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UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK

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In re                               :
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    Petition of Gareth Hughes and Anthony :   In Proceedings Under
    Joaquin, as Joint Provisional Liquidators :   Section 304 of the
    of The Bermuda Fire & Marine Insurance :   Bankruptcy Code
    Company Limited,                   :
                                     :   Case No. 93-B-46013 (PCB)
Debtor in Foreign Proceedings.         :
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ORDER AMENDING PERMANENT INJUNCTION ORDER

This matter having come before this Court on the motion (the “Motion”), dated May 25, 2004, made on behalf of Gareth Howard Hughes, Leon Anthony Joaquin and John Christopher McKenna (collectively, the “Liquidators”) as the Joint Liquidators of The Bermuda Fire & Marine Insurance Company Limited (the “Company”), seeking the entry of an order pursuant to sections 105 and 304 of title 11 of the United States Code (the “Bankruptcy Code”) amending a certain permanent injunction order previously entered by this Court on January 7, 1997 (the “Original Section 304 Order”), a copy of which is annexed hereto as Exhibit A; and the Court having reviewed and considered the Motion and the Declaration of John Christopher McKenna, dated May 25, 2004, submitted in support of the Motion; and the Court having entered an order (the “Service Order”), dated May 26, 2004 (i) scheduling a hearing (the “Hearing”) with respect to the Motion for June 23, 2004, and (ii) authorizing the Liquidators to serve and publish notice

of the relief sought pursuant to the Motion as provided in the Service Order; and it appearing that notice of the Motion was served and published in accordance with the Service Order; and the Court having found and concluded that the manner in which the Liquidators have provided notice of the relief sought pursuant to the Motion and notice of the Hearing was sufficient and adequate and that no other or further notice with respect to the Motion or the Hearing need be provided; and the Hearing having been held on June 23, 2004, and upon the record at the Hearing and any objections, answers, and responses interposed with respect to the Motion; and upon all of the motions, declarations, objections, responses, statements, schedules, appendices, exhibits and other papers filed in this ancillary proceeding; and the Court having determined that the relief sought in the Motion is appropriate under the circumstances; and after due deliberation and sufficient cause appearing therefor, the Court finds and concludes as follows:

1. The Company is the subject of “foreign proceedings” within the meaning of sections 101(23) and 304 of the Bankruptcy Code, and the Liquidators are the “foreign representatives” of the Company within the meaning of sections 101(23) and 304 of the Bankruptcy Code.

2. The Company is subject to a Scheme of Arrangement (the “Original Scheme”), dated October 2, 1996, between the Company and its creditors. The Original Scheme was approved by the requisite number of creditors, and sanctioned by orders of both the High Court of Justice of England and Wales (the “High Court”) and the Supreme Court of Bermuda (the “Bermuda Court”) on January 14, 1997. The Original Scheme has been enforced in the United States by the Original Section 304 Order.

3. A further Scheme of Arrangement (the “Amending Scheme”) between the Company and its creditors (the “Scheme Creditors”) was approved by the requisite number of

Scheme Creditors on May 18, 2004 and sanctioned by order of the High Court dated June 18, 2004, and by order of the Bermuda Court dated June 18, 2004. The Amending Scheme has amended certain provisions of the Original Scheme (as amended and restated, the “Restated Scheme”).

4. The Liquidators have demonstrated that pursuant to section 304 of the Bankruptcy Code, the relief sought in the Motion will best assure an economical and expeditious administration of the Company’s affairs in accordance with the terms and conditions set forth in the Restated Scheme, consistent with the factors set forth in section 304(c) of the Bankruptcy Code, including:

(i) the just treatment of all holders of claims against or interests in the Company’s estates;

(ii) the protection of claim holders in the United States against prejudice and inconvenience in the processing of claims in the foreign proceedings;

(iii) the prevention of preferential or fraudulent dispositions of the property of the Company’s estate;

(iv) the distribution of proceeds of the Company’s estate substantially in accordance with the order prescribed by the Bankruptcy Code; and

(v) comity.

5. Further, the Liquidators have demonstrated that the requested amendments to the Original Section 304 Order will not cause hardships to parties affected by the Original Section 304 Order that are not outweighed by the benefits of amending the Original Section 304 Order to incorporate the Restated Scheme. The relief requested will not cause undue hardship or

inconvenience to Scheme Creditors and, to the extent any hardship or inconvenience does result from an order granting the relief requested in the Motion, such hardship or inconvenience is outweighed by the benefits to the Company, its estate and Scheme Creditors.

6. Further, this Court finds that unless the amendments to the Original Section 304 Order are approved, one or more persons or entities may transfer, relinquish or dispose of property of the Company, or proceeds thereof, or commence or continue the prosecution of judicial actions, arbitration proceedings, administrative or regulatory actions or other actions or proceedings against the Company, its property or the proceeds thereof, thereby interfering with, and causing harm to, the Liquidators' efforts to administer the Company's estate pursuant to the foreign proceedings pending in the United Kingdom and Bermuda, and that as a result, the Liquidators and the Company will suffer irreparable injury for which they have no adequate remedy at law.

7. The interest of the public will be served by this Court granting the relief requested in the Motion.

NOW, THEREFORE, IT IS HEREBY ORDERED AS FOLLOWS:

ORDERED, that all references contained in the Original Section 304 Order to the Original Scheme (i.e., the "Scheme of Arrangement") shall be deemed to refer to the Restated Scheme from and after the date hereof; and it is further

ORDERED, that nothing herein shall alter, impair or limit the protections, privileges and immunities afforded to each of the following parties with respect to any act, omission or conduct, as provided by or permitted in any of the Original Section 304 Order, the Original Scheme or the Restated Scheme: the Company, the Liquidators, any subsequent or former liquidators, the

Scheme Conflicts Administrator¹, the Scheme Actuary, the Scheme Adjudicator, the members of the Committee of Inspection and the Informal Creditors' Committee, KMS, KHL (and its subsidiaries) Nominated Representatives and representatives of FSCS (and their respective alternates), Designated Representatives, Employees and Delegates (within the meaning of Clause 5.3.2 of the Restated Scheme), any person who may be held liable in law for the actions or omissions of such persons, and the respective officers, directors, agents, employees, representatives, financial advisors and attorneys of each of the foregoing, all of which shall be included in the term "Company Parties" and "Scheme Parties", each as used in the Original 304 Order; and it is further

ORDERED, that notwithstanding anything contained herein, the provisions of Clause 9.4 of the Restated Scheme are expressly approved herein in their entirety and are hereby incorporated herein by reference as if set forth at length herein; and it is further

ORDERED, that except as modified herein, the Original Section 304 Order is hereby ratified, approved and re-affirmed in all respects; and it is further

ORDERED, that this Court shall retain jurisdiction with respect to the enforcement, amendment or modification of this Order or requests for any additional relief in this ancillary proceeding filed under Section 304 of the Bankruptcy Code and all adversary proceedings in connection therewith, which are properly commenced and within the jurisdiction of this Court; and it is further

ORDERED, that the Restated Scheme shall be given full force and effect and shall be binding on and enforceable against all Scheme Creditors in the United States that have claims

¹ Any capitalized term used herein but not defined herein or in the Motion shall have the meaning ascribed to such term in the Restated Scheme.

against the Company, which claims are covered by, or afforded treatment under, the Restated Scheme; and it is further

ORDERED, that service of this Order in the following manner shall be good and sufficient service and adequate notice of entry of this Order for all purposes:

(A) by publication of notice of entry of this Order, promptly following entry hereof, once in *The Wall Street Journal* (USA national edition) and *Business Insurance*; and

(B) by posting a copy of this Order, together with the exhibits hereto, on the website maintained by the Company at www.bfmic.bm.

Dated: New York, New York
June 23, 2004

/s/ Prudence Carter Beatty
UNITED STATES BANKRUPTCY JUDGE