

## FOR THE ATTENTION OF THE FINANCE DIRECTOR

Date 1<sup>st</sup> October 2008

Tel.: +44 (20) 3003 7150

Dear Sirs

### **Proposed intra-group transfer of our general insurance and reinsurance business effected and/or carried out by Munich Re America, UK Branch, in the United Kingdom to Great Lakes Reinsurance (UK) PLC ("Great Lakes")**

#### **Introduction**

Munich Re America, UK Branch ceased to write new business in its general insurance and reinsurance portfolio (the "**Portfolio**") in December 2003. All business comprised in the Portfolio has reached the end of its policy term and the Portfolio has been in run-off since December 2003.

It has been decided, as part of a group rationalisation, to transfer the Portfolio to Great Lakes to enable Munich Re America to close its UK branch in the first half of 2009. Great Lakes conducts general insurance and reinsurance business of a similar nature to the Portfolio.

Both Munich Re America and Great Lakes are wholly owned subsidiaries of Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München ("**Munich Re**"), their ultimate parent company.

The formal transfer of the Portfolio from Munich Re America to Great Lakes will be effected by means of an insurance business transfer scheme (the "**Scheme**") under Part VII of the Financial Services and Markets Act 2000 ("**FSMA**"). In order for the Scheme to become effective, the sanction of the High Court of Justice in England (the "**Court**") must be obtained. The formal Court hearing is currently expected to take place on 16 December 2008. If the Court approves the Scheme, it will issue a formal order transferring the policies comprising the Portfolio, without alteration, from Munich Re America to Great Lakes. It is proposed that the Scheme shall take effect on or about 31 December 2008.

Under the reinsurance or retrocession agreement(s) between Munich Re America and yourselves as listed in the attached Schedule (the "**Reinsurance or Retrocession Agreement(s)**"), you presently reinsure risks to Munich Re America under policies that comprise part of the Portfolio. The Scheme envisages that after the transfer of the Portfolio, Great Lakes, in place of Munich Re America, will become the reinsured under the relevant Reinsurance or Retrocession Agreement(s).

### **The Transfer**

At the formal court hearing, the Court will be asked to order the transfer of the Reinsurance or Retrocession Agreement(s) to Great Lakes as part of the Scheme. The effect of the order is that all rights, benefits and powers conferred on or vested in Munich Re America under the Reinsurance or Retrocession Agreement(s), as well as all obligations imposed on Munich Re America, will, without further action, be transferred to Great Lakes subject to the terms of the Scheme as if they had been part of the Reinsurance or Retrocession Agreement(s) from inception. All references in the Reinsurance or Retrocession Agreement(s) to Munich Re America and its directors, officers and employees or agents would then be read and construed as references to Great Lakes and its directors, officers and employees or agents.

The Scheme contemplates that you will not be prejudiced by the transfer as it provides that you will have no greater or lesser liability to Great Lakes under any Reinsurance or Retrocession Agreement than you would have had to Munich Re America under that Reinsurance or Retrocession Agreement in the absence of the Scheme.

### **Report of the Independent Expert**

Before the Court can approve an insurance business transfer scheme under FSMA, an independent expert is required, pursuant to section 109 of FSMA, to report on the effects of the Scheme on policyholders. Mr. Fred Duncan of PricewaterhouseCoopers, Fellow of the Institute of Actuaries, was appointed by Munich Re America and Great Lakes to provide such a report (the "**Report**") as an independent expert (the "**Independent Expert**") and this appointment was approved by the Financial Services Authority. Mr. Fred Duncan has prepared the requisite report wherein he concludes that no affected policyholders of Munich Re America and Great Lakes (or third parties who rely on their policies) would be materially affected by the transfer under the Scheme.

A summary of the Report is included in the Scheme Summary and is available free of charge upon request and on our websites. Please see the section entitled "*More Information*" below should you require a copy of the Report or the Scheme Summary.

## Action Required

It is proposed that the Court will order the transfer of the Reinsurance or Retrocession Agreement(s) from Munich Re America to Great Lakes pursuant to the Scheme. Whilst it is not a requirement, we would appreciate your written confirmation that you do not object to the proposed transfer of the Reinsurance or Retrocession Agreement(s) to Great Lakes as envisaged in the Scheme. Would you please sign and return the duplicate copy of this letter to signify your confirmation, as soon as possible.

Apart from returning the confirmation below, you will not be required to take any further action in respect of the transfer. However, should you require further information please see the section entitled "*More Information*" below.

If you believe that you would be adversely affected by the proposed transfer, you have the right under FSMA to make written representations and/or to appear at the Court hearing which is currently scheduled to take place on or about 16 December 2008 at the Royal Courts of Justice, Strand, London, WC2A 2LL.

If you intend to appear at the Court hearing, either in person or by counsel, or you dissent from the Scheme but do not intend to appear at the Court hearing, you are asked to provide no less than 14 clear day's prior written notice of your intention and details of your concerns. This should be sent to Cheng-Li Yow at Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ, quoting the reference CMS/CLY/70-40046261.

## More Information

If you would like any further information or would like to request a copy of the Report or the Scheme Summary, or if you have any comments or questions about the Scheme, you can contact Patricia Natus by telephone on +44 203 0037149 (between 10:00 am and 4:00 pm) or in writing at Plantation Place, 30 Fenchurch Street, London EC3M 3AJ. Copies of the Report and the Scheme Summary are also available on our websites [www.munichreamerica.com](http://www.munichreamerica.com) and [www.greatlakes.co.uk](http://www.greatlakes.co.uk).

Yours faithfully

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Geoffrey Savage  
For and on behalf of  
**Munich Reinsurance America, Inc**

**Consent of Reinsurer/Retrocessionaire\***

We hereby confirm that we have no objections to Great Lakes becoming the reinsured under the Reinsurance/Retrocession Agreement(s)\* under the terms of the Scheme.

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Signed  
for and on behalf of:

\_\_\_\_\_  
Dated

\_\_\_\_\_  
(Please use block capitals)

*\* Please delete as applicable.*