or is unable to exercise any of its powers, Deutsche Rück may exercise such powers.

### **5.3 Appointment of Scheme Manager**

In the event of a vacancy in the office of Scheme Manager, Deutsche Rück shall appoint a replacement Scheme Manager as soon as practicable provided that such replacement Scheme Manager is, in the reasonable opinion of Deutsche Rück, suitably qualified and consents so to act. Without prejudice to the foregoing, in the event of a vacancy in the office of Scheme Manager, pending the appointment of a

replacement Scheme Manager, all of the functions of the Scheme Manager shall be exercised by Deutsche Rück or such other person or entity as it may designate and a notice confirming the change in identity of the Scheme Manager shall be placed on the Website by Deutsche Rück as soon as reasonably practicable.

#### 5.4 **Validity of Acts**

Subject to any applicable provision of the Companies Act or the Insolvency Act, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith by Deutsche Rück or the Scheme Manager in pursuance of their functions or duties under the Scheme or the exercise or non-exercise by them or any of them in good faith of any power or discretion conferred upon them for the purposes of the Scheme and they shall not be liable for any loss whatsoever and howsoever arising out of any such act or omission, exercise or non-exercise of any power or discretion unless such loss is attributable to their own negligence, breach of duty or trust, fraud or dishonesty.

## **6. SCHEME ADJUDICATOR**

### **6.1 Initial Scheme Adjudicator**

6.1.1 There shall be an independent Scheme Adjudicator having the powers, duties, functions and rights conferred upon him by the Scheme.

6.1.2 The first Scheme Adjudicator shall be George Maher of Tillinghast, 71 High Holborn, London WC1V 6TH, United Kingdom, who has given and not withdrawn his consent to act as such pursuant to the Scheme and has contracted to be bound by the terms of the Scheme to the extent that the same apply to the Scheme Adjudicator.

### **6.2 Powers, Rights, Duties and Functions of the Scheme Adjudicator**

6.2.1 In exercising his powers and carrying out his duties and functions under the Scheme, the Scheme Adjudicator shall act in good faith and with due care and diligence.

6.2.2 The Scheme Adjudicator shall adjudicate on all matters submitted to him in accordance with the provisions of the Scheme.

6.2.3 The Scheme Adjudicator shall be entitled to remuneration in respect of the performance of his functions under the Scheme and any staff who assist him at such hourly rates as shall have been agreed with Deutsche Rück. He shall also be entitled to be reimbursed for his reasonable costs and expenses incurred in performing such functions, provided the incurring of such costs and expenses was authorised by the Scheme Manager, which authorisation shall not be unreasonably withheld.

6.2.4 The Scheme Adjudicator shall use any information received by him in his capacity as such only for the purpose of performing his functions under the Scheme and shall not disclose such information to any other person except where necessary for the purposes of the Scheme.

### **6.3 Vacation of Office**

6.3.1 The office of Scheme Adjudicator shall be vacated forthwith if the holder of such office for the time being shall:

6.3.1.1 die;

6.3.1.2 resign his office by 90 days' notice in writing sent by Post to the Scheme Manager or such shorter period of notice as may be agreed in writing by the Scheme Manager;

6.3.1.3 be removed for good cause by the Scheme Manager;

6.3.1.4 be convicted of an indictable offence;

6.3.1.5 become bankrupt;

6.3.1.6 be disqualified from acting as a director of a company under the Company Directors Disqualification Act; or

6.3.1.7 be admitted to hospital because of mental disorder, or be the subject of an order made by a court having jurisdiction, whether in England or elsewhere, in matters concerning his mental disorder.

### **6.4 Appointment of Scheme Adjudicator**

6.4.1 In the event that the office of Scheme Adjudicator is vacated, the Scheme Manager shall, as soon as reasonably practicable, ask the Chairman to nominate a substitute Scheme Adjudicator. Provided he is duly qualified in the reasonable opinion of the Scheme Manager, has no conflict of interest in relation to the appointment, is not disqualified for any of the reasons set out in clauses 6.3.1.3 to 6.3.1.7 and consents to act as the Scheme Adjudicator, the person nominated by the Chairman shall be appointed as the Scheme Adjudicator by the Scheme Manager. If, for any reason the nominated Scheme Adjudicator is unable or unavailable to act as Scheme Adjudicator, the Scheme Manager shall, as soon as practicable, ask the President for the time being of the Institute of Actuaries to nominate a substitute Scheme Adjudicator in relation to the relevant matter. Provided he is duly qualified in

the reasonable opinion of the Scheme Manager, has no conflict of interest in relation to the appointment, is not disqualified for any of the reasons set out in clauses 6.3.1.3 to 6.3.1.7 and consents to act as the Scheme Adjudicator, the person nominated shall be appointed by the Scheme Manager. In the event that the President for the time being of the Institute of Actuaries is, for any reason, unable to or does not nominate a substitute Scheme Adjudicator within what the Scheme Manager properly considers to be a reasonable time, or the party nominated to act as a substitute Scheme Adjudicator is unable to act within what the Scheme Manager properly considers to be a reasonable time, the Scheme Manager shall, as soon as reasonably practicable, appoint as a replacement Scheme Adjudicator, an individual who is, in its reasonable opinion, duly qualified to discharge the function of Scheme Adjudicator, has no conflict of interest in relation to the appointment, is not disqualified for any of the reasons set out in clauses 6.3.1.3 or 6.3.1.7 and consents to act as Scheme Adjudicator.

## **6.5 Conflicts of Interest**

6.5.1 In the event that the Scheme Adjudicator shall become aware that he has a conflict of interest in relation to any matter referred to him for Adjudication, he shall inform the Scheme Manager of such conflict forthwith, and the Scheme Manager, shall as soon as reasonably practicable, ask the Chairman to nominate a substitute Scheme Adjudicator in relation to the relevant matter. Provided he has no conflict of interest in relation to the dispute to be referred to him, is not disqualified for any of the reasons set out in clauses 6.3.1.3 to 6.3.1.7 and consents to act as the Scheme Adjudicator, the person nominated by the Chairman shall be appointed as the Scheme Adjudicator by the Scheme Manager in respect of the relevant dispute. If, for any reason, the nominated Scheme Adjudicator is unable or unavailable to act as Scheme Adjudicator, the Scheme Manager shall, as soon as practicable, ask the President for the time being of the Institute of Actuaries to nominate a substitute Scheme Adjudicator in relation to the relevant matter. Provided he is duly qualified in the reasonable opinion of the Scheme Manager, has no conflict of interest in relation to the dispute to be referred to him, is not disqualified for any of the

reasons set out in clauses 6.3.1.3 to 6.3.1.7 and consents to act as the Scheme Adjudicator, the person nominated shall be appointed by the Scheme Manager in respect of the relevant dispute. In the event that the President for the time being of the Institute of Actuaries is, for any reason, unable to or does not nominate a substitute Scheme Adjudicator within what the Scheme Manager properly considers to be a reasonable time, or the party nominated to act as a substitute Scheme Adjudicator is unable to act within what the Scheme Manager properly considers to be a reasonable time, the Scheme Manager shall, as soon as reasonably practicable, appoint as a replacement Scheme Adjudicator, an individual who is, in its reasonable opinion, duly qualified to discharge the function of Scheme Adjudicator, has no conflict of interest in relation to the appointment, is not disqualified for any of the reasons set out in clauses 6.3.1.3 or 6.3.1.7 and consents to act as Scheme Adjudicator.

## **6.6 Appointment of additional Scheme Adjudicator**

6.6.1 In the event that in the view of the Scheme Manager, the Scheme Adjudicator is unlikely to be able to complete the adjudication of one or more Scheme Claims within the required timescale, the Scheme Manager may appoint as an additional Scheme Adjudicator, such Tillinghast partner who, in its reasonable opinion, is duly qualified to discharge the function of Scheme Adjudicator, is not disqualified for any of the reasons set out in clauses 6.3.1.3 to 6.3.1.7 and consents to act as Scheme Adjudicator.

## **6.7 Validity of Acts**

Subject to any applicable provision of the Companies Act or the Insolvency Act, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith by a Scheme Adjudicator in pursuance of his functions or duties under the Scheme or the exercise or non-exercise by him in good faith of any power or discretion conferred upon him for the purposes of the Scheme and he shall not be liable for any loss whatsoever and howsoever arising out of any such act or omission, exercise or non-exercise of any power or discretion unless such loss is attributable to his own negligence, breach of duty or trust, fraud or dishonesty.

## 7. SCHEME ADVISERS

### 7.1 Initial Scheme Advisers

The first Scheme Advisers shall be John Mitchell Wardrop and Michael Steven Walker, both of the United Kingdom firm of KPMG LLP, 8 Salisbury Square, London EC4Y 8BB, United Kingdom, each of whom has given and not withdrawn his consent to act as such pursuant to the Scheme and has contracted to be bound by the terms of the Scheme to the extent that the same apply to the Scheme Advisers.

### 7.2 Powers, Rights, Duties and Functions of the Scheme Advisers

7.2.1 The Scheme Advisers shall carry out the duties and functions and exercise the powers and rights conferred on them under the Scheme with the object of facilitating the implementation of the Scheme in accordance with its terms. In performing their duties and functions and exercising their rights and powers under the Scheme, the Scheme Advisers shall act in good faith, and with due care and diligence.

7.2.2 The Scheme Advisers shall have no executive or managerial powers in relation to Deutsche Rück. All such powers shall remain with the Board. No provision of the Scheme shall constitute the Scheme Advisers as agents of Deutsche Rück.

7.2.3 If a Scheme Creditor considers that the Scheme is not being operated in accordance with its terms it may give notice to the Scheme Manager in writing together with any available supporting evidence, with a copy to the Scheme Advisers (the "**Complaint**"). The Scheme Advisers shall forthwith review the Complaint, conduct such investigations as they consider appropriate and provide a written statement to the Scheme Manager, with a copy to the relevant Scheme Creditor and Deutsche Rück, as soon as is practicable and in any event within 21 days of receipt of the copy of the Complaint, informing the Scheme Manager:

7.2.3.1 that they have concluded that the Complaint is unjustified; or

- 7.2.3.2 that they have concluded that the Complaint is justified, and in each case the Scheme Advisers shall state their reasons for reaching such conclusion.
- 7.2.4 In the event that the Scheme Advisers have determined that the Complaint is justified they shall provide written advice to Deutsche Rück and the Scheme Manager on how the Scheme should be operated in relation to the subject matter of the Complaint and on the steps that should be taken to remedy the Complaint.
- 7.2.5 Within 14 days of receiving the advice in accordance with clause 7.2.4, the Scheme Manager shall respond to the Scheme Advisers in writing either:
- 7.2.5.1 stating that the Scheme is in its opinion being properly implemented in accordance with its terms and setting out the basis for this view; or
- 7.2.5.2 setting out the steps it intends to take to rectify or procure that others take to rectify the position.
- 7.2.6 If requested to do so in writing by the Scheme Advisers, the Scheme Manager shall meet with the Scheme Advisers at a time and place appointed by them to discuss the issues raised in the advice sent pursuant to clause 7.2.4 and the Scheme Manager's response pursuant to clause 7.2.5.
- 7.2.7 In the event that the Scheme Manager does not respond in accordance with clause 7.2.5 or the Scheme Advisers are not satisfied with the Scheme Manager's response pursuant to clause 7.2.5 and their concerns are not resolved during any meeting with the Scheme Manager pursuant to clause 7.2.6 the Scheme Advisers shall send written notice to Deutsche Rück, with a copy to the complainant Scheme Creditor, stating that in their view the Scheme is not being operated in accordance with its terms, setting out the reasons for this view.

### **7.3 Vacation of Office**

A Scheme Adviser's office shall be vacated forthwith if the holder of such office for the time being shall:

7.3.1 die;

7.3.2 resign his office by giving 90 days' notice in writing to Deutsche Rück, or such shorter period of notice as may be agreed by Deutsche Rück or be removed for good cause by Deutsche Rück;

7.3.3 be convicted of an indictable offence;

7.3.4 be admitted to hospital because of mental disorder or be the subject of an order concerning his mental disorder made by a court having jurisdiction in such matters in England and Wales or elsewhere;

7.3.5 become bankrupt; or

7.3.6 be disqualified from acting as a director of a company under the Company Directors Disqualification Act.

### **7.4 Appointment of Scheme Adviser**

In the event of a vacancy in the office of Scheme Adviser, Deutsche Rück may appoint as a replacement or additional Scheme Adviser, any partner in the UK firm of KPMG LLP who, in their reasonable opinion, is duly qualified to discharge the function of a Scheme Adviser, is not disqualified by any of the reasons set out in clauses 7.3.3 to 7.3.6 and consents so to act.

### **7.5 Validity of Acts**

Subject to any applicable provision of the Companies Act or the Insolvency Act, no Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith by a Scheme Adviser, in pursuance of his functions or duties under the Scheme or the exercise or non-exercise by him in good faith of any power or discretion conferred upon him for the purposes of the Scheme and he shall not be liable for any loss whatsoever and howsoever arising out of any such act or omission,

exercise or non exercise of any power or discretion unless such loss is attributable to his own negligence, breach of duty or trust, fraud or dishonesty.

## 8. GENERAL PROVISIONS

### 8.1 Notice of impending completion

8.1.1 When it believes that the Scheme has been implemented in accordance with its terms and that the provisions of clauses 2 and 3 have been complied with, the Scheme Manager shall, at least 56 days prior to the date on which it is proposed that the Scheme will be declared complete, cause to be posted on the Website, a notice stating the date on which it is proposed that the Scheme will be declared complete.

8.1.2 Following the posting of the notice referred to in clause 8.1.1, any Scheme Creditor which believes that, in relation to its Scheme Claims, the Scheme has not been implemented in accordance with its terms, may give notice in writing to that effect to the Scheme Advisers and the Scheme Manager. Where such a notice is received by the Scheme Advisers prior to the proposed Completion Date referred to in clause 8.1.1, they shall investigate the matter in accordance with clause 7.2 and, pending the completion of such investigation, the Scheme shall not be treated as completed for, and the terms of clauses 8.1.3 and 8.2 shall not apply to, that Scheme Creditor.

8.1.3 In respect of all other Scheme Creditors, the Scheme Manager shall, on the date proposed in the notice posted on the Website pursuant to clause 8.1.1, certify in writing to Deutsche Rück that the Scheme has been implemented in accordance with its terms.

8.1.4 In relation to any Scheme Creditor which has sent a notice pursuant to clause 8.1.2 received by the Scheme Advisers prior to the proposed Completion Date:

8.1.4.1 in the event that the Scheme Advisers advise that the Scheme has been implemented in accordance with its terms, the Scheme Manager shall, as soon as practicable, certify in writing to Deutsche Rück that the Scheme has been implemented in accordance with its terms in relation to that Scheme Creditor, and the Scheme will thereupon be complete in relation to that Scheme Creditor and the provisions of clause 8.2 shall then apply to it;

8.1.4.2 in the event that the Scheme Advisers believe that the Scheme has not been implemented in accordance with its terms, they shall advise the Scheme Manager of their view. The Scheme Manager shall take such steps as may be appropriate in relation to the matter complained of. Following this, the Scheme Manager shall give written notice to the Scheme Creditor concerned that it believes the Scheme has so far as possible been implemented in accordance with its terms in relation to that Scheme Creditor and the Scheme Manager shall as soon as practicable certify in writing to Deutsche Rück that the Scheme has been implemented in accordance with its terms in relation to that Scheme Creditor. The Scheme will thereupon be complete in relation to that Scheme Creditor and the provisions of clause 8.2 shall then apply to it.

## **8.2 Completion of the Scheme**

8.2.1 Upon the issue of written certification by the Scheme Manager pursuant to clause 8.1.3 or 8.1.4, then in relation to the Scheme Creditors to whom it relates, the Scheme shall be complete, and save in relation to any fraud or dishonesty, and so far as the law permits, all obligations and Liabilities of the Released Parties in connection with or pursuant to the Scheme shall cease and be released absolutely. Any such obligation which has not been fulfilled in accordance with the Scheme by the Completion Date shall nonetheless be deemed to have been correctly and fully performed, and no Scheme Creditor shall have any claim in respect of it or any loss arising from it.

8.2.2 Following the Completion Date, no Scheme Creditor shall be entitled to any claim on, recovery from, or interest in, any Security, Letter of Credit, guarantee or indemnity in respect of a Scheme Claim or otherwise to make any claim or receive payment in respect of a Scheme Claim.

8.2.3 The Scheme Manager shall display any certificate of completion on the Website from the date on which it was issued until the date 12 months after the issue of the last certificate of completion pursuant to clause 8.1.

8.2.4 Notwithstanding the provisions of clause 2.10.1.3:

8.2.4.1 Scheme Creditors shall, if so requested by Deutsche Rück, following the Completion Date execute a deed of release of the obligations of any guarantor of Deutsche Rück's obligations to pay Scheme Claims, in a form reasonably satisfactory to Deutsche Rück; and

8.2.4.2 each Scheme Creditor hereby authorises Deutsche Rück to execute such a deed on its behalf in the event that Deutsche Rück does not receive one within 21 days of requesting it pursuant to clause 8.2.4.1.

8.2.5 The benefit of the right to call for a deed of release under clause 8.2.4, and the benefit of the rights to enforce the provisions of clause 8.2.2, insofar as they relate to claims or recoveries from guarantors, shall be held on trust by Deutsche Rück for each guarantor of its obligations to pay Scheme Claims. These rights shall be enforceable by the beneficiaries of such trust as well as the trustee. The beneficiary shall have sole and irrevocable power to replace the trustee.

### 8.3 **Insolvency Event**

8.3.1 Subject to clause 8.3.2, the occurrence of an Insolvency Event shall have no effect on the operation of the Scheme which shall, so far as permitted by law, continue in full force and effect until completed in accordance with clause 8.1 save that the obligation to make payments under clause 3 shall be replaced by an obligation to make such payments as shall be permitted in the insolvency of Deutsche Rück.

8.3.2 The Board or any liquidator, administrator or provisional liquidator of Deutsche Rück may, following an Insolvency Event, resolve that the Scheme be terminated, and the Scheme shall terminate immediately thereupon.

8.3.3 The termination of the Scheme in accordance with clause 8.3.2 shall be without prejudice to:

8.3.3.1 any Net Ascertained Claim which has become final and binding in accordance with clause 2.9.2 prior to such termination; and

8.3.3.2 any resulting obligation of Deutsche Rück to make payment in accordance with clause 3.

8.3.4 As soon as reasonably practicable after the Scheme has terminated in accordance with clause 8.3.2, the Scheme Manager shall Advertise the termination and place a notice of termination on the Website and send notice to that effect to all Scheme Creditors to whom notice of the Meeting was sent.

#### **8.4 Modification of the Scheme**

Deutsche Rück may, at any hearing by the Court to sanction the Scheme, consent on behalf of Scheme Creditors to any modification of or addition to the Scheme or any terms or conditions which the Court may think fit to impose, and which, in its reasonable opinion, would not directly or indirectly have a materially adverse effect on the interests of any Scheme Creditor under the Scheme.

#### **8.5 Co-operation between Parties**

The Scheme Creditors, Scheme Manager, Scheme Advisers, Scheme Adjudicator and Deutsche Rück shall co-operate with each other and provide such assistance and information as any of them may reasonably require in connection with the Scheme and the enforcement of obligations owed to Deutsche Rück pursuant to the Scheme including, but not limited to, the provision of information and documents in connection with Scheme Claims and the operation of the Scheme. Each Scheme Creditor is deemed to acknowledge that its obligations under the Scheme shall continue in the event that it becomes a Net Debtor.

#### **8.6 Prohibited payments**

8.6.1 For the avoidance of doubt, where Deutsche Rück is prevented by any law or regulation imposing international sanctions or prohibitions promulgated by the United Kingdom or any other jurisdiction to which Deutsche Rück is subject from making a payment to a Scheme Creditor or otherwise complying with any term of the Scheme, the requirements of such law or regulation shall override the terms of the Scheme and for the avoidance of doubt, compliance

with such law or regulation will constitute full discharge of such Scheme Creditor's Scheme Claims under the Scheme.

- 8.6.2 Any Blocked Monies shall be applied by Deutsche Rück in accordance with the requirements of such law or regulation or the instructions of the relevant authority. Deutsche Rück shall be under no obligation to make any application to the relevant authority for a waiver of such law or regulation in any particular case.
- 8.6.3 In the event that the applicable law or regulation does not contain provisions as to how to deal with Blocked Monies, Deutsche Rück shall, prior to the Completion Date, hold them in an account with a United Kingdom clearing bank until such time, prior to the Completion Date, as Deutsche Rück is instructed by the relevant authority as to how to deal with the Blocked Monies or it becomes legal to pay them to the relevant Scheme Creditor. Any interest earned on such account shall be applied at the discretion of Deutsche Rück. In the event that no such instruction is received prior to the Completion Date, the Blocked Monies shall be paid to the Charity as soon as reasonably practicable following the Completion Date and the relevant Scheme Creditor shall cease to have any entitlement to them. The Scheme Claim in respect of which such Blocked Monies would otherwise have been payable shall be deemed to be cancelled and the Scheme Creditor shall have no rights in respect of it.

## 8.7 Notices

- 8.7.1 All notices and other written communications and documents required to be sent pursuant to the provisions of the Scheme shall be sent by Post or, where the Scheme permits and where an E-mail address has been provided, by E-mail, unless otherwise specifically provided in the Scheme.
- 8.7.2 Notices, written communications and documents to be sent to the Scheme Manager and/or Deutsche Rück shall be sent to Chilton International Limited, Holland House, 1-4 Bury Street, London EC3A 5AW, United Kingdom, clearly marked "For the attention of the Scheme Manager of Deutsche Rück (UK) Reinsurance Company Limited c/o Ian Marshall", or to such other address as may be notified on the Website from time to time.

Where the Scheme provides for notices, written communications or documents to be sent to the Scheme Manager by E-mail, they shall be sent to [druk@chiltington.co.uk](mailto:druk@chiltington.co.uk) or such other E-mail address as may be notified on the Website from time to time. Where the Scheme provides for notices, written communications or documents to be sent to the Scheme Manager by facsimile, they shall be sent to +44(0) 207 621 6344 or such other facsimile number as may be notified on the Website from time to time and such facsimile transmission shall be clearly marked "For the attention of the Scheme Manager of Deutsche Rück (UK) Reinsurance Company Limited, c/o Ian Marshall".

8.7.3 Subject to clause 2.2.5, notices, written communications and documents to be sent to Scheme Creditors (including, for the avoidance of doubt, cheques to be sent pursuant to clause 3.2.1) may be sent to:

8.7.3.1 the address specified by the Scheme Creditor on its Claim Form or to any other address of which the Scheme Manager may receive notification from the Scheme Creditor in a form satisfactory to the Scheme Manager; or

8.7.3.2 if no such address has been specified or notified, the address of the Scheme Creditor last known to the Scheme Manager; or

8.7.3.3 where appropriate, to the email address specified by the Scheme Creditor on its Claim Form or to any other E-mail address of which the Scheme Manager may receive notification from the Scheme Creditor in a form satisfactory to the Scheme Manager.

8.7.4 Notices, written communications and documents to be sent to the Scheme Advisers shall be sent to KPMG LLP, 8 Salisbury Square, London EC4Y 8BB, United Kingdom, clearly marked "For the attention of John Wardrop/Michael Walker, Scheme Advisers to Deutsche Rück", or to such other address as may be notified on the Website from time to time.

8.7.5 Notices, written communications and documents to be sent to the Scheme Adjudicator shall be sent to Tillinghast, 71 High Holborn, London WC1V

6TH, United Kingdom clearly marked "For the attention of George Maher as Scheme Adjudicator of Deutsche Rück" or to such other address as may be notified on the Website from time to time.

- 8.7.6 Notices and any other written communications or documents sent by Post to Scheme Creditors pursuant to the Scheme shall be deemed, in the absence of evidence to the contrary, to have been received by the relevant Scheme Creditor on the second Business Day after despatch, where the Scheme Creditor's address is in the United Kingdom, and on the seventh Business Day after despatch in all other cases, and references to the receipt by a Scheme Creditor of any such notice, communication or document shall be construed accordingly.
- 8.7.7 Any notice or other communication or document sent by E-mail shall be deemed to have been received twenty-four hours after it is sent, provided the sender has no reasonable grounds for believing it has not been received.
- 8.7.8 References to a Scheme Creditor's address in this clause are to that Scheme Creditor's address as established in accordance with clause 8.7.3. Notice periods laid down by the Scheme are to be calculated by reference to clear days from the date on which the notice concerned, where applicable, was sent by Post.
- 8.7.9 A sworn statement by a member of the Scheme Manager's staff, one of the Scheme Advisers or the Scheme Adjudicator that an envelope containing a notice was sent by Post shall be conclusive evidence that the notice was given.

## **8.8 Governing Law and jurisdiction**

- 8.8.1 The Scheme shall be governed by, and construed in accordance with the law of England and Wales and Scheme Creditors hereby agree that the Court shall (save as provided in clause 8.8.2) have exclusive jurisdiction to hear and determine any dispute or Proceedings arising out of the Scheme or any associated document or form including this clause 8.8.1, or out of any action taken or omitted to be taken under the Scheme or in connection with the

administration of the Scheme and, for such purposes, Scheme Creditors hereby submit to the exclusive jurisdiction of the Court.

- 8.8.2 Notwithstanding the provisions of clause 8.8.1, Deutsche Rück and the Scheme Manager retain the right to bring Proceedings, in the name of Deutsche Rück or otherwise, in the courts of any other country having jurisdiction under its own laws to hear such Proceedings.
- 8.8.3 In the event of any inconsistency between the terms of the Scheme and any statutory provision, so far as the law permits, the terms of the Scheme shall prevail.
- 8.8.4 For the avoidance of doubt, nothing in this clause 8.8 shall affect the validity of provisions determining the governing law and jurisdiction which, as between Deutsche Rück and any Scheme Creditor, are applicable to the construction of a Scheme Reinsurance Contract.

## APPENDIX A

### SCOPE OF SCHEME – LIABILITIES CONSTITUTING SCHEME CLAIMS

#### 1. INTRODUCTION

- 1.1 The business originally written by Deutsche Rück UK Reinsurance Company Limited ("**Deutsche Rück**") (known as The Doric Reinsurance Company Limited until 25 November 1970) consists of reinsurance of largely UK and European cedants, which was written by Deutsche Rück in London (the "**Original Business**"). Deutsche Rück ceased writing new business after 1992, when it entered run-off.
- 1.2 Deutsche Rück'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, Deutsche Rück assumed two blocks of discontinued reinsurance business from DR AG.
- 1.3 The blocks of business transferred to Deutsche Rück (the "**Transferred Business**") consist of the following:
- (a) DR AG's participation in the Inter Community ("**ICRA**") pool which has been in run-off since 1980. 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. The Transferred Business excluded any and all reinsurance business underwritten by Deutsche Rück where the cedant is The Oceanus Mutual Underwriting Association Limited (in liquidation and scheme of arrangement);
  - (b) 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. The Transferred Business excluded any and all Liabilities in respect of reinsurance business underwritten on behalf of Deutsche Rück by EXKO Excess Rückversicherungs-Kontor.
- 1.4 The Scheme relates to both the Original Business and the Transferred Business (collectively, the "**Scheme Reinsurance Contracts**"), with the exception of any

Deutsche Rück liability in respect of UK compulsory insurance. A list of the policies constituting the Transferred Business is available on the Website at [www.deutscherueckuk.com](http://www.deutscherueckuk.com).

## 2. SCHEME CLAIMS

### 2.1 Save as excluded in paragraph 3, Scheme Claims shall comprise:

- (a) all Liabilities arising under or in relation to the Scheme Reinsurance Contracts;
- (b) all Liabilities arising under any agreement entered into before the Effective Date by which Deutsche Rück has commuted, settled or compromised all or part of its Liability under a Scheme Reinsurance Contract; and
- (c) all Liabilities arising under any agreement pursuant to which an insurance broker is entitled to brokerage or commission from Deutsche Rück in respect of the placing a Scheme Reinsurance Contract, and Liabilities arising under rights of contribution and subrogation in respect of such an Scheme Reinsurance Contract.

## 3. EXCLUDED CLAIMS

### 3.1 Scheme Claims shall not include:

- (a) Save to the extent provided for in a Scheme Reinsurance Contract, Liabilities in respect of fees, costs and expenses (including any tax thereon), in respect of services or advice, payable to service providers, excluding brokers, but including, without limitation, lawyers and loss adjusters;
- (b) Liabilities in respect of compulsory UK employers' liability policies and the compulsory element of UK motor policies. The directors of Deutsche Rück do not believe that it wrote any compulsory UK business; and
- (c) Liabilities in respect of contracts 009290800 and 009290810.<sup>1</sup>

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<sup>1</sup> Deutsche Rück commuted these contracts through an agent for the reinsured who provided an indemnity in favour of Deutsche Rück. Notwithstanding the commutation, the reinsured has since asserted a claim which is not accepted. There is, as a consequence, a dispute concerning the commutation agreement and its related indemnity.

## **APPENDIX B**

### **ESTIMATION OF IBNR AND OUTSTANDING CLAIMS:**

#### **SUPPORTING EVIDENCE AND CLAIMS VALUATION METHODOLOGY**

##### **1. INTRODUCTION**

The terms defined in the Scheme have the same meanings when used in this Appendix. When used in this Appendix, the term "Unpaid Claim" refers to the total reserves, being the sum of Outstanding Claims and incurred but not reported ("IBNR") Claims.

This Appendix sets out the following matters:

- a. the estimation basis to be used in relation to the estimation of IBNR Claims by the Scheme Creditor, Scheme Manager and Scheme Adjudicator;
- b. guidance as to the information which a Scheme Creditor should provide in support of an IBNR Claim and the typical methods which Scheme Creditors may use in estimating their IBNR Claims;
- c. the default actuarial methods which the Scheme Manager or (where a claim is referred to him) the Scheme Adjudicator will use to assess IBNR Claims including tables of benchmark and asbestos burn factors (the "Claims Valuation Methodology");
- d. where the Scheme Creditor submits an estimate of IBNR Claims using an actuarial method which is not detailed in this Appendix, general guidelines that the Scheme Manager or Scheme Adjudicator (as appropriate) will follow in deciding whether or not that method is more appropriate than the methods set out in the Claims Valuation Methodology for the estimation of its IBNR Claims; and
- e. the procedure to apply discounting to the gross claim in respect of reported outstanding and IBNR losses. The discount factors are designed to provide a risk premium to Scheme Creditors.

Scheme Creditors may wish to use the methods set out in the Claims Valuation Methodology to calculate their IBNR Claim if they do not have either their own methodology or benchmark factors for Asbestos, Pollution and Health Hazard ("APH") claims and burn

factors for US cedants' asbestos claims. Claims calculated using the Claims Valuation Methodology may still be referred to the Scheme Adjudicator as Disputed Claims.

IBNR Claims may also contain an estimate of additional reserves in respect of already reported claims. Scheme Creditors should note that any amounts included in relation to such additional reserves on already reported claims must be included on the Claim Form in the column provided for IBNR Claims and not the column provided for outstanding claims.

Disputed Claims will be referred to the Scheme Adjudicator under clause 2.4.6 of the Scheme and Disputed Valuation Claims under clause 2.8.3 of the Scheme. The procedure for adjudication of Disputed Claims and Disputed Valuation Claims is set out in clause 2.5 of the Scheme. A Disputed Claim or Disputed Valuation Claim may include part or all of a Scheme Creditor's IBNR Claim and/or part or all of a Scheme Creditor's claim for outstanding losses.

## **2. ESTIMATION BASIS**

All estimates of IBNR Claims must be given as a best estimate of the ultimate outcome. Best Estimate means an estimate that is not deliberately biased either upwards or downwards and is intended to represent the mean of the distribution of possible outcomes.

## **3. INFORMATION REQUIREMENTS AND ESTIMATION METHODS**

The following are examples of the type of information and evidence that should be provided by a Scheme Creditor to support its IBNR Claim, depending on the actuarial method(s) employed by the Scheme Creditor. The following examples are not intended to be an exhaustive list, and the Scheme Creditor should also include copies of any other supporting information it considers relevant to the business covered and the actuarial method adopted to estimate its claims:

- a. Non-APH claims: Triangulation of the Scheme Creditor's paid and incurred loss history, actuarial projection methods applied and selected assumptions that lead to the asserted claim amount. Selected assumptions include report-to-ultimate ratios, initial expected loss ratios and any adjustments for particular events or claims. Assumptions should be based on reasonable, unbiased analysis, and not set at extremes. Where there is uncertainty surrounding assumptions, an approach based on assigning probabilities to

different assumptions may be used. Such probability assumptions must be justified.

- b. APH claims from business reinsured by the Scheme Creditor through facultative programmes: Ground-up exposure analysis, reflecting projection of frequency by future calendar year and severity of the claims. The exposure-based analysis must be based on reasonable assumptions concerning population, proportion that will ultimately claim and likely size of claims. Exposure should be based on recognised sources. If available, a demonstrable link between claim type and business activity of the underlying insured should be included. The future cost of claims should include allowance for loss adjustment expense and claim cost inflation. Based on the Scheme Creditor's gross liability estimate, the Scheme Creditor should show how the recovery from Deutsche Rück is estimated, detailing allocation by accident year and reinsurance layers.
- c. APH claims reinsured by the Scheme Creditor through treaty programmes or through further retrocession: Exposure-based analysis as detailed in 3.b. above, from the Scheme Creditor's cedants if available. If this information is not available to the Scheme Creditor (the remoteness of Scheme Creditor's policies from the original assureds being the most likely reason for this), then an application of the typical factors used in an APH review, such as burn factors (% of layer erosion) and ultimate-to-paid and ultimate-to-reported claim multiples should be used.
- d. If any benchmark assumptions (such as multipliers applied to reported outstanding losses or per layer burn factors) are used, details should be provided describing the source (e.g. from a published document or understood to be in general use in a relevant market) of the benchmark, how the benchmark has been used, and why it is considered appropriate for the Scheme Creditor.
- e. Where any additional reserves for specific claims have been estimated based on information such as loss reports from policyholders, cedants, appointed

lawyers or loss adjusters, Scheme Creditors should provide this documentation with the Claim Form.

- f. Any relevant actuarial reports. These will be most helpful if prepared in accordance with relevant actuarial standards, including but not limited to the Board for Actuarial Standards professional guidance as specified in Guidance Note GN12 and the U.S. Actuarial Standards Board's Actuarial Standard of Practice no. 9, although this is not a requirement.
- g. If a Scheme Creditor does not use the methods set out in the Claims Valuation Methodology in estimating its IBNR Claims, then it must provide sufficient information supporting the methodology and assumptions used, including a description of the method used, data sources, calculations and the reasons for using this method. Section 5 sets out how the Scheme Adjudicator will evaluate such alternative methods.

#### **4. CLAIMS VALUATION METHODOLOGY**

This Section sets out the Claims Valuation Methodology which will be used by the Scheme Manager or (where a claim is referred to him) the Scheme Adjudicator to assess IBNR Claims. The Scheme Adjudicator may base his determination on the results produced by combining one or more of these methods or the methods employed by the Scheme Creditor if this is deemed more appropriate by the Scheme Adjudicator. Tables of benchmarks and burn factors to be used in applying the Claims Valuation Methodology are included in Section 7 of this Appendix.

##### **4.1 Non-APH claims:**

###### **a. Incurred claim development method**

The incurred claim development method is based upon the assumption that the relative change in a given underwriting year's incurred claim estimates from one evaluation point to the next is similar to the relative change in prior underwriting years' incurred claim estimates at similar evaluation points. In using this method, actual historical underwriting year incurred claims data is evaluated at the end of each financial year in a triangular fashion.

Report-to-report development factors will be calculated to measure the development of an underwriting year from one evaluation point to the next. These historical report-to-report development factors and comparable industry factors will then be used to select appropriate report-to-report development factors to use in projecting the incomplete underwriting years to an ultimate basis. In addition, a tail factor will be selected to allow for development beyond the observed experience. This tail factor will be based on trends shown in the data and on consideration of external benchmarks. The cumulative incurred claims will be subtracted from the ultimate claims to obtain an estimate of IBNR Claims.

**b. Paid claim development method**

The paid claim development method is based upon the assumption that the relative change in a given underwriting year's paid claims from one evaluation point to the next is similar to the relative change in prior underwriting years' paid claims at similar evaluation points. In using this method, historical evaluations of actual underwriting year paid claims are analysed in a manner similar to that used for incurred claims in the incurred claim development method.

Report-to-report development factors will be calculated in a manner similar to that described above and selected factors used to project the actual paid claims for any given underwriting year to an ultimate basis. The cumulative paid claims will be subtracted from the ultimate claims to obtain an estimate of Unpaid Claims.

**c. Incurred Bornhuetter-Ferguson method**

The reporting pattern, determined for the incurred claim development method, is used to calculate the expected percentage of claims unreported for each underwriting year (i.e. 100% less the expected percentage of claims reported). This unreported percentage is then multiplied by the expected ultimate claims calculated as the product of expected ultimate premium and expected claims ratio to derive the expected IBNR Claims for each underwriting year.

The expected claim ratio will be generally determined with reference to data on changes in exposure and pricing in the portfolio being analysed or, failing that, by a consideration of industry trends for the pricing of the relevant class of business. The

Unpaid Claims will then be calculated as the expected IBNR Claims plus the Outstanding Claims.

As an underwriting year matures, increasing weight will be given to the actual claims experience as opposed to the initial view of the underwriting result.

d. **Paid Bornhuetter-Ferguson method**

This method is similar to the incurred Bornhuetter-Ferguson method but is based on paid claims, rather than incurred claims.

e. **Frequency/severity method**

The frequency/severity method involves first estimating the number of future claims that would be made by the Scheme Creditor against Deutsche Rück by using standard triangulation methodology of the paid and incurred development methods. An estimate of the amount that would be claimed from Deutsche Rück in respect of each anticipated loss is then made. These numbers are multiplied together to estimate IBNR Claims in respect of future losses. The Unpaid Claims are then calculated as the estimated IBNR Claims plus Outstanding Claims.

If the frequency/severity method is used, supporting evidence should be provided based on past losses incurred by the Scheme Creditor. This may be supplemented by data from industry sources. This would include:

- an explanation of the number of claims anticipated, which should include evidence of the number of losses experienced in the past, and evidence of the times between the occurrence of those losses and the notification of the Scheme Creditor and its insurer; and
- an explanation of the amount of each anticipated loss.

## 4.2 APH claims from business reinsured by the Scheme Creditor through facultative programmes

### a. Exposure Based Modelling for asbestos and pollution losses

Claims are estimated from both recorded exposures and exposures that have not yet been recorded to determine ultimate claims (the total payments from each loss until final settlement of the liabilities). Unpaid Claims can then be calculated as the difference between ultimate claims and the cumulative paid claims.

For both asbestos and pollution claims, ultimate claims will be modelled from the "ground up" using exposure-based models for direct and facultative business. Different models will be used for asbestos and pollution claims. The actual liability will then be estimated, taking into account the policy conditions, such as excesses, limits and line sizes.

### b. Benchmark Multiple Methods for all APH claim types

Benchmark multiple methods are used where there is insufficient policy information for exposure-based modelling or where the exposure with respect to a particular loss type is not significant.

The methods described below are carried out using benchmarks appropriate for direct and facultative business. The methods are carried out separately for asbestos, pollution and health hazard losses. Different benchmarks are also used for each loss type.

- Ultimate to Incurred Claims Multiple Method

The estimated gross ultimate claims will be based on applying a benchmark ratio of ultimate to incurred claims to the cumulative reported incurred claims in order to estimate ultimate claims. By deducting cumulative paid claims, estimated Unpaid Claims will be derived.

- Ultimate to Paid Claims Multiple Method

This is similar to the ultimate to incurred claims method, except the estimated gross ultimate claims will be based on applying a benchmark ratio of ultimate

to paid claims to the cumulative paid claims in order to estimate ultimate claims. Cumulative paid claims will be subtracted to calculate estimated Unpaid Claims.

- **IBNR to Outstanding Claims Multiple Method**

An IBNR Claims reserve will be projected by multiplying the reported outstanding claims by a benchmark multiple for IBNR to outstanding claim. Reported outstanding claims will then be added to the IBNR reserve to obtain an estimate of Unpaid Claims.

- c. **APH claims reinsured by the Scheme Creditor through treaty programmes or through further retrocessions**

The methodology used is similar to that described above for facultative business. The following will be applied:

- a. Where liabilities are estimated using exposure based models, different models will be used for US and Non-US cedants. The models apply only to non-proportional reinsurance business and are deterministic models.
- b. For benchmark multiple methods, the benchmarks used will differ by loss type (asbestos, pollution or health hazard), cedant type (Non-US/US cedants) and type of reinsurance (proportional/non-proportional, reinsurance/retrocession).

The benchmark and burn factor information the Scheme Manager/Scheme Adjudicator will use is included in Section 7 of this Appendix. If Scheme Creditors intend to use benchmarks to calculate their IBNR Claim, but do not have access to appropriate benchmarks, it is suggested that they use the benchmarks and burn factors set out in Section 7 of this Appendix.

## **5. USE OF SCHEME CREDITOR'S OWN METHODS**

Scheme Creditors are not obliged to follow the methods set out in the Claims Valuation Methodology when estimating their IBNR Claims. If a Scheme Creditor uses different

actuarial methods, the Scheme Manager/Scheme Adjudicator (as appropriate) will review the methods used and the appropriateness of the assumptions adopted. The Scheme Manager/Scheme Adjudicator (as appropriate) will adopt the method used by the Scheme Creditor if he considers the method to be more appropriate to the Scheme Creditor's circumstances than the methods set out in the Claims Valuation Methodology. It is essential that a Scheme Creditor provides sufficient information supporting the methods and assumptions used, including details of the calculations performed, as in the absence of such information the Scheme Manager/Scheme Adjudicator (as appropriate) will be unable to assess the suitability of the methods used.

The Scheme Manager/Scheme Adjudicator (as appropriate) may also consider the actuarial methods used by one Scheme Creditor to be more appropriate than the methods set out in the Claims Valuation Methodology for estimating the IBNR Claims of another Scheme Creditor and may therefore adopt those methods accordingly.

The Scheme Manager/Scheme Adjudicator (as appropriate) may base the valuation on a combination of results produced by the application of the Scheme Creditor's method and results produced by the application of one or more methods set out in the Claims Valuation Methodology in Section 4.

In reviewing the reasonableness of the Scheme Creditor's method and assumptions in estimating the Unpaid Claims, the Scheme Manager/Scheme Adjudicator (as appropriate) will take the following considerations into account:

- a. the extent to which the methods use historical development patterns (with explicit adjustment where appropriate) to predict the future;
- b. the extent to which the methods are recognised and used by actuaries and other claim reserving practitioners; and
- c. the degree to which the methods and assumptions used are based on documentary evidence rather than on subjective judgement.

## 6. **DISCOUNTING**

The sum of the outstanding claims and IBNR Claims will be discounted to take account of the time value of money. The discounting will be from the anticipated date of payment of the

Scheme Claim in the normal course of business to the date of the relevant Valuation Statement in respect of each creditor.

The discount factor will be calculated from risk free interest rates for Pounds Sterling, Euro and US Dollars for the two mean claims payment periods being used in the Scheme (4 years for non APH claims and 12 years for APH claims). These rates will be the zero coupon yields for the security types taken from Bloomberg and derived from the Euro Benchmark Curve, the US Treasury Actives Curve and the UK Sovereign Benchmark Curve. If the 4 or 12-year duration is not available for the respective currency, the zero coupon yields will be calculated by linear interpolation between the next available durations. The rates will be derived on the last Business Day of the month preceding the date of the Valuation Statement.

The resultant rates are the risk free interest rates for the respective currency and mean term. The discount rates will be calculated by reducing these rates by 1.5% (subject to the resultant discount rate being at least 1%) to provide a risk premium to Scheme Creditors.

On 4 March 2009, these rates (before the reduction by 1.5%) were:

Duration	GBP	USD	Euro
Mean 4 years	2.1396	1.6789	1.9873
Mean 12 years	3.9859	3.0790	3.5685

7. **BENCHMARKS AND BURN FACTORS TO BE USED IN THE APPLICATION OF THE CLAIMS VALUATION METHODOLOGY**

7.1 **Table 1**

**Non-APH Incurred Development Percentages**

Development Age (months)	Age to ultimate incurred development percentages					
	Aviation	Casualty	Fire & Property	Marine	Motor	Various
12	1.6%	3.0%	1.7%	0.6%	8.7%	3.1%
24	39.0%	11.3%	43.8%	23.1%	31.5%	29.7%
36	71.7%	20.2%	84.2%	65.1%	55.7%	59.4%
48	86.4%	27.4%	93.8%	82.1%	69.0%	71.8%
60	91.3%	36.6%	97.2%	88.4%	84.0%	79.5%
72	94.2%	45.6%	98.3%	92.9%	93.2%	84.8%
84	96.1%	55.2%	99.3%	96.2%	95.9%	88.5%
96	97.6%	60.1%	99.8%	97.1%	96.6%	90.2%
108	98.6%	64.8%	99.9%	98.1%	97.6%	91.8%
120	99.3%	69.1%	100.0%	99.1%	98.0%	93.1%
132	99.5%	72.7%	100.0%	100.0%	98.3%	94.1%
144	99.8%	75.3%	100.0%	100.0%	98.5%	94.7%
156	100.0%	77.9%	100.0%	100.0%	98.7%	95.3%
168	100.0%	80.2%	100.0%	100.0%	98.9%	95.8%
180	100.0%	82.2%	100.0%	100.0%	99.0%	96.2%
192	100.0%	83.9%	100.0%	100.0%	99.1%	96.6%
204	100.0%	85.4%	100.0%	100.0%	99.2%	96.9%
216	100.0%	86.8%	100.0%	100.0%	99.3%	97.2%
228	100.0%	88.1%	100.0%	100.0%	99.4%	97.5%
240	100.0%	89.2%	100.0%	100.0%	99.5%	97.7%
252	100.0%	90.1%	100.0%	100.0%	99.6%	97.9%
264	100.0%	91.0%	100.0%	100.0%	99.7%	98.1%
276	100.0%	91.9%	100.0%	100.0%	99.7%	98.3%
288	100.0%	92.6%	100.0%	100.0%	99.8%	98.5%
300	100.0%	93.4%	100.0%	100.0%	99.8%	98.6%
312	100.0%	94.1%	100.0%	100.0%	99.9%	98.8%
324	100.0%	94.7%	100.0%	100.0%	99.9%	98.9%
336	100.0%	95.2%	100.0%	100.0%	100.0%	99.0%
348	100.0%	95.8%	100.0%	100.0%	100.0%	99.2%
360	100.0%	96.2%	100.0%	100.0%	100.0%	99.2%
372	100.0%	96.5%	100.0%	100.0%	100.0%	99.3%
384	100.0%	96.9%	100.0%	100.0%	100.0%	99.4%
396	100.0%	97.2%	100.0%	100.0%	100.0%	99.4%
408	100.0%	97.5%	100.0%	100.0%	100.0%	99.5%
420	100.0%	97.8%	100.0%	100.0%	100.0%	99.6%
432	100.0%	98.1%	100.0%	100.0%	100.0%	99.6%
444	100.0%	98.3%	100.0%	100.0%	100.0%	99.7%
456	100.0%	98.6%	100.0%	100.0%	100.0%	99.7%
468	100.0%	98.8%	100.0%	100.0%	100.0%	99.8%
480	100.0%	99.0%	100.0%	100.0%	100.0%	99.8%
492	100.0%	99.2%	100.0%	100.0%	100.0%	99.8%
504	100.0%	99.4%	100.0%	100.0%	100.0%	99.9%

### Non-APH Incurred Development Percentages

Development Age (months)	Age to ultimate incurred development percentages					
	Aviation	Casualty	Fire & Property	Marine	Motor	Various
516	100.0%	99.5%	100.0%	100.0%	100.0%	99.9%
528	100.0%	99.7%	100.0%	100.0%	100.0%	99.9%
540	100.0%	99.8%	100.0%	100.0%	100.0%	100.0%
552	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%
564	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%
576	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
588	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
600	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

### 7.2 Table 2

### Non-APH Paid Development Percentages

Development Age (months)	Age to ultimate paid development percentages					
	Aviation	Casualty	Fire & Property	Marine	Motor	Various
12	0.9%	0.2%	0.4%	0.3%	0.4%	0.5%
24	19.7%	2.2%	17.8%	13.9%	10.6%	12.8%
36	40.8%	9.1%	56.7%	42.8%	32.4%	36.4%
48	68.1%	16.6%	80.8%	64.4%	49.1%	55.8%
60	77.5%	26.2%	90.5%	75.8%	64.9%	67.0%
72	83.4%	34.1%	94.2%	84.6%	77.1%	74.7%
84	87.3%	43.5%	96.2%	89.3%	82.0%	79.6%
96	90.2%	50.0%	97.9%	92.8%	85.8%	83.3%
108	92.1%	56.3%	98.8%	95.1%	88.3%	86.1%
120	93.9%	61.9%	99.3%	96.1%	91.0%	88.4%
132	95.4%	66.5%	99.5%	97.1%	93.2%	90.3%
144	96.6%	69.9%	99.8%	98.1%	94.7%	91.8%
156	97.6%	72.9%	100.0%	98.5%	95.7%	93.0%
168	98.6%	75.5%	100.0%	99.0%	96.4%	93.9%
180	99.3%	77.8%	100.0%	99.6%	96.9%	94.7%
192	100.0%	79.3%	100.0%	100.0%	97.3%	95.3%
204	100.0%	80.7%	100.0%	100.0%	97.8%	95.7%
216	100.0%	82.2%	100.0%	100.0%	98.1%	96.1%
228	100.0%	83.5%	100.0%	100.0%	98.4%	96.4%
240	100.0%	84.8%	100.0%	100.0%	98.7%	96.7%
252	100.0%	86.0%	100.0%	100.0%	98.9%	97.0%
264	100.0%	87.2%	100.0%	100.0%	98.9%	97.2%
276	100.0%	88.3%	100.0%	100.0%	99.0%	97.5%
288	100.0%	89.3%	100.0%	100.0%	99.1%	97.7%
300	100.0%	90.2%	100.0%	100.0%	99.1%	97.9%
312	100.0%	91.1%	100.0%	100.0%	99.2%	98.1%
324	100.0%	91.9%	100.0%	100.0%	99.3%	98.2%
336	100.0%	92.7%	100.0%	100.0%	99.3%	98.4%
348	100.0%	93.3%	100.0%	100.0%	99.4%	98.5%
360	100.0%	94.0%	100.0%	100.0%	99.5%	98.7%

**Non-APH Paid Development Percentages**

Development Age (months)	Age to ultimate paid development percentages					
	Aviation	Casualty	Fire & Property	Marine	Motor	Various
372	100.0%	94.6%	100.0%	100.0%	99.5%	98.8%
384	100.0%	95.2%	100.0%	100.0%	99.6%	99.0%
396	100.0%	95.8%	100.0%	100.0%	99.6%	99.1%
408	100.0%	96.3%	100.0%	100.0%	99.7%	99.2%
420	100.0%	96.8%	100.0%	100.0%	100.0%	99.4%
432	100.0%	97.3%	100.0%	100.0%	100.0%	99.5%
444	100.0%	97.7%	100.0%	100.0%	100.0%	99.5%
456	100.0%	98.1%	100.0%	100.0%	100.0%	99.6%
468	100.0%	98.4%	100.0%	100.0%	100.0%	99.7%
480	100.0%	98.8%	100.0%	100.0%	100.0%	99.8%
492	100.0%	99.0%	100.0%	100.0%	100.0%	99.8%
504	100.0%	99.3%	100.0%	100.0%	100.0%	99.9%
516	100.0%	99.5%	100.0%	100.0%	100.0%	99.9%
528	100.0%	99.6%	100.0%	100.0%	100.0%	99.9%
540	100.0%	99.8%	100.0%	100.0%	100.0%	100.0%
552	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%
564	100.0%	99.9%	100.0%	100.0%	100.0%	100.0%
576	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
588	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
600	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

### 7.3 Table 3

Benchmarks as at 31 December 2008

APH

#### Assumed Asbestos IBNR to O/S Multiples

LINE OF BUSINESS	1965 and Prior	1966 to 1970	1971 to 1975	1976 and Subsequent
Direct & Fac	4.21	4.21	4.21	4.21
Non US Cedants Pro-Rata	5.26	5.26	5.26	5.26
Non US Cedants Excess of Loss	6.50	6.50	6.50	6.50
US Cedants Pro-Rata	5.26	5.26	5.26	5.26
US Cedants Excess of Loss	5.08	5.08	5.08	5.08

#### Assumed Pollution IBNR to O/S Multiples

LINE OF BUSINESS	1965 and Prior	1966 to 1970	1971 to 1975	1976 and Subsequent
Direct & Fac	0.40	0.62	0.85	1.64
Non US Cedants Pro-Rata	0.85	0.96	1.08	1.47
Non US Cedants Excess of Loss	1.30	1.30	1.30	1.30
US Cedants Pro-Rata	1.75	1.27	1.39	1.78
US Cedants Excess of Loss	3.11	1.92	1.92	1.92

#### Assumed Health Hazard IBNR to O/S Multiples

LINE OF BUSINESS	1965 and Prior	1966 to 1970	1971 to 1975	1976 and Subsequent
Direct & Fac	1.00	1.00	1.00	1.00
Non US Cedants Pro-Rata	1.25	1.25	1.25	1.25
Non US Cedants Excess of Loss	1.50	1.50	1.50	1.50
US Cedants Pro-Rata	1.50	1.50	1.50	1.50
US Cedants Excess of Loss	2.00	2.00	2.00	2.00

#### Assumed Asbestos Ultimate to Incurred Multiples

LINE OF BUSINESS	1965 and Prior	1966 to 1970	1971 to 1975	1976 and Subsequent
Direct & Fac	1.50	1.50	1.50	1.50
Non US Cedants Pro-Rata	1.58	1.58	1.58	1.58
Non US Cedants Excess of Loss	1.83	1.83	1.83	1.83
US Cedants Pro-Rata	1.58	1.58	1.58	1.58
US Cedants Excess of Loss	1.63	1.63	1.63	1.63

**Assumed Pollution Ultimate to Incurred Multiples**

LINE OF BUSINESS	1965 and Prior	1966 to 1970	1971 to 1975	1976 and Subsequent
Direct & Fac	1.13	1.13	1.13	1.13
Non US Cedants Pro-Rata	1.21	1.21	1.21	1.21
Non US Cedants Excess of Loss	1.24	1.24	1.24	1.24
US Cedants Pro-Rata	1.16	1.16	1.16	1.16
US Cedants Excess of Loss	1.18	1.18	1.18	1.18

**Assumed Health Hazard Ultimate to Incurred Multiples**

LINE OF BUSINESS	1965 and Prior	1966 to 1970	1971 to 1975	1976 and Subsequent
Direct & Fac	1.00	1.00	1.00	1.00
Non US Cedants Pro-Rata	1.00	1.00	1.00	1.00
Non US Cedants Excess of Loss	1.00	1.00	1.00	1.00
US Cedants Pro-Rata	1.00	1.00	1.00	1.00
US Cedants Excess of Loss	1.00	1.00	1.00	1.00

**Assumed Asbestos Ultimate to Paid Multiples**

LINE OF BUSINESS	1965 and Prior	1966 to 1970	1971 to 1975	1976 and Subsequent
Direct & Fac	1.70	1.70	1.70	1.70
Non US Cedants Pro-Rata	1.77	1.77	1.77	1.77
Non US Cedants Excess of Loss	2.09	2.09	2.09	2.09
US Cedants Pro-Rata	1.77	1.77	1.77	1.77
US Cedants Excess of Loss	1.87	1.87	1.87	1.87

**Assumed Pollution Ultimate to Paid Multiples**

LINE OF BUSINESS	1965 and Prior	1966 to 1970	1971 to 1975	1976 and Subsequent
Direct & Fac	1.27	1.27	1.27	1.27
Non US Cedants Pro-Rata	1.41	1.41	1.41	1.41
Non US Cedants Excess of Loss	1.47	1.47	1.47	1.47
US Cedants Pro-Rata	1.32	1.32	1.32	1.32
US Cedants Excess of Loss	1.36	1.36	1.36	1.36

**Assumed Health Hazard Ultimate to Paid Multiples**

LINE OF BUSINESS	1965 and Prior	1966 to 1970	1971 to 1975	1976 and Subsequent
Direct & Fac	1.00	1.00	1.00	1.00
Non US Cedants Pro-Rata	1.05	1.05	1.05	1.05
Non US Cedants Excess of Loss	1.09	1.09	1.09	1.09
US Cedants Pro-Rata	1.00	1.00	1.00	1.00
US Cedants Excess of Loss	1.03	1.03	1.03	1.03

7.4 **Table 4**

**APH - Asbestos Burn Factors for US Cedants Excess of Loss**

Cedant Code(*)	Underwriting Year	Burn Factor for Layer						
		US\$ 0m to US\$ 0.5m	US\$ 0.5m to US\$ 1m	US\$ 1m to US\$ 5m	US\$ 5m to US\$ 10m	US\$ 10m to US\$ 25m	US\$ 25m to US\$ 50m	US\$ 50m and above
GRP1	1950 - 1954	1.5	0.5					
GRP1	1955 - 1959	3.5	2	0.2				
GRP1	1960 - 1964	4.5	2.2	0.5	0.2			
GRP1	1965 - 1969	4.5	3	1.5	0.3			
GRP1	1970 - 1974	1.7	3	1.5	0.3			
GRP1	1975 - 1979	0.5	0	0	0			
GRP1	1980 - 1984	0.5	0	0	0			
GRP2	1950 - 1954	0	0					
GRP2	1955 - 1959	0	0	0				
GRP2	1960 - 1964	0	0	0	0			
GRP2	1965 - 1969	2.2	1.5	1	0			
GRP2	1970 - 1974	8	5	5	3	0.1		
GRP2	1975 - 1979	13	4	2	2	0.1		
GRP2	1980 - 1984	6	2	1.2	0.1			
GRP3	1950 - 1954	3	1.5					
GRP3	1955 - 1959	2	0	0				
GRP3	1960 - 1964	5	0.5	0	0			
GRP3	1965 - 1969	5	1	0	0			
GRP3	1970 - 1974	5	3	1.5	0	0		
GRP3	1975 - 1979	5	4	2	1	0.1		
GRP3	1980 - 1984	6	1.2	1.2	0.1			

(\*) Key to Cedant Code

GRP 1 Insurers who wrote predominately older exposures (mid 1950s to mid 1970s)

GRP 2 Insurers who wrote predominately later exposures (mid 1970s/1980 onwards)

GRP 3 Insurers with medium exposures written throughout older and more recent years (mid 1950s to 1980 onwards)

## APPENDIX C

### SPECIMEN CLAIM FORM AND INSTRUCTIONS FOR ITS COMPLETION DEUTSCHE RÜCK UK REINSURANCE COMPANY LIMITED

Words and phrases defined in the Scheme shall have the same meaning in this Claim Form.

PLEASE COMPLETE AND RETURN THIS CLAIM FORM, TOGETHER WITH APPROPRIATE SUPPORTING EVIDENCE BY POST OR EMAIL MARKED FOR THE ATTENTION OF DAVID BURNS AT CHILTINGTON INTERNATIONAL LIMITED, ("CHILTINGTON"), HOLLAND HOUSE, 1-4 BURY STREET, LONDON EC3A 5AW, UNITED KINGDOM AS SOON AS POSSIBLE AND BY NO LATER THAN THE CLAIMS SUBMISSION DATE AFTER WHICH NO NEW OR REVISED CLAIM FORM WILL BE ADMITTED OR ANY REVISED OR FURTHER INFORMATION ACCEPTED, EXCEPT, IN THE LATTER CASE, OF A REQUEST FROM THE SCHEME MANAGER OR THE SCHEME ADJUDICATOR.

For each claim arising under a Scheme Reinsurance Contract, in relation to which you are a Scheme Creditor, please complete this Claim Form following the instructions on the following pages. **You should read the instructions and notes carefully.** Failure to follow them may result in a claim being rejected in whole or in part. If you need help in filling in this form, please submit your question to David Burns of Chiltington by email to [druk@chiltington.co.uk](mailto:druk@chiltington.co.uk), by phone on +44 (0)207 621 6354 or by fax on +44 (0)207 621 6344.

**Please complete a separate form for each Scheme Creditor and each currency. Use photocopied pages as required.** The numbers at the head of the columns correspond to the numbered instructions contained on the following pages of this form.

(1) To the best of my knowledge and belief the information on this Claim Form as completed and any supporting evidence is correct and fair.

Signed: ..... Name: .....

Position/Capacity: .....

For and on behalf of: .....

(Scheme Creditor name) ..... Creditor Reference : .....

Date: ..... E-mail .....

Telephone ..... Fax .....

Address .....

.....

**SEE PAGES 124 TO 127 FOR INSTRUCTIONS FOR COMPLETION OF THE CLAIM FORM.**

**2. Currency**

**Currency of Scheme Claim**

Please tick the appropriate box below.

EUROS     POUNDS STERLING     US DOLLARS

Other: (please specify)

**Currency of settlement**

If you wish the total on your Valuation Statement to be converted into a single Scheme Currency, please tick the appropriate box below.

EUROS     POUNDS STERLING     US DOLLARS

Any amounts not in a Scheme Currency will be shown in Pounds Sterling unless otherwise agreed.

**Form of payment:** Payments will be made by bank transfer to an account for which the Scheme Creditor has provided details on this Claim Form or by cheque sent by Post to the Scheme Creditor.

**Please complete the payment election form at page 128.**

**DEUTSCHE RÜCK UK REINSURANCE COMPANY LIMITED – CLAIM FORM**

**(1) Creditor Name :** \_\_\_\_\_

**Creditor Reference** \_\_\_\_\_

**(2) Currency:** \_\_\_\_\_

(3) Scheme Reinsurance Contract reference numbers	(4) Inception Date	(5) Broker	(6) Broker Reference	(7) Unpaid Claims	Agreed	(8) Unpaid Claims	Unagreed	(9) Outstanding Claims	(10) IBNR Claims	(11) Subtotal	(12) Security, Letters of Credit or any other counter- claims	(13) Net (11-12)	Total

## INSTRUCTIONS FOR COMPLETION OF THE CLAIM FORM

Please note that the terms used within these instructions and in the Claim Form bear the same meanings as given to them in the Scheme.

A Claim Form should be completed in respect of all Scheme Claims by a Scheme Creditor.

The numbers below refer to the numbered columns in the Claim Form.

You are requested to return this Claim Form, together with any supporting evidence to Chilmington International Limited, Holland House, 1-4 Bury Street, London EC3A 3AW, United Kingdom, marked for the attention of David Burns to be received by the Claims Submission Date. There are two ways in which you may return the Claim Form (together with any supporting evidence to Chilmington):

- **by Post; or**
- **by E-mail with an attachment in a pdf format showing a scanned image of the completed Claim Form to [druk@chilmington.co.uk](mailto:druk@chilmington.co.uk) (but note that a scanned signature is required if Email is the method adopted).**

Any telephone queries regarding the Claim Form, its completion or submission should be addressed to David Burns on **+44 (0)20 7621 6354**.

### (1) **Scheme Creditor details**

Enter the name and address of the Scheme Creditor in block capitals unless it is already correctly stated. Please correct any mis-stated information. If you are the duly authorised agent and/or attorney of a number of Scheme Creditor(s), complete a separate Claim Form in respect of each Scheme Creditor (photocopying the form as many times as necessary). Please note that each Scheme Creditor which is a company within a group of companies or a participant in an underwriting pool or similar arrangement should complete a separate Claim Form.

### (2) **Currency of Scheme Claim and Currency of Settlement**

Please state the amount of all Scheme Claims in the currency of the original contract. A Scheme Creditor may, however, elect for payment of its Net Ascertained Claim in a

single Scheme Currency by ticking the appropriate box. Where the Claim Form is submitted in a currency or currencies other than a Scheme Currency (Pounds Sterling/US Dollars/Euros), amounts to be shown on the Valuation Statement will be converted into Pounds Sterling at the Scheme Exchange Rate and shall, (unless otherwise agreed between the Scheme Creditor and the Scheme Manager), be denominated in Pounds Sterling. If a Scheme Creditor has Scheme Claims in separate currencies, please enter the total amount of such claims in each currency on a separate form.

**(3) Scheme Reinsurance Contract reference number**

Claim Forms will be accompanied by a schedule containing details of each of the Scheme Reinsurance Contracts of which the Scheme Manager is aware and which, in its reasonable opinion, might give rise to a Scheme Creditor having a Scheme Claim and with claims or reinsurance contract details of which were provided, at contract level, by creditors for voting purposes. Deutsche Rück has provided each potential Scheme Creditor of which it is aware with a schedule of all relevant Scheme Reinsurance Contracts. If a Scheme Creditor believes any of this information is incorrect, the Scheme Creditor should alter the schedules as necessary. Each Scheme Claim should be identified against a contract on this list and Deutsche Rück's reference entered on the Claim Form.

If a Scheme Creditor believes any of this information is incorrect, the Scheme Creditor should alter the schedules as necessary. Each Scheme Claim should be identified against a contract on this list and Deutsche Rück's reference entered on the Claim Form.

Specify the reference number of the Scheme Reinsurance Contract under which the claim(s) arise and, for any contracts not included in the details provided by the Scheme Manager, please provide a copy of the policy schedule or cover note and the schedule of insurers with particulars of each claim in supporting schedules (where applicable). If you do not have a record of these numbers please obtain them from your broker.

(4) **Inception date**

Specify the date when each Scheme Reinsurance Contract commenced. In the case of continuous Scheme Reinsurance Contracts or Scheme Reinsurance Contracts of more than 12 months plus odd time, each annual renewal should be shown as a separate Scheme Reinsurance Contract in a separate row.

(5) **Broker**

Specify the name of the Broker who placed the Scheme Reinsurance Contract or, if the placing Broker is not known, any other Broker or intermediary (if known) who acted on your behalf in relation to the Scheme Reinsurance Contract.

(6) **Broker reference**

Specify the Broker's contract reference for each Scheme Reinsurance Contract.

(7) **Unpaid Agreed Claims**

Any balance in relation to a Scheme Reinsurance Contract recorded in Deutsche Ruck's books as at the Effective Date as due for payment having been agreed in writing by or on behalf of Deutsche Rück and by the relevant other party or parties, but which has not been paid or discharged (including by the operation of set-off or otherwise).

This field is populated by the Scheme Manager in respect of Unpaid Agreed Claims recorded in Deutsche Ruck's records. If you consider that these values are incorrect, state the Unpaid Agreed Claims you believe are due under each Scheme Reinsurance Contract.

(8) **Unpaid Unagreed Claims**

The value of any additional Scheme Claim which, according to the Scheme Creditor's records, is paid and discharged by them and is due for payment by Deutsche Ruck.

(9) **Outstanding Claims**

Specify the estimated total value of any claim or (where there is more than one claim) of Scheme Claims as per your records, in respect of losses notified to you for which

you assert that an amount will become due for payment by Deutsche Rück (excluding any amounts in (7) and (8)). These values must be before discounting.

**(10) IBNR Claims**

Specify the amount of any IBNR Claims you have arising under each Scheme Reinsurance Contract that has been incurred by you but not reported and provide particulars of your estimate(s) in a supporting schedule. For information on, amongst other things, the estimation of IBNR Claims and guidance as to the supporting information a Scheme Creditor should provide, please refer to the Claims Valuation Methodology at Appendix B to the Scheme Document. These values must be before discounting.

**(11) Subtotal**

Enter the total of columns (7), (8), (9) and (10) to obtain the subtotal of each Scheme Reinsurance Contract.

**(12) Security Letters of Credit or any other set-off counter-claims**

Specify the amount of any Security, Letter of Credit, trust, set-off or cross-claim which you believe exists in relation to each Scheme Reinsurance Contract under each claim(s) and which is available in respect of such claim(s). Provide a description of the amount and provide any supporting documentation, including bank references in respect of Letters of Credit. In the event the relevant set-off or cross-claim item arises under another Scheme Reinsurance Contract which has not already been included on the Claim Form, please provide separately details of the relevant Scheme Reinsurance Contract including the reference number, the inception date, broker, broker reference and a breakdown of the amounts of the cross-claim.

**(13) Net Total**

Enter the total of column (11) less the amount specified in column (12) to achieve the Net Total in respect of each Scheme Reinsurance Contract.

**ELECTION AS TO FORM OF PAYMENT OF NET ASCERTAINED CLAIM(S)**

Subject to the processes outlined in the Scheme regarding the agreement of Scheme Claims, please indicate in the table below (*by ticking one box only*) the manner in which you would like to receive payment of any Net Ascertained Claim in accordance with the Scheme.

Scheme Creditor name:		Creditor Reference No.:
<input type="checkbox"/>	£: By bank transfer – Pounds Sterling account  Name of bank:  Address of bank:  Account in the name of:  IBAN:  SWIFT BIC  Bank sort code:	\$: By bank transfer – US Dollar account  Name of bank:  Address of bank:  Account in the name of:  IBAN:  SWIFT BIC:  Bank sort code:
<input type="checkbox"/>	€: By bank transfer –Euro account  Name of bank:  Address of bank:  Account in the name of:  IBAN:  SWIFT BIC:  Bank sort code:	
<input type="checkbox"/>	By cheque sent by Post  Cheque Payable to: Address:	

**Please note that Deutsche Rück and the Scheme Creditor shall each bear its own costs of payment (whether by cheque or telegraphic transfer).**

## APPENDIX D

### SAMPLE VALUATION STATEMENT

#### Notes for the Valuation Statement

SCHEME CREDITOR:	pre-populated name
REF:	pre-populated
Date Issued:	dd/mm/yyyy

Capitalised terms not defined in this Valuation Statement have the meaning defined in the Scheme.

Please find enclosed the Valuation Statement and accompanying notes prepared in respect of your Scheme Claim pursuant to Clause 2.7 of the Scheme.

If the Scheme Manager does not receive notice from you disputing the Valuation Statement within 42 days of the date shown on it, the Valuation Statement will, so far as the law permits, become final and binding on you and Deutsche Rück.

If you sign this Valuation Statement where indicated, confirming your irrevocable agreement to it, and return it to the Scheme Manager earlier than the 42 days referred to above, you may receive payment from the Deutsche Rück in respect of it earlier than would otherwise be the case.

Signature of this Valuation Statement will constitute your irrevocable agreement to:

- the Valuation Statement being final and binding;
- the application of Clause 2.9.2 of the Scheme to any net amount shown as due to you on the Valuation Statement; and
- all Scheme Claims being deemed to have been fully and finally discharged, if there is a sum shown in favour of the Deutsche Rück on the Valuation Statement.

If you dispute the Valuation Statement on grounds of Manifest Error or otherwise as permitted by the Scheme (see Clauses 2.8.2 and 2.8.5 of the Scheme) please return the

Valuation Statement indicating the areas of dispute and provide any available evidence and/or explanation of the dispute to the Scheme Manager.

Please send the signed Valuation Statement or any notice disputing a Valuation Statement to the Scheme Manager via post, e-mail or fax, marked for the attention of David Burns to:

- Post: Deutsche Rück UK Reinsurance Company Limited  
c/o Chilmington International Limited  
Holland House  
1-4 Bury Street  
London  
EC3A 5AW  
England
- Fax: +44 (0)207 621 6344
- Email [druk@chilmington.co.uk](mailto:druk@chilmington.co.uk)

A scanned signature on the Valuation Statement is required if e-mail is the method adopted.

**Please note that if the Scheme Manager does not receive legible notice of a dispute within 42 days of the date of a Valuation Statement, that Valuation Statement will become final and binding.**

Forms returned by e-mail or fax will not be acted upon unless legible. Please also post the original form within 7 days of sending such fax or e-mail to the Scheme Manager at the above address.

## Valuation Statement

SCHEME CREDITOR:	pre-populated name
REF:	pre-populated
Date Issued:	dd/mm/yyyy
Scheme Currency:	pre-populated

Item	Description	Amount
1)	Total undiscounted Determined Claims	
2)	Total present value discount	(            )
3)	Total discounted Determined Claims (1+2 above)	
4)	Set-off (per clause 2.7.1.2)	(            )
5)	Scheme Debts	(            )
6)	Security	(            )
7)	Scheme Adjudicator's fees and costs	(            )
8)	Advance payments	(            )
9)	Tax adjustments	(            )
10)	Other adjustments	(            )
11) (Sum of 3-10 above)	<b>Scheme Creditor's Net</b> <b>Ascertained Claim or Net Debt</b>	

Note: positive values are in your favour; negative values (in brackets) are in favour of Deutsche Rück.

Signed by the Scheme Manager:

Date:

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Chiltington International Ltd

Signed by the Scheme Creditor\* to signify Date:  
irrevocable agreement to the contents:

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\* This should be signed by an appropriately authorised person from within your organisation. In doing so you warrant that you have the appropriate authority.

**If no notice disputing the Valuation Statement is received by the Scheme Manager within 42 days of the date of the Valuation Statement, it will be deemed to be accepted by you and will become final and binding on both you and Deutsche Rück in accordance with the Scheme. Notice of dispute may only be raised on grounds of Manifest Error or otherwise as permitted by the Scheme (see Clauses 2.8.2 and 2.8.5 of the Scheme).**

## Valuation Statement Notes

Note	Comment
1.	<p><u>Total undiscounted Determined Claims</u></p> <p>Total Determined Claims before the application of present value discount</p>
2.	<p><u>Total present value discount</u></p> <p>The discount value applied to the values of Determined Claims as determined in accordance with the Scheme.</p> <p>(Clause 2.7.1.7 of the Scheme)</p>
3.	<p><u>Total discounted Determined Claims</u></p> <p>The total of the Scheme Creditor's Determined Claims.</p> <p>(Clause 2.7.1.1 of the Scheme)</p>
4.	<p><u>Set-off</u></p> <p>The amount of adjustments reflecting payments by or to Deutsche Rück or transactions effecting netting off or set-off in respect of a Scheme Creditor's Determined Claims.</p> <p>(Clause 2.7.1.2 of the Scheme)</p>
5.	<p><u>Scheme Debts</u></p> <p>The value of any Scheme Debts unsettled by the Scheme Creditor.</p> <p>(Clause 2.7.1.3 of the Scheme)</p>
6.	<p><u>Security</u></p> <p>The amount of any Scheme Claims which have been satisfied by the application of Security or Letters of Credit since the Effective Date and the amount of any Security or Letters of Credit, excluding any regulatory trust fund, to be deducted from the total of such Scheme Creditor's Agreed Claims,</p> <p>(Clause 2.7.1.4 of the Scheme)</p>

7.	<p><u>Scheme Adjudicator's fees and costs</u></p> <p>The amount of any sums in respect of the Scheme Adjudicator's unpaid remuneration, costs and expenses pursuant to Clause 2.5.3.6 to be deducted from the total of such Scheme Creditor's Determined Claims.</p> <p>(Clause 2.7.1.5 of the Scheme)</p>
8.	<p><u>Advance payments</u></p> <p>The amount of any advance payment treated as having been received by the Scheme Creditor for the purposes of clause 4.1.2 which is to be deducted from the total of such Scheme Creditor's Agreed Claims.</p> <p>(Clause 2.7.1.6 of the Scheme)</p>
9.	<p><u>Tax adjustments</u></p> <p>Any amounts which are required to be deducted or withheld by Deutsche Rück for or on account of Tax in respect of Admissible Interest or otherwise.</p> <p>(Clause 2.7.1.8 of the Scheme)</p>
10.	<p><u>Other adjustments</u></p> <p>Any other amounts in relation to Scheme Claims or Scheme Debts not expressly referred to above which the Scheme Manager considers ought to be taken into account for the purpose of calculating the Scheme Creditor's Net Ascertained Claim or Deutsche Rück 's Net Debt, as the case may be.</p> <p>(Clause 2.7.1.9 of the Scheme)</p>
11.	<p><u>Scheme Creditor's Net Ascertained Claim or Net Debt</u></p> <p>The final balance following aggregation of the amounts referred to above, which shall be the Scheme Creditor's Net Ascertained Claim or Net Debt, as the case may be.</p> <p>(Clause 2.7.1.10 of the Scheme)</p>