

To: AFIA Creditors

23 July 2004

Direct Line: 020 7951 1195  
e-mail: mharrison1@uk.ey.com

**THIS LETTER AND ITS ENCLOSURES ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION**

Dear Sirs

**The Home Insurance Company ("the Company") (in liquidation and in provisional liquidation)**

**Proposed Scheme of Arrangement**

We believe that you are, or may be, a creditor of the Company in respect of treaty reinsurance business underwritten by the Company's UK branch through the American Foreign Insurance Association (an "AFIA Creditor") or that you have acted, or may have acted, on behalf of persons who are, or may be, AFIA Creditors of the Company.

The Company has decided to propose a scheme of arrangement pursuant to Section 425 of the Companies Act 1985 of England and Wales (the "Scheme") to its AFIA Creditors. In broad summary, the purpose of the Scheme will be to enable AFIA Creditors to receive a 50% share (net of certain deductions) of the proceeds received by the Company from its indemnitors in respect of its liabilities under the AFIA treaty reinsurance business (the "Fund"). It is proposed that the arrangement will provide that payments will be made out of the Fund to AFIA Creditors with determined claims in the New Hampshire liquidation by reference to a payment percentage to be set by the administrators of the Scheme.

On 5 July 2004 the High Court of Justice of England and Wales ordered that a meeting of Scheme Creditors (being, AFIA Creditors) be summoned for the Company. The purpose of the meeting is for AFIA Creditors to consider and, if thought fit, approve the Scheme. Notice of the meeting appears on pages 82 - 83 of the enclosed Scheme document.

**The meeting is to be held on 8 September 2003 at 10.30 a.m.**

In most cases you will have been sent a copy of this letter and the Scheme document because you have been identified as being an AFIA Creditor and therefore a Scheme Creditor. However, receipt of this letter and the enclosed documents does not necessarily mean that you are an AFIA Creditor

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or that you will be affected by the Scheme. You may wish to ask your broker to provide you with further information concerning this matter.

As already indicated above, we are also sending this letter and enclosures to brokers and other intermediaries. One of the reasons for sending the letter and enclosures to brokers and other intermediaries is that the Company does not have any other address for certain AFIA Creditors. Where the addressee of this letter is a broker or other intermediary (the Company believes) such broker or intermediary placed business with the Company. We would urge such broker or other intermediary to notify all AFIA Creditors or any other clients whom they consider potentially might be affected by the Scheme with news of the Scheme, the location, date and time of the meeting of AFIA Creditors to consider and, if thought fit, approve the Scheme, that copies of the Scheme, the Explanatory Statement and Voting Form may be obtained from the offices of Ernst & Young LLP, at 1 More London Place, London SE1 2AF (contact Sarah Ellis; telephone number 020 7951 9955) or the offices of Clifford Chance Limited Liability Partnership, at 10 Upper Bank Street, London, E14 5JJ (contact Jeanette Best; telephone number 020 7006 1612), and of the action that such AFIA Creditors are required to take.

If you are a person who acted on behalf of potential AFIA Creditors, it is possible that the persons for whom you acted will contact you in connection with the enclosed documents. You are therefore urged to read them carefully and, if you are in any doubt as to the rights of such persons in relation to it, advise potential Scheme Creditors to consult a lawyer or other professional adviser as appropriate.

We enclose for your attention:

1. the Scheme document containing the Scheme itself, the Explanatory Statement explaining the effect of the Scheme and notice of the meeting of Scheme Creditors to consider and, if thought fit, approve the Scheme;

a voting form (consisting of a form of proxy and claims table) in respect of the Company (the "Voting Form") on which there is also printed guidance notes and instructions for their completion; and

a map showing the location of the Scheme meeting at the offices of Clifford Chance Limited Liability Partnership, 10 Upper Bank Street, London E14 5JJ.

You are requested to return the Voting Form to The Home Insurance Company, c/o the Joint Provisional Liquidators, Ernst & Young LLP, 1 More London Place, London SE1 2AF (marked for the attention of Gareth Hughes / Sarah Ellis) (fax: +44 (0) 20 7951 9002) by 5.00 p.m. London time on 6 September 2004. A faxed copy of the Voting Form will be accepted if legible but Scheme Creditors are requested to return the originals either by handing them in at the registration desk for the meeting prior to the commencement of the meeting or sending them to The Home Insurance Company, c/o the Joint Provisional Liquidators (marked for the attention Gareth Hughes / Sarah Ellis) at the above address within 7 days of the meeting.

If you have any questions regarding the Scheme, the meeting or completion of the Voting Form, please contact The Home Insurance Company, c/o Sarah Ellis at Ernst & Young LLP, 1 More London Place, London SE1 2AF (e-mail: [sellis@uk.ey.com](mailto:sellis@uk.ey.com); or telephone: +44 (0) 20 7951 9955).

**Please read the enclosed document carefully. If you are in any doubt as to the action you should take, you should consult your insurance broker or other professional adviser without delay.**

Yours faithfully  
For The Home Insurance Company

Gareth Hughes  
Joint Provisional Liquidator