

Messrs John Christopher McKenna and Gareth Howard Hughes
Joint Liquidators of the Bermuda Fire & Marine Insurance Company Limited (in liquidation)
c/o John Stow House
18 Bevis Marks
London EC3A 7JB

17 March 2004

Dear Sirs,

The Bermuda Fire & Marine Insurance Company Limited (in liquidation) (the "Company")

We refer to the Scheme of Arrangement (the "**Original Scheme**") dated 2 October 1996 entered into between the Company and the Scheme Creditors (as defined in the Original Scheme) and which became effective on 14 January 1997.

We also refer to the Amending Scheme of Arrangement (the "**Amending Scheme**") proposed to be entered into between the Company and its Scheme Creditors (as defined in the Amending Scheme) pursuant to section 99 of the Companies Act 1981 of Bermuda (the "**Bermudian Companies Act**") and Section 425 of the Companies Act 1985 (the "**English Act**"), the purpose of which is to amend and restate the Original Scheme in the form attached at Schedule 1 to the Amending Scheme, or in the event of Decoupling, with those changes in Schedule 2 thereto or in the form sanctioned by the Courts (the "**Restated Scheme**"). The Amending Scheme and Restated Scheme are to be binding upon the Scheme Creditors, the Company and ourselves.

We also refer to the Explanatory Statement with its appendices (the "**Explanatory Statement**") prepared in connection with the Amending Scheme pursuant to Section 100 of the Bermudian Companies Act and Section 426 of the English Act (and which together with the Amending Scheme and the Restated Scheme (all of which are to be substantially in the form contained in the draft Scheme Documentation dated 23 January 2004) shall be referred to in this letter as the "**Amending Scheme Documentation**").

The purpose of this letter of agreement is to record our agreement:

- (i) to undertake to be bound by the Amending Scheme and Restated Scheme upon and to the extent that they become effective; and

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(ii) as required by certain specific clauses of the Original Scheme and Amending Scheme.

The provisions of this letter in paragraphs 1.2(a) and 2 below shall only come into force in respect of the Company upon the occurrence of the Amending Scheme Effective Date.

Except where the context otherwise provides, words and expressions used in this letter shall have the same meaning as in the Amending Scheme and Restated Scheme.

Except where specified, all Clauses and Parts referred to below are to the Restated Scheme.

1. **UNDERTAKING TO BE BOUND BY THE AMENDING SCHEME AND RESTATED SCHEMES**

1.1 We confirm that we are not, at present, aware of any fact or matter which would make us unwilling to be bound by the Amending Scheme or the Restated Scheme once they have been sanctioned by the appropriate Courts and become effective.

1.2 Subject to any such fact or matter arising prior to such sanction:

(a) we agree with the Company and the Liquidators that, subject to the Amending Scheme and Restated Scheme becoming effective, we will be bound by the Amending Scheme and the Restated Scheme as it relates to us;

(b) we hereby undertake to the Courts, subject to the Amending Scheme and Restated Scheme becoming effective, to be bound by the Amending Scheme and the Restated Scheme and (insofar as may be within our powers) to execute or do, or procure to be executed or done, all such documents, acts or things as may be necessary or as the Courts may consider desirable to be executed or done by us or on our behalf for the purpose of giving effect to the Amending Scheme and the Restated Scheme; and

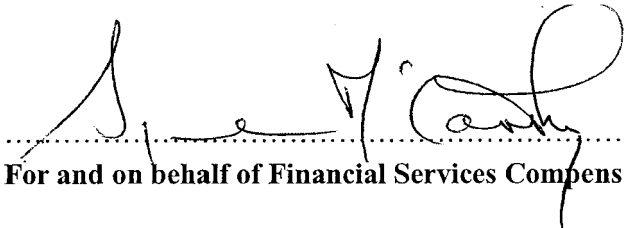
(c) we hereby consent to the inclusion in the Amending Scheme Documentation, of reference to ourselves in the form and in the context in which they appear and, accordingly, we consent to the issue of the Amending Scheme Documentation.

2. **CLAUSE 2.12 OF THE ORIGINAL SCHEME AND CLAUSES 1.5.2 AND 1.5.3 OF THE AMENDING SCHEME**

2.1 We refer to the Clause 2.12.2 of the Original Scheme which requires the FSCS to consent in writing to any contractual arrangement of the nature described in Clause 2.12.1(a) of the Original Scheme being entered into between the Company and a Scheme Creditor. For the avoidance of doubt, on the basis that the Restated Scheme becomes effective, without Decoupling, in respect of the Company, the provisions of Clause 8.4.44 shall apply in respect of it.

- 2.2 In the event of Decoupling, under Clause 1.5.2 (included with Appendix 2 of the Amending Scheme) it is a condition precedent to any Scheme Claim becoming an Established Scheme Liability under the Restated Scheme that the Scheme Creditor in question shall have submitted a Claim Form contracting with the Company in the following way. The Scheme Creditor will contract that any liability of the company to the Scheme Creditor as determined in accordance with Part 8 shall be treated as an Established Scheme Liability arising otherwise than as a result of an obligation to pay an ascertained sum of money being established in accordance with Clause 2.6.1 of the Original Scheme (being a contractual arrangement within the meaning of Clause 2.12.1 (a)(ii) of the Original Scheme).
- 2.3 Accordingly, in the event of Decoupling, we hereby give our consent to each and every such contractual arrangement as is referred to in Clause 2.12.1(a)(ii) of the Original Scheme in the manner described in the preceding paragraph of this letter. For the avoidance of doubt, this is a general consent and neither the Company nor the Liquidators are required to seek our consent under Clause 2.12.2 of the Original Scheme so far as such contractual arrangements are concerned on a Scheme Creditor by Scheme Creditor basis.

Yours faithfully,



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For and on behalf of Financial Services Compensation Scheme Limited