

**NOTICE OF DIRECTIONS HEARINGS
(LONG FORM NOTICE)**

CASE No. [] OF 2004

CLAIM No. 1321 OF 2004

IN THE SUPREME COURT OF BERMUDA

IN THE HIGH COURT OF JUSTICE OF
ENGLAND AND WALES
CHANCERY DIVISION
COMPANIES COURT

IN THE MATTER OF THE BERMUDA FIRE &
MARINE INSURANCE COMPANY LIMITED (IN
LIQUIDATION)

IN THE MATTER OF THE BERMUDA FIRE &
MARINE INSURANCE COMPANY LIMITED
(IN LIQUIDATION)

AND IN THE MATTER OF THE COMPANIES ACT
1981 OF BERMUDA

AND IN THE MATTER OF THE COMPANIES
ACT 1985 OF GREAT BRITAIN

NOTICE IS HEREBY GIVEN that applications have been made to the Supreme Court of Bermuda and the High Court of Justice in England and Wales in relation to The Bermuda Fire & Marine Insurance Company Limited (In Liquidation) (the "**Company**") for directions to convene meetings (the "**Meetings**") of its Scheme Creditors (as defined in the Amending Scheme hereinafter mentioned) for the purpose of considering and, if thought appropriate, approving (with or without modification) an amending scheme of arrangement (the "**Amending Scheme**") proposed to be made between the Company and its Scheme Creditors pursuant to section 99 of the Companies Act 1981 of Bermuda and section 425 of the Companies Act 1985 of Great Britain. The purpose of Amending Scheme is to amend certain provisions of a scheme of arrangement dated 2 October 1996 which became effective on 14 January 1997 (the "**Original Scheme**") between the Company and the Scheme Creditors.

Scheme Creditors who will be affected by the Amending Scheme, should it be implemented, are those creditors of the Company in respect of any claim arising out of a liability to which the Company was subject at 16 December 1994 (the date of the order of the Supreme Court of Bermuda winding up the Company) or to which it became subject thereafter, by reason of an obligation incurred before that date) but excepting any claim which is preferential in the liquidation of the Company or a claim in respect to the costs or expenses of the Original Scheme or Amending Scheme which will be payable in full.

The purpose of the hearing of these applications (the "**Hearings**") is to obtain directions concerning the convening and conduct of the Meetings

The Meetings are separate meetings of the following classes of Scheme Creditors of the Company:

- (i) Protected Scheme Creditors (being Scheme Creditors whose claims are eligible for protection under the applicable provisions of the Policyholders Protection Act 1975 by the Financial Services Compensation Scheme Limited); and
- (ii) General Scheme Creditors (being any other Scheme Creditors).

The purpose of the Original Scheme is to provide for claims of Scheme Creditors to be processed and agreed as they would in a normal solvent run-off, except that Scheme Creditors are paid a percentage of their claims as and when they become established.

The overall purpose of the Amending Scheme is to accelerate the closure of the Company's insurance and reinsurance businesses. If the Amending Scheme becomes effective, it will make certain amendments to the Original Scheme in order to :

- provide a mechanism for closure of the Original Scheme by the utilisation of a bar date ("**Bar Date**") for submission of claims together with an actuarially based estimation methodology, where appropriate, to evaluate and quantify liabilities (including contingent and future insurance and reinsurance liabilities) notified under the Amending Scheme owed by and to the Company.

The purpose of the estimation methodology is to establish the quantum, by agreement or, if necessary, adjudication of those claims of Scheme Creditors against the Company which are prospective or contingent or otherwise unascertained (including "outstanding losses" and incurred but not reported claims ("**IBNR**")). The estimation methodology will also value "outwards" or ceded outstanding losses and IBNR under reinsurance contracts between the Company and those Scheme Creditors who are reinsurers of the Company in the same way for the purposes of quantifying the net amounts (after set off) of their claims against the Company. The estimation methodology has no application to the claims of General Scheme Creditors whose Scheme Claims have been established in the normal course either under the Original Scheme or Amending Scheme, or to Protected Scheme Creditors.

- enable a substantive closure distribution and ultimate distributions to be declared and paid by the Company to all of the Scheme Creditors, net of distributions previously paid, significantly earlier than would be the case if the Company's insurance and reinsurance business was allowed to run off in the normal course under the Original Scheme; and
- provide the Liquidators, the Company, the Informal Creditors Committee, the Committee of Inspection, KMS, the Scheme Actuary and the Scheme Adjudicator and others with full and effective waivers and releases from all and any liabilities in respect of either the Original Scheme, the Amending Scheme or the Restated Scheme (and, in the case of the Informal Creditors Committee and the Committee of Inspection, the Company's liquidation) (which are not notified prior to the date of the substantive closure distribution).

Scheme Creditors who wish to attend and make representations in connection with the composition of the Meetings may do so at the Hearings on 1 April 2004 in the Supreme Court of Bermuda and on 31 March 2004 in the High Court of England and Wales.

If the Courts give directions to convene the Meetings the Company will, in due course, make available to all Scheme Creditors copies of the Amending Scheme and the Explanatory Statement to the Amending Scheme at the same time as formal notice is given of the Meetings. In the meantime, the latest draft versions of those documents, the Liquidators'

letter to the Scheme Creditors dated 1 March 2004 notifying the Scheme Creditors of the Hearings, and the form of Bermudian and English Court applications and draft court orders setting out the proposed directions can be downloaded from www.bfmic.bm. Alternatively, hard copies can be obtained from the Liquidators.

In the event that the Courts give permission to convene the Meetings and the Scheme Creditors vote in favour of the Amending Scheme at the Meetings, we would expect the Bar Date to be toward the end of September 2004.

The Joint Liquidators of the Company, John Christopher McKenna, Gareth Howard Hughes and Leon Anthony Joaquin.

The Bermuda Fire & Marine Insurance Company Limited (in liquidation)
c/o John Stow House
18 Bevis Marks
London EC3A 7JB

Tel: +44 (0) 20 7645 4995
Fax: +44 (0) 870 600 7582

Appleby Spurling & Kempe
Canon's Court
22 Victoria Street
Hamilton HM 12
Bermuda

Clifford Chance
10 Upper Bank Street
London E14 5JJ
United Kingdom
(Ref: PLH/M5020/00018)

Dated 1 March 2004