

**PROPOSAL IN RELATION TO A
SCHEME OF ARRANGEMENT**

pursuant to Section 99 of the Companies Act 1981 of Bermuda

between

**The United Kingdom Mutual Steam Ship
Assurance Association (Bermuda) Limited**

and its

SCHEME CREDITORS
(as defined in the Scheme of Arrangement)

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. 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.

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between

The United Kingdom Mutual Steam Ship Assurance
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SCHEME CREDITORS

(as defined in the Scheme of Arrangement)

In an endeavour to ensure that insurance brokers are in a position to advise their clients as to the action they should take, a copy of this document has been sent to all brokers identified by The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (the “Company” or “UKB”) and known to have placed business with or on behalf of the Company or to have had dealings with the Company. Further copies of this document can be obtained at the offices of Thomas Miller, 90 Fenchurch Street, London, England EC3M 4ST.

Contents

	Page
Advisors to the Company	2
Key Dates and Expected Timetable	2
Important Notice to Scheme Creditors	3
Explanatory Statement (with contents page)	5
The Scheme of Arrangement (with contents page)	19
Notice of the Scheme Meeting of Scheme Creditors	33

The meeting of creditors (the “Scheme Meeting”) of the Company to consider and, if thought fit, approve a scheme of arrangement (the “Scheme”) will be held at 9.10 am (Central European Time), Monday 29 October 2012 at Hotel Le Bristol Paris, 112 Rue Du Faubourg Saint-Honore, 75008, Paris, France. A notice of the Scheme Meeting is enclosed with this document (the “Notice”).

The action you should take is set out in the Notice. Whether or not you intend to be present at the Scheme Meeting, you are requested to complete and return the Claim Form and Form of Proxy enclosed with this document in accordance with the instructions and notes contained therein so as to arrive by 5:00 pm (Greenwich Mean Time) on 23 October 2012. Claim Forms and Forms of Proxy may also be handed to the Chairman at the place of the Scheme Meeting before the commencement of the Scheme Meeting.

Where they are defined in the Scheme, capitalised terms in the remainder of this document bear the same meaning as they do in the Scheme.

Advisors to the Company

Managers

Thomas Miller (Bermuda) Limited
22 Victoria Street
Hamilton HM EX,
Bermuda.

Legal Advisors

Appleby (Bermuda) Limited
22 Victoria Street
Hamilton, HM EX
Bermuda
(Ref: JYF)

Reed Smith LLP
The Broadgate Tower
20 Primrose Street
London
EC2A 2RS

Key Dates and Expected Timetable

Valuation Date	20 August 2012
Claim Forms and Forms of Proxy to be returned by*	23 October 2012
Scheme Meeting of Scheme Creditors	29 October 2012
Bermuda Court Hearing of the Petition to sanction the Scheme**	9 November 2012
Effective Date of the Scheme***	20 February 2013

* Scheme Creditors may send their Form of Proxy and Claim Form for the attention of John McPhail of Thomas Miller by facsimile transmission to facsimile number + 44 (0) 20 7283 8006 or by email to john.mcphail@thomasmiller.com by the same time on the same date. Forms of Proxy and Claim Forms may also be handed to the Chairman of the Scheme Meeting before the commencement of the Scheme Meeting

*** These dates are indicative only. The timetable has been prepared on the assumption that the Bermuda Court dates for the Scheme will be available as and when applied for; if not then dates for surrounding key events in the timetable will be subject to a corresponding adjustment.

Scheme Creditors will be kept advised of any significant changes to the expected timetable under the Scheme.

Important Notice to Scheme Creditors

This document has been prepared in connection with the proposed Scheme pursuant to Section 99 of the Companies Act 1981 of Bermuda between the Company and its Scheme Creditors. The information contained in this document has been provided by the Company.

The statements contained in this document are made as at the date of this document unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date.

Nothing contained in this document shall constitute any admission of any fact or liability on the part of the Company with respect to any asset to which it may be entitled or any claim against it.

The summary of the principal provisions of the Scheme and related matters set out in the Explanatory Statement is qualified in its entirety by the Scheme, the full text of which is set out at pages 19 to 42 of this document.

Each Scheme Creditor is advised to read in full and consider carefully the text of the Explanatory Statement, the Scheme and the Appendices thereto. Each Scheme Creditor is advised that reading individual sections in isolation may be misleading.

No person has been authorised by the Company to make any representations concerning the Scheme which are inconsistent with the statements contained in this document and, if made, such representations may not be relied upon as having been so authorised.

Scheme Creditors should not construe the contents of this document as legal, tax or financial advice. Scheme Creditors should consider consulting professional advisors as to legal, tax, financial and other relevant matters before taking any action in connection with the Scheme.

The Scheme Documents will be uploaded to <http://www.ukpandi.com/about-the-club/club-restructure>

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EXPLANATORY STATEMENT
(in compliance with Section 100 of the Companies Act 1981 of Bermuda)

in relation to a

SCHEME OF ARRANGEMENT

between

**The United Kingdom Mutual Steam Ship Assurance
Association (Bermuda) Limited**

and its

SCHEME CREDITORS

(as defined in the Scheme of Arrangement)

Contents

	Page
Letter from the Company	7
The Proposed Scheme	7
What is a Scheme of Arrangement?	8
When will the Scheme become Effective?	8
Who will be affected?	8
Voting at the Scheme Meeting and steps that Scheme Creditors are required to do in relation to the Scheme Meeting	9
Recommendation for the Scheme	13
Section I Background to the Company	14
Corporate History of the Company	14
Corporate History of UKE	14
Corporate History and Operations of the Club	15
Financial Position	15
Section II Summary of the Scheme	16
Application of the Scheme	16
Proceedings	17
Rights in Relation to Security Interests and Letters of Credit	17
The Board	17
Governing Law and Jurisdiction	17
The Effective Date	17

**The United Kingdom Mutual Steam Ship Assurance
Association (Bermuda) Limited
22 Victoria Street
Hamilton HM EX
Bermuda**

28 August 2012

Dear Scheme Creditor

Please note that in this letter, words commencing with a capital letter denote defined terms in the Scheme document.

I am writing to you in connection with the Scheme which the Company proposes to enter into with its creditors who are referred to in this document and in the Scheme as Scheme Creditors. The purpose of the Explanatory Statement, of which this letter forms part, is to explain the effect of the Scheme, for which the Company proposes to seek the sanction of the Bermuda Court, subject to the necessary majority of Scheme Creditors voting in favour of the Scheme at the Scheme Meeting convened to consider and, if thought fit, approve the Scheme.

The Proposed Scheme

(a) Background

The Company carries out its insurance and reinsurance business through four branches, namely its UK Branch, Hong Kong Branch, Japan Branch and Singapore Branch.

The Company proposes to transfer certain of its insurance business to its wholly owned United Kingdom subsidiary UKE. The transfer of such business to UKE will be implemented by:

- (a) the Scheme;
- (b) a scheme promoted by UKB and UKE in the English High Court (the “UK Scheme”) under part VII of the Financial Services and Markets Act 2000 (“FMSA”);
- (c) a transfer of general insurance business under section 25D of the Insurance Companies Ordinance in Hong Kong (“the Hong Kong Transfer”);
- (d) a comprehensive transfer of insurance contracts under section 135 of the Insurance Business Act in Japan (“the Japan Transfer”); and
- (e) a transfer of insurance business under Part IIIA (sections 49FA to 49FD of the Insurance Act in Singapore (“the Singapore Transfer”).

The UK Scheme, the Hong Kong Transfer, the Japan Transfer and Singapore Transfer are collectively referred to herein as “the Company’s Branch Transfers”.

(b) Purpose of the Scheme

The purpose of the Scheme and the Company's Branch Transfers is to reduce the number of separately regulated entities by transferring the underwriting business of the Company to UKE. This will assist the Company and UKE who currently carry on business together as the 'UK P&I Club' (the "**Club**"), to streamline corporate governance, reduce compliance costs and efficiently manage the Club's solvency capital requirements. This is desired ahead of the implementation date for Solvency II which is currently anticipated to be 1 January 2014. The capital adequacy requirements for the Company and UKE would increase materially following the implementation of Solvency II if the Scheme and the Company's Branch Transfers were not to be implemented.

(c) Development of the Scheme

In evolving and drafting the Scheme, the Board have worked closely with the Company's Managers to ensure that as many potential Scheme Creditors as possible have been identified and notified of the Scheme proposal. In addition, the Bermuda Monetary Authority in Bermuda has been consulted with in relation to the proposed Scheme.

What is a Scheme of Arrangement?

A scheme of arrangement is a compromise or arrangement provided for by Section 99 of the Companies Act 1981 of Bermuda between a company and its creditors (or any class of them), which becomes legally binding on the company concerned and all creditors to whom it is intended to apply if:

- (a) a majority in number representing not less than three-quarters in value of the creditors of each class of creditors present and voting in person (including, if a corporation, by a duly authorised representative) or by proxy, vote in favour of it at a Scheme Meeting or Scheme Meetings convened with the leave of the court; and
- (b) the court subsequently sanctions the compromise or arrangement and a copy of the order of the court to that effect is delivered to the Registrar of Companies.

When will the Scheme become effective?

The Scheme shall become operative at Noon Greenwich Mean Time on 20 February 2013 or such other time and date as may be specified in the order sanctioning the Scheme, subject to (i) the sanction by the English Court of the UK Scheme and (ii) the sanction by the Court of the Scheme pursuant to Section 99 of the 1981 Act and the subsequent delivery of a copy of the order of the Court sanctioning the Scheme to the Registrar of Companies in Bermuda, as required by Section 99(3) of the 1981 Act.

Who will be affected?

The Scheme is between the Company and the Scheme Creditors. A Scheme Creditor is defined in the Scheme itself but, in summary, will be restricted to those persons who are or who may be a creditor of the Company as a result of having entered into a Policy with the Company in relation to any Transferred Policies. Once the Scheme becomes effective, it will bind the Company and all Scheme Creditors, irrespective of whether they voted at the relevant Scheme Meeting or, if they

voted, whether they voted for or against the Scheme.

Scheme Creditors are directed to paragraphs 2.1.4 and 2.1.5 of the Scheme in relation to the operation of the Scheme if all Other Branch Transfers are not completed by noon GMT 20 February 2013.

The Scheme will not bind creditors other than Scheme Creditors. All other creditors will continue to have their existing rights against the Company which will be unaffected by the Scheme.

Voting at the Scheme Meeting and steps that Scheme Creditors are required to take in relation to the Scheme Meeting

Scheme Creditors are entitled to attend and vote at the Scheme Meeting convened for 29 October 2012. A notice of the Scheme Meeting is enclosed with this document. Scheme Creditors may attend the Scheme Meeting in person (including, if a corporation, by a duly authorised representative) or may vote by proxy. Voting will be by way of a poll.

There is enclosed with this document a Form of Proxy and Claim Form to be used for voting at the Scheme Meetings. Returning the Form of Proxy will not prevent a Scheme Creditor from attending and voting in person should they wish to do so. However, a proxy will not be able to vote if the relevant Scheme Creditor attends and votes in person. Whether you do or do not intend to be present in person at a Scheme Meeting, please complete and sign the Form of Proxy and Claim Form enclosed in accordance with the instructions and notes printed on it and return it as soon as possible, and in any event so that it is received by no later than **5.00 p.m. (Greenwich Mean Time) on 23 October 2012 to the Company care of Thomas Miller at 90 Fenchurch Street, London, EC3M 4ST.**

Alternatively, Scheme Creditors may send their Form of Proxy and Claim Form by facsimile transmission to facsimile number +44 (0) 20 2783 8006 ref: John McPhail or by email to john.mcphail@thomasmiller.com by the same time on the same date. Forms of Proxy and Claim Forms may also be handed to the Chairman before the commencement of the Scheme Meeting on 29 October 2012.

The Company would wish as many votes as possible to be cast at the Scheme Meeting (whether in person or by proxy). Scheme Creditors are therefore encouraged to sign and return their Forms of Proxy and Claim Forms as soon as possible. If Scheme Creditors do not return a signed Claim Form with their Form of Proxy they will not be entitled to vote at the Scheme Meeting.

The Company has endeavoured to make the Scheme voting process as simple as possible for Scheme Creditors. For this reason, Claim Forms sent to Scheme Creditors prior to the Scheme Meeting will be pre-populated by the Company with Policyholder information for the purposes of voting.

This Policyholder information in the pre-populated Claim Form includes details of the following types of liabilities of the Company as at the Valuation Date;

- (a) "Gross Notified Outstanding Claims" being Scheme Claims of a Scheme Creditor in respect of liabilities which have been incurred by Scheme Creditors and notified to the Company;

- (b) “Non-OD IBNR” being Scheme Claims of a Scheme Creditor in respect of non-occupational disease liabilities which have been incurred by Scheme Creditors but have not been reported to the Company; and
- (c) “OD IBNR” being Scheme Claims of a Scheme Creditor in respect of occupational disease liabilities which have been incurred by Scheme Creditors but have not been reported to the Company.

Every year the Company determines the appropriate estimates for IBNR. The Company maintains IBNR provision in relation to the last 10 policy years in respect of non-occupational disease liabilities and a general provision in respect of occupational disease liabilities.

This pre-populated Policyholder information is generated by the Company as follows;

- (a) the amounts of Gross Notified Outstanding Claims represents the Company’s record of the gross outstanding claims notified by the Policyholder since inception of the Company as at the Valuation Date;
- (b) the amounts of Non-OD IBNR represent the allocation by the Company applying the following principles
 - (i) The amount of IBNR in respect of the last 10 policy years will be determined as of the Valuation Date
 - (ii) A report will be generated by the Company showing the amount of premium paid by the Policyholder during each of the last 10 policy years
 - (iii) The amount of Policyholder’s premium in a given policy year is expressed as a percentage of the total premium in that policy year
 - (iv) The Policyholder’s percentage of premium in a given policy year is multiplied by the IBNR allocated to that policy year and then summed to arrive at a Policyholder’s total amount of Non-OD IBNR vote
- (c) the amounts of OD IBNR represent the allocation by the Company applying the following principles
 - (i) The amount of OD IBNR will be determined as of the Valuation Date
 - (ii) A report will be generated by the Company showing the Policyholder exposure period to OD claims, ignoring Policyholders that have ceased trading and applying equal weight to each policy year of exposure.
 - (iii) The amount of Policyholder’s exposure period to OD claims is expressed as a percentage of the Company’s exposure period to OD claims
 - (iv) the Policyholder’s percentage of the exposure period to OD claims is multiplied by the OD IBNR and then summed to arrive at a Policyholder’s total amount of OD IBNR vote.

Where the records of the Company indicate that a Policyholder does not fall within either of a), b) or c) above and hence is unlikely to have any Scheme Claim, such Scheme Creditors will be sent a blank Claim Form. This has been done in order to streamline the voting process in relation to the Scheme.

Scheme Creditors should review the Claim Form sent to them, whether pre-populated or blank, and should update the information as necessary and sign the Claim Form and send it back to the Company with supporting information to support any such amendments prior to the deadline for voting.

In considering the value of votes for the Scheme Meeting no account will be taken of any known set-off, cross claim or security. If a Scheme Claim is agreed, that amount will be used for the purposes of valuing the relevant Scheme Creditor's vote at the Scheme Meeting. If agreement cannot be reached between the Company and a Scheme Creditor on the quantum of a Scheme Claim, the value to be attributed to the relevant Scheme Claim for the purposes of valuing the vote at the Scheme Meeting will be determined by the Chairman of the Scheme Meeting. The Chairman will also have the power to reject a Scheme Claim for voting purposes, in whole or in part, if he considers that it is not fair and reasonable. In the event of a dispute, the Chairman's decision will be final and binding and, where possible, will be notified to the Scheme Creditor before the Scheme Meeting.

As claims under Policies against the Company are filed in various currencies, the Company converts all such claims filed into US Dollars when entered in the records of the Company and for the purposes of the financial statements of the Club. Accordingly all Scheme Claims will be valued in US Dollars in accordance with the existing records and financial statements of the Club. **The amount of a Scheme Claim admitted for voting purposes will not constitute an admission of the existence or amount of any liability of the Company and will not bind the Company for any other purpose.**

The Scheme document and a pre-populated Claim Form will also be supplied to the Policyholder's broker shown on the Company's records. The Company would be grateful if those brokers could inform their clients of the Scheme to ensure that all Scheme Creditors are notified of the Scheme.

If you are unclear about or have any questions concerning the action you are required to take, please contact John McPhail of Thomas Miller, 90 Fenchurch Street, London EC3M 4ST; Telephone: +44 (0) 20 7204 2308; Fax +44 (0) 20 7283 8006; email: john.mcphail@thomasmiller.com.

In respect of any Scheme Creditor that the Company's records indicate may have a Scheme Claim, the Company shall endeavor to list on the Claim Form sent to such Scheme Creditor, the Policy(s) that relate to Bermuda Scheme Transferred Business (of which the Company is aware having regard to its records) between the Company and such Scheme Creditor.

In respect of any potential Scheme Creditor that the Company's records identify as having no Scheme Claim, the Company will send to such Scheme Creditor a blank Claim Form before the Scheme Meeting.

In all cases where a Scheme Creditor wishes to vote for a Scheme Claim for Gross Notified Outstanding Claims, Non-OD IBNR and / or OD IBNR which differs from a pre-populated Claim Form, such Scheme Creditor must provide claims information in support of such Scheme Claim for

Gross Notified Outstanding Claims, Non-OD IBNR and / or OD IBNR.

A Scheme Creditor shall not be required to submit supporting information in respect of its Policy if such Scheme Creditor is in agreement with the Policy information supplied by the Company on the Claim Form.

Where a Scheme Creditor wishes to vote for an amount which differs from the amount on the pre-populated Claim Form sent to such Scheme Creditor, the Scheme Creditor shall submit with its Claim Form information relating to its liabilities as at the Valuation Date by reference to each Policy in respect of Bermuda Scheme Transferred Business pursuant to which the relevant claims arise, together with such details as the Scheme Creditor may have of the Broker or Brokers who placed the relevant business. Each Scheme Creditor shall divide his liabilities into Gross Notified Outstanding Claims, Non-OD IBNR and OD IBNR. In support of:

- (i) Policy information: Scheme Creditors shall amend and return the Claim Form providing a copy of the policy wording, slip or cover note and identify the Company's participation in each Policy;
- (ii) Gross Notified Outstanding Claims: Scheme Creditors shall amend and return the Claim Form providing the most recently reported loss advice or other documentation supporting each Scheme Claim; and
- (iii) Non-OD IBNR and OD IBNR claims: Scheme Creditors shall return the Claim Form providing details of the basis for the calculation for each Scheme Claim supported, where available by documentary evidence showing the reasonableness of such claims including, but not limited to:
 - Paid Loss data; and/or
 - Incurred Loss data; and/or
 - Loss bordereaux; and/or
 - Copies of loss reports from cedants to the Scheme Creditor; and/or
 - Data triangles; and/or
 - Chain Ladder statistics; and/or
 - Actuarial reports

The valuation of the Scheme Claims for the Scheme is solely for the purposes of voting at the Scheme Meeting and are not binding on the Company or Scheme Creditors for any other purpose.

Recommendation for the Scheme

The Scheme and the Company's Branch Transfers are beneficial because they reduce the number of separately regulated entities by transferring the underwriting business of the Company to UKE. This will assist the Company and UKE, to streamline corporate governance, reduce compliance costs and efficiently manage the Club's solvency capital requirements. This is desired ahead of the

The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited

implementation date for Solvency II which is currently anticipated to be 1 January 2014. The capital adequacy requirements for the Company and UKE would increase materially following the implementation of Solvency II if the Scheme and the Company's Branch Transfers were not to be implemented.

Accordingly, the Board and the Company consider that the Scheme is in the best interests of Scheme Creditors.

Yours faithfully

Eric Andre
Director

SECTION I Background to the Company

Corporate History of the Company

The Company is a mutual marine insurance company, incorporated under the laws of Bermuda on 7 February 1969 by private act as a mutual limited company without share capital. Its registered office is 22 Victoria Street, Hamilton, HM EX, Bermuda.

The Company is the ultimate holding company of a group of companies (the 'UKB Group'). The Company's wholly-owned subsidiaries are UKE (see below), the International P&I Reinsurance Company Limited ('IPIR') and The UK Club Private Trust Company Limited ('UK P&I PT'). The Company has branches in the United Kingdom, Japan, Singapore and Hong Kong.

The principal object of the Company is "to engage in and carry on, on the mutual principle and as its principal object, insurance and reinsurance business of all kinds and guarantee and indemnity business of all kinds". The Company is empowered by clause 5(2)(j) of its incorporation act to sell or dispose of the undertaking, property and assets of the company.

As a mutual company, the Company does not have shareholders. The Company is owned by and exists for the benefit of its members who are, (with the exception of the Company's individual directors), ship owners and other entities who have ships insured with either the Company or the Company's subsidiary, UKE. In addition to providing mutual insurance to its members, the Company also provides fixed premium cover to non-members and reinsurance to one third party insurer whose ship-owner insureds are treated as members of the Company. The Company's annual return which was submitted to the United Kingdom Financial Services Authority (the "FSA") shows that the Company has 1,923 mutual members, 124 fixed premium policyholders and 1 reinsured member.

The Company is subject to regulation by the Bermuda Monetary Authority and is registered with the National Association of Insurance Commissioners in the U.S. The Company's branches in Hong Kong, Japan and Singapore, are regulated by the respective local regulators. The Company is, also, regulated in the United Kingdom by the FSA.

The members of the board of directors of the Company are: C.I. Caroussis; E. André; O. Gast; A.K. Olivier; F.A.H. Ali; E.N. Ambrosov; G. Bottiglieri; M.L. Carthew; H.V. Franco; A. Frangou; S.L. Ghomri; R.C. Gillett; I. Gungen; G. Henderson; N. Idris; N.G. Inglessis; M.R. Itkin; A.C. Junqueira; C.E. Kertsikoff; J.B. Lee; A.M. Lemos; J. Liberty; P. Louis-Dreyfus, OBE; A.C. Margaronis; M. Morooka; N. Mukae; Ng Yat Chung; P.Pathy; E. Rothwell; N.H.Schues; K. Siggins; H. Takahashi; N.P. Tsakos; P.A. Vasilchenko; and Zhang Liang.

Corporate History of UKE

UKE was incorporated as a company limited by guarantee in England and Wales on 18 February 1886 under the name Sunderland Steam Ship Protecting & Indemnity Association, which name was duly changed to The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited on 30 January 2007. The articles of association of UKE provide that the Company is the sole member of UKE and that membership is non-transferable.

The objects of UKE are (inter alia) “To insure, protect and indemnify Owners of Ships, Vessels and Craft of every kind and description ”UKE is empowered by clause 3(y) of its memorandum of association “to amalgamate with, or purchase or otherwise acquire and undertake all or any part of the business, property and liabilities of any person, association or company carrying on business” which UKE is entitled to carry on. The registered office of UKE is situated at 90 Fenchurch Street, London EC3M 4ST.

UKE offers members of the Company the option of insurance with an insurer which is both incorporated and regulated within the European Economic Area (the ‘EEA’). It is desirable for the Company to have a subsidiary offering insurance within the EEA as this allows certain members to meet their local European regulatory requirements.

The FSA is UKE’s lead regulator and UKE has the same permissions under Part IV of FSMA to effect and carry out contracts of general insurance as the Company. The members of the board of directors of UKE are Chairman - C.I. Caroussis, E. André, N.G. Inglessis and A.K. Olivier.

Corporate History and Operations of the Club

The Company and UKE are operated on a unified basis as one association and trade under the name of the ‘The UK P&I Club’ (the ‘Club’). The Club can trace its history back to 1869 when the association of ship owners, which was subsequently incorporated as The United Kingdom Mutual Steam Ship Assurance Association Limited (‘UK London’), was formed.

The Club is a mutual marine insurance business providing cover for marine P&I risks. The business of the Club is carried on by the Company (operating through its branches in the United Kingdom, Hong Kong, Japan and Singapore) and UKE. The terms of insurance cover offered by both entities are identical (except for logical differences) and insureds whose mutual policies are issued by UKE are members of the Company.

Both the Company (with the exception of its Japanese branch) and UKE delegate the day-to-day operation of the Club (including its finance and investment activities) to the Thomas Miller group of companies, a professional services group (‘Thomas Miller’) who are responsible for implementing the policies laid down by the directors of the respective companies. Thomas Miller is paid a management fee for its services which is reported in the annual accounts of the Club. The Club’s relationship with the Thomas Miller entities dates back to 1885.

The Club also provides claims handling, advisory and other services to its members through its managers, Thomas Miller. The services provided by the Club to its insureds include the provision, on a discretionary basis, of guarantees and undertakings to third parties to enable ships entered for insurance with the Club to be released or to avoid a threatened arrest or detention. Other services provided by the Club to its insureds include various advisory services aimed primarily at loss prevention.

The Company has two other wholly-owned subsidiary companies for the purposes of reinsurance and other investment activities, the main one being IPIR. This is incorporated in the Isle of Man and reinsures 90% of the liabilities of the Club on a net basis. IPIR is regulated by the Isle of Man Insurance and Pension Authority. The other is UK P&I PT, a company incorporated in Bermuda which holds the Club’s 15% interest in Thomas Miller Holdings, the parent company of Thomas Miller.

Financial Position

As at 20 February 2012, the tonnage of ships insured by the Club on a mutual basis was approximately 112 million gross tons and on a fixed premium basis was approximately 80 million gross tons. The Club has an 'A-' (stable) rating from Standard and Poors.

The Company is a mutual association that is owned by its policyholder members. As such it has no share capital. UKE is wholly owned by the Company. The main sources of the Club's capital are retained earnings which comprise the surplus of the Club's assets over its liabilities.

In addition to the above, and whilst not a main source of capital, the Company and UKE have, pursuant to the Rules, a discretionary power (but no obligation) to raise supplementary calls. A supplementary call is a levy on a member (other than a member paying a fixed premium) to pay an additional amount of premium in respect of a particular policy year which has not been closed in accordance with the provisions of the Rules.

The Company is also the issuer of US\$100m of perpetual subordinated capital securities, traded on the London Stock Exchange, which qualify as tier one capital for the purposes of the FSA's requirements.

In consideration of UKE agreeing to carry on business as a mutual subsidiary of the Company with effect from 20 February 2007, the Company provided US\$10m of regulatory capital to UKE and has agreed to provide UKE with capital to meet its regulatory capital requirements pursuant to the terms of the Deed of Capitalisation and Guarantee. Further capital injections have been provided to UKE by UKB under the terms of the Deed of Capitalisation and Guarantee as follows:

- (a) US\$10 million on 11 February 2008;
- (b) US\$5 million on 20 February 2008;
- (c) US\$10 million on 17 February 2009; and
- (d) US\$10 million on 19 January 2012.

All of these sources of capital will continue to be available to the Club on the same terms after the implementation of the Scheme. UKE, as transferee of the policies issued by the Company, will have the right to levy calls under the Rules. The Company will continue as the issuer of the capital securities

The Deed of Capitalisation and Guarantee will be unaffected by the Scheme.

SECTION II Summary of the Scheme

As set out above the Scheme is promoted by the Company for the purpose of transferring the Bermuda Scheme Transferred Business of the Company to UKE. The intention behind the proposed reorganisation is to streamline corporate governance, reduce compliance costs and efficiently manage the Club's solvency capital requirements.

Application of the Scheme

The Scheme will apply to all Scheme Claims. A Scheme Claim means any claim against the Company in respect of any person who is or may be a creditor of the Company as a result of having entered into a Transferred Policy with the Company. That is to say, the claims which are included are claims of all descriptions including Gross Notified Outstanding Claims and IBNR which may arise under the Transferred Policies.

Proceedings

From the Effective Date of the Scheme, the Scheme will prohibit the commencement or continuation of any Proceedings against the Company relating to any liabilities under a Transferred Policy although the Company will have the discretion to allow any such Proceedings which are ongoing as at the Effective Date to continue and to consent to such Proceedings being commenced.

Rights in Relation to Security Interests and Letters of Credit

Any security interest or letter of credit obtained by the Company in favour of a claimant of a Scheme Creditor that is drawn down after the Effective Date shall be applied to the Bermuda Scheme Transferred Liability that it was posted in respect of. Additionally, the Scheme will not affect the rights of the Company to seek redress in respect of any improper enforcement of any security interest or any improper drawdown of any letter of credit.

The Board

The directors of the Company will continue in office for the duration of the Scheme and thereafter and will have all of their existing powers during this period save to the extent that such powers are contrary to the terms of the Scheme. All directors are representatives of members who are Scheme Creditors of the Company with the exception of K. Siggins and R. C. Gillett. All directors that are Scheme Creditors have notified the Company of any material interest required to be disclosed pursuant to Section 100(2) of the 1981 Act.

Governing Law and jurisdiction

The Scheme will be governed by and construed in accordance with the laws of Bermuda and the Scheme Creditors will agree that the Bermuda Court shall have exclusive jurisdiction to hear and determine any suit, action or Proceeding and to settle any dispute which may arise out of the Explanatory Statement or any provision of the Scheme, or out of any action taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme. For such purposes, the Scheme Creditors will irrevocably submit to the jurisdiction of the Bermuda Court. The validity of any other provisions determining governing law and jurisdiction as between the Company and any of its Scheme Creditors, whether contained in any contract or otherwise, and not relating to any dispute arising out of the Explanatory Statement or any provision of the Scheme or any action or omission thereunder or in connection with its administration will not be affected thereby.

The Effective Date

The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited

The Scheme shall become operative at Noon Greenwich Mean Time on 20 February 2013 or such other time and date as may be specified in the order sanctioning the Scheme, subject to (i) the sanction by the English Court of the UK Scheme and (ii) the sanction by the Court of the Scheme pursuant to Section 99 of the 1981 Act and the subsequent delivery of a copy of the order of the Court sanctioning the Scheme to the Registrar of Companies in Bermuda, as required by Section 99(3) of the 1981 Act.

Dated this 28 August 2012

The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited

**IN THE SUPREME COURT OF BERMUDA
CIVIL JURISDICTION
2012 No. 292
IN THE MATTER OF THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE
ASSOCIATION (BERMUDA) LIMITED**

and

**IN THE MATTER OF THE COMPANIES ACT 1981
OF BERMUDA**

SCHEME OF ARRANGEMENT
Pursuant to Section 99 of the Companies Act 1981 of Bermuda

between

**The United Kingdom Mutual Steam Ship Assurance
Association (Bermuda) Limited**

and its

SCHEME CREDITORS
(as defined in the Scheme of Arrangement)

Contents

	Page
PART 1 PRELIMINARY	21
1.1 DEFINITIONS	21
1.2 INTERPRETATION	27
1.3 THE COMPANY	28
1.4 PARTIES OTHER THAN THE COMPANY AND SCHEME CREDITORS	28
1.5 THE PURPOSE OF THE SCHEME	29
PART 2 THE SCHEME	29
2.1 APPLICATION OF THE SCHEME	29
2.2 PROCEEDINGS	30
2.3 SECURITY INTERESTS AND LETTERS OF CREDIT	30
2.4 ASSUMPTION BY UKE OF BERMUDA SCHEME TRANSFERRED LIABILITIES	30
PART 3 THE BOARD	31
3.1 COMPOSITION OF THE BOARD	31
3.2 RESPONSIBILITY	31
PART 4 GENERAL SCHEME PROVISIONS	31
4.1 EFFECTIVE DATE	31
4.2 MODIFICATIONS TO THE SCHEME	32
4.3 GOVERNING LAW AND JURISDICTION	32
APPENDICES	
APPENDIX A NOTICE OF SCHEME CREDITORS SCHEME MEETING	33
APPENDIX B SAMPLE CLAIM FORM	35
APPENDIX C FORM OF PROXY	40

Part 1 Preliminary

1.1 Definitions

In the Scheme and Explanatory Statement, unless the context otherwise requires or otherwise expressly provided, the following expressions shall bear the meanings set opposite them:

“Act”	The Financial Services and Markets Act 2000;
“1981 Act”	The Companies Act 1981 of Bermuda;
“Bermuda Court”	The Supreme Court of Bermuda;
“Bermuda Scheme Transferred Business”	The whole of the insurance and reinsurance business carried on by the Company at the Effective Date including all activities carried on by the Company or Thomas Miller in connection with or for the purposes of such business save to the extent that such business consists of:

- (a) Liabilities relating to the Excluded Policies; and
- (b) The Excluded Assets and Liabilities;

For the avoidance of doubt Policies written by any branch of the Company in England, Hong Kong, Singapore or Japan are included in this definition;

“Bermuda Scheme Transferred Liabilities”	The following liabilities of the Company at the Effective Date:
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- (a) all liabilities under the Transferred Policies; and
- (b) all other liabilities of the Company in respect of or attributable to the Bermuda Scheme Transferred Business (including any liabilities under Blue Cards and FMC Certificates),

but in each case excluding (i) all liabilities under the Excluded Policies and all other liabilities relating to the Excluded Policies (including liabilities relating to any reinsurance of the Company in relation to liabilities under the Excluded Policies) and (ii) all liabilities comprised in the Excluded Assets and Liabilities;

“Blue Cards”	A document (written or electronic) known as a ‘Blue Card’ and provided by the Company evidencing that there is in place insurance Scheme Meeting the liability requirements of:
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- (a) Article VII of the International Conventions on Civil Liability for Oil Pollution Damage 1969 and 1992; and

(b) Article 7 of the International Convention on Civil Liability for Bunker Oil Pollution Damage 2001;

“Board”	The board of directors of the Company from time to time;
“Branch Assets and Liabilities”	the assets and liabilities of UKB (including employees and any regulatory capital) to the extent they relate exclusively to the carrying on of business by UKB’s branches in the United Kingdom, Japan, Hong Kong and Singapore provided that all liabilities arising under any Policies written by the Company’s branches in the United Kingdom, Japan, Singapore and Hong Kong do not fall within this definition;
“Business Day”	Any day other than Saturday, Sunday or any other day on which banks are not open for business in Bermuda;
“Capitalisation and Guarantee Deed”	The Capitalisation and Guarantee Deed dated 17 January 2007 between the Company and UKE, pursuant to which the Company guarantees the liabilities of UKE;
“Chairman”	The chairman of the Scheme Meeting, namely, Dino Caroussis or in his absence Eric Andre;
“Claim Form”	The Claim Form enclosed with the Scheme to be agreed or amended by Scheme Creditors detailing their Scheme Claims and to be returned to the Company for the purposes of voting on the Scheme;
“Company”	The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited, a company incorporated under the laws of Bermuda;
“Effective Date”	The date on which the Scheme becomes effective in accordance with Clause 4.1.1;
“English Court”	The High Court of Justice in England;
“English Order”	An order made by the English Court pursuant to section 111 of the Act sanctioning the UK Scheme and any order (including any subsequent order) in relation to the UK Scheme made by the English Court pursuant to section 112 of the Act;
“Excluded Assets and Liabilities”	means the: <ul style="list-style-type: none">(a) Capitalisation and Guarantee Deed;(b) UKE Membership Interest;(c) Hydra Governing Instrument;

- (d) Hydra Shares and Capital;
- (e) Branch Assets and Liabilities;
- (f) TMH Shares and Capital;
- (g) UK P&I PT Shares and Capital;
- (h) IPIR Shares and Capital;
- (i) Swiss Re Contract;
- (j) Perpetual Subordinated Capital Securities;
- (k) UK London Policy; and
- (l) The Pooling Agreements;

including all assets and liabilities of the Company relating to any of the above at the Effective Date (and including in the case of the Perpetual Subordinated Capital Securities assets with a value equivalent as at the Effective Date to the principal outstanding amount of such securities as at the Effective Date);

“Excluded Policies”

All Policies written by or on behalf of the Company in the course of carrying on the Bermuda Scheme Transferred Business in respect of which:

- (a) for the purpose of paragraph 6(3) of schedule 12 to the Act an EEA State other than the United Kingdom is the EEA State in which the risk is situated; and
- (b) the UK Insurance Regulator has not prior to the issue of the Order provided the certificate referred to in paragraph 5 of schedule 12 to the Act with respect to the relevant EEA State which is the EEA State where the risk is situated, and for these purposes ‘EEA State’ bears the meaning given in the Act;

“Explanatory Statement”

The statement dated 28 August 2012 explaining the effect of the Scheme on Scheme Creditors in compliance with Section 100 of the 1981 Act;

“FMC Certificates”

Means a guarantee or other undertaking given by the Company to the Federal Maritime Commission under Section 2 of the U.S. Public Law 89-777 (being a guarantee or undertaking to secure payment of liabilities for loss of life of, or personal injury to, passengers);

“Hong Kong Branch”	the branch of the Company operating in Hong Kong;
“Hydra”	Hydra Insurance Company Ltd., a company incorporated in Bermuda under number 34834;
“Hydra Governing Instrument”	The Governing instrument dated 9 February 2005 relating to the governance of owned cells in the capital of Hydra (excluding for the avoidance of doubt the Hydra Reinsurance);
“Hydra Shares and Capital”	The shares in the general capital of or any segregated account of, Hydra registered in the name of the Company (including the segregated account known as the ‘UKB Hydra Cell’), and any capital contributed to Hydra by the Company, in each case at the Effective Date;
“International Group”	The International Group of P&I Associations as constituted from time to time;
“IPIR”	International P&I Reinsurance Company Limited, a company incorporated in the Isle of Man under registered number 053881C;
“IPIR Shares and Capital”	The shares in the capital of IPIR registered in the name of the Company and any capital contributed by the Company to IPIR, in each case at the Effective Date;
“Japan Branch”	The branch of the Company operating in Japan;
“Other Branches”	The Hong Kong Branch, the Japan Branch and the Singapore Branch;
“Other Branch Transfers”	The transfer schemes in relation to the Policies issued by the Other Branches and undertaken by the Other Branches in accordance with the laws governing insurance transfers for the Other Branches;
“Perpetual Subordinated Capital Securities”	The US \$100,000,000.00 of perpetual subordinated capital securities issued by the Company and constituted by a trust deed dated 22 August 2008 (as amended from time to time) between the Company and BNY Corporate Trustee Services Limited, including all trustee, agency, security, depositary and other agreements and arrangements ancillary thereto at the Effective Date;
“Policy”	Shall have the meaning given to the term ‘policy’ in the Financial Services and Markets Act 2000 (Meaning of ‘Policy’ and ‘Policyholder’) Order 2001, regardless of how that contract of insurance may be evidenced, and includes rules, certificates of entry, endorsement slips, notices of variation, notices of

	termination, and addendum clauses incorporated by reference in a certificate of entry or in an endorsement slip, and shall in addition include any contract of reinsurance written by the Company, regardless of how that contract of reinsurance may be evidenced;
“Policy Year”	A year from noon G.M.T. on any 20th February to noon G.M.T. on the next following 20th February and ‘Policy Years’ shall be construed accordingly;
“Policyholder”	Shall have the meaning given to the term ‘policyholder’ in the Financial Services and Markets Act 2000 (Meaning of ‘Policy’ and ‘Policyholder’) Order 2001 and in addition shall be construed in a manner consistent with the definition of ‘Policy’ in this Scheme;
“Pooling Agreements:	The 2012 pooling agreement between the P&I clubs in the International Group for the pooling of certain risks and all prior pooling agreements in respect of previous Policy Years between members of the International Group;
“Post”	Delivered by hand, pre-paid first class post or air mail;
“Proceeding”	Any action, step or other legal proceeding including, without limitation, any demand, arbitration, alternative dispute resolution procedure, judicial review, adjudication, execution, seizure, distraint, forfeiture, re-entry, lien enforcement of judgment or enforcement of any Security (including without limitation enforcement of any letters of credit);
“Scheme”	The Scheme of Arrangement in its present form or with or subject to any modification, addition or condition approved or imposed by the Courts;
“Scheme Claim”	Any claim against the Company in respect of Bermuda Scheme Transferred Liabilities to which the Company is subject;
“Scheme Creditor”	Any person who is or may be a creditor of the Company in respect of a Scheme Claim by virtue of having entered into a Policy with the Company in respect of Bermuda Scheme Transferred Business;
“Scheme Meeting”	The meeting of Scheme Creditors convened pursuant to Section 99 of the 1981 Act and to be held in Paris, France on 29 October 2012 to consider and, if thought appropriate, approve the Scheme and any adjournment thereof;
“Singapore Branch”	the Branch of the Company operating in Singapore;

“Swiss Re Contract”	The agreement between (i) the Company and UKE and (ii) the Bermuda branch of European Reinsurance Company of Zurich dated 28 February 2007;
“Thomas Miller”	TMH and its subsidiaries, a professional services group being the Managers of the Company and UKE and the agents of such Managers;
“TMH”	Thomas Miller Holdings Limited, a company incorporated in Bermuda under registered number EC26282;
“TMH Shares and Capital”	Any shares in the capital of TMH registered in the name of the Company, and any capital contributed by the Company to TMH in each case at the Effective Date;
“Transferred Policies”	Every Policy written by or on behalf of the Company prior to the Effective Date and comprised in the Bermuda Scheme Transferred Business;
“UK Insurance Regulator”	The Financial Services Authority or such other governmental, statutory or other authority as shall from time to time carry out such functions in relation to the supervision of non-life insurance business carried on in the United Kingdom as are on the date of this Scheme allocated to the FSA under the Act;
“UK London Policy”	The insurance policy which exists between The United Kingdom Mutual Steam Ship Assurance Association and UKB, which will be novated to UKE at the Effective Date of the Scheme;
“UK P&I PT”	UK Club Private Trust Company Ltd, a company incorporated in Bermuda under registered number 28951;
“UK P&I PT Shares”	Any shares in the capital of UK P&I PT registered in the name of the Company and any capital contributed by the Company to UK P&I PT, in each case at the Effective Date;
“UK Scheme”	The Scheme proposed to be entered into between the Company and UKE in its original form or with or subject to any modification, addition, provision or condition which may be approved or imposed in accordance with its terms;
“UKE”	The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited, a company incorporated in England under registered number 22215;
“UKE Membership Interest”	The Company’s membership interest in UKE;
“US Dollars” or “US\$”	United States dollars, being the lawful currency of the United States of America;

1.2 Interpretation

In the Scheme, unless the context otherwise requires or the Scheme expressly provides otherwise:

- (i) references to a “person” include references to an individual, firm, partnership, company, corporation, unincorporated body of persons or any state or state agency;
- (ii) references to a period of days shall include Saturdays, Sundays and public holidays, but where the final day falls on a Saturday, Sunday or a public holiday, the next Business Day after such date;
- (iii) “asset” includes property, assets, data, records, shares, securities, security interests and rights, in each case of every description, wherever located, whether tangible or intangible and whether present or future, actual or contingent and includes any of the foregoing held on trust, and any interest whatsoever or howsoever held in any of the foregoing;
- (iv) “liability includes duties and obligations of every description (whether present or future, actual or contingent) including liabilities and obligations under guarantees and letters of undertaking;
- (v) “rights” includes rights (including rights under guarantees), benefits, powers and claims of every description whether present or future, actual or contingent;
- (vi) “transfer” includes (as the context may require) ‘assign’, ‘assignment’ or ‘assignment’, ‘dispose’ or ‘disposal’, ‘convey’ or ‘conveyance’;
- (vii) the singular includes the plural and vice versa;
- (viii) any reference to any gender includes a reference to every other gender;
- (ix) any reference to an enactment, a statutory provision or any subordinate legislation shall be deemed to include a reference to that enactment, statutory provision or subordinate legislation as amended, replaced or re-enacted from time to time and to any instrument or order made from time to time under such enactment, statutory provision or subordinate legislation;
- (x) any reference to a contract, agreement or other arrangement is to that contract, agreement or arrangement as in force and amended or varied at the relevant time;
- (xi) references to Paragraphs are to paragraphs in this Scheme;
- (xii) any references to ‘including’ or to ‘in particular’ shall be deemed to be followed by the words ‘without limitation’; and
- (xiii) the headings in this Scheme are for convenience only and shall not affect its interpretation.

1.3 The Company

- 1.3.1 The Company is a mutual marine insurance company, incorporated under the laws of Bermuda on 7 February 1969 by private act as a mutual limited company without share capital. Its registered office is 22 Victoria Street Hamilton HM EX, Bermuda. The Company is the ultimate holding company of a group of companies ('the UKB Group'). The Company has branches in the United Kingdom, Japan, Singapore and Hong Kong.
- 1.3.2 The principal object of the Company is "to engage in and carry on, on the mutual principle and as its principal object, insurance and reinsurance business of all kinds and guarantee and indemnity business of all kinds". The Company is empowered by clause 5(2)(j) of its incorporation act to sell or dispose of the undertaking, property and assets of the company.
- 1.3.3 As a mutual company, the Company does not have shareholders. The Company is owned by and exists for the benefit of its members who are (with the exception of the Company's individual directors) ship owners and other entities who have ships insured with either the Company or the Company's subsidiary, UKE. In addition to providing mutual insurance to its member, the Company also provides fixed premium cover to non-members and reinsurance to one third party insurer whose ship-owner insureds are treated as members of the Company. The Company's annual return which was submitted to the United Kingdom Financial Services Authority (the "FSA") shows that the Company has 1,923 mutual members, 124 fixed premium policyholders and 1 reinsured member.

1.4 Parties other than the Company and Scheme Creditors

- 1.4.1 C.I. Caroussis; E. André; O. Gast; A.K. Olivier; F.A.H. Ali; E.N. Ambrosov; G. Bottiglieri; M.L. Carthew; H.V. Franco; A. Frangou; S.L. Ghomri; R.C. Gillett; I. Gungen; G. Henderson; N. Idris; N.G. Inglessis; M.R. Itkin; A.C. Junqueira; C.E. Kertsikoff; J.B. Lee; A.M. Lemos; J. Liberty; P. Louis-Dreyfus, OBE; A.C. Margaronis; M. Morooka; N. Mukae; Ng Yat Chung; P.Pathy; E. Rothwell; N.H.Schues; K. Siggins; H. Takahashi; N.P. Tsakos; P.A. Vasilchenko and Zhang Liang are all directors of the Company and it is anticipated that the board will continue to serve following the Effective Date, subject to the usual practices of periodic resignations and new appointments followed by the Company.
- 1.4.2 UKE has agreed to be bound by the terms of the Scheme. UKE was incorporated as a company limited by guarantee in England and Wales on 18 February 1886 under the name Sunderland Steam Ship Protecting & Indemnity Association, which name was duly changed to The United Kingdom Mutual Steam Ship Assurance Association (Europe) Limited on 30 January 2007. The articles of association of UKE provide that the Company is the sole member of UKE and that membership is non-transferable. C.I. Caroussis, E. André, N.G. Inglessis and A.K. Olivier are all directors of UKE.
- 1.4.3 The Company and UKE are operated on a unified basis as one association and trade under the name of the 'The UK P&I Club' (the 'Club'). The Club is a mutual marine insurance business providing cover for marine P&I risks. The business of the Club is carried on by the Company (operating through its branches in the United Kingdom,

Hong Kong, Japan and Singapore) and UKE. The terms of insurance cover offered by both entities are identical (except for logical differences) and insureds whose mutual policies are issued by UKE are members of the Company.

- 1.4.4 Both the Company (with the exception of its Japanese branch) and UKE delegate the day-to-day operation of the Club (including its finance and investment activities) to the Thomas Miller group of companies, a professional services group ('Thomas Miller') who are responsible for implementing the policies laid down by the directors of the respective companies. Thomas Miller is paid a management fee for its services which is reported in the annual accounts of the Club. The Club's relationship with the Thomas Miller entities dates back to before 1885.
- 1.4.5 The Club also provides claims handling, advisory and other services to its members through its managers, Thomas Miller. The services provided by the Club to its insureds include the provision, on a discretionary basis, of guarantees and undertakings to third parties to enable ships entered for insurance with the Club to be released or to avoid a threatened arrest or detention. Other services provided by the Club to its insureds include various advisory services aimed primarily at loss prevention.

1.5 The purpose of the Scheme

The purpose of the Scheme is to effect the transfer of the Bermuda Scheme Transferred Business under Bermuda law from the Company to UKE without the need to obtain the individual consent of all Scheme Creditors.

Part 2 The Scheme

2.1 Application of the Scheme

- 2.1.1. The Scheme shall apply to all Scheme Claims.
- 2.1.2 On and with effect from the Effective Date, subject to 2.1.4 and 2.1.5, the Bermuda Scheme Transferred Liabilities shall be transferred to and become liabilities of UKE and shall cease to be liabilities of the Company.
- 2.1.3 On and with effect from the Effective Date, subject to 2.1.4, and 2.1.5 the Scheme Creditors will only have rights against UKE and the terms of their Policies shall be solely enforceable against and by UKE without any modifications.
- 2.1.4 As at the Effective Date the terms of the Scheme shall be operative and in full force as between the Company and UKE. At that time the Transferred Policies shall transfer to UKE with immediate effect but subject to the conditions set out in 2.1.5 in relation to the those Transferred Policies which are issued by the Other Branches.
- 2.1.5 The Policies issued by the Other Branches shall transfer to UKE upon completion of the Other Branch Transfers as follows:

- (a) If at noon GMT 20 February 2013 all of the Other Branch Transfers have been completed, the Policies issued by the Other Branches shall transfer to UKE at noon GMT 20 February 2013;
- (b) If at noon GMT 20 February 2013 one or more Other Branch Transfers have been completed, the Policies of the Other Branches having completed Other Branch Transfers shall transfer to UKE from noon GMT 20 February 2013;
- (c) If after noon GMT 20 February 2013, but before noon GMT 20 February 2014 further Other Branch Transfers shall have been completed, the Policies issued by the Other Branches having completed Other Branch Transfers shall transfer to UKE as from the date of completion of such Other Branch Transfers; and
- (d) If any of the Other Branch Transfers are not completed by noon GMT 20 February 2014 the Policies of the Other Branches that have not completed their Other Branch Transfers shall from noon GMT 20 February 2014 be deemed to be excluded from the definition of Transferred Policies for all purposes in respect of the Scheme.

2.2 Proceedings

- 2.2.1 From the Effective Date, save with the consent of the Company, no Scheme Creditor shall be permitted to institute any Proceeding against the Company to establish the existence or amount of a liability under a Policy.
- 2.2.2 In relation to any pending Proceedings, the Scheme Creditors may, with the consent of the Company, continue such proceedings against the Company but are deemed to consent to the substitution/joinder of UKE to any such actions.
- 2.2.3 Subject to 2.2.1 and 2.2.2 from the Effective Date the Scheme Creditors shall only be permitted to institute Proceedings against UKE to establish the existence or amount of a liability under a Policy.

2.3 Security Interests and Letters of Credit

- 2.3.1 Any security interest or letter of credit obtained by the Company in favour of a claimant of a Scheme Creditor that is drawn down after the Effective Date shall be applied to the Bermuda Scheme Transferred Liability that it was posted in respect of.
- 2.3.2 Nothing in the Scheme shall affect the rights of the Company against any person in respect of any wrongful enforcement or improper drawdown of any security interest or letter of credit issued or created in respect of the Company.

2.4 Assumption by UKE of Bermuda Scheme Transferred Liabilities

- 2.4.1 Nothing in the Scheme shall be construed as resulting in any release, extinguishment, compromise or waiver of any liabilities owed to Scheme Creditors by the Company but the Scheme Creditors are deemed to consent to the transfer of the

Bermuda Scheme Transferred Liabilities in accordance with the provisions of Clause 2.1.2.

Part 3 The Board

3.1 Composition of the Board

The directors of the Company are C.I. Caroussis; E. André; O. Gast; A.K. Olivier; F.A.H. Ali; E.N. Ambroso; G. Bottiglieri; M.L. Carthew; H.V. Franco; A. Frangou; S.L. Ghomri; R.C. Gillett; I. Gungen; G. Henderson; N. Idris; N.G. Inglessis; M.R. Itkin; A.C. Junqueira; C.E. Kertsikoff; J.B. Lee; A.M. Lemos; J. Liberty; P. Louis-Dreyfus, OBE; A.C. Margaronis; M. Morooka; N. Mukae; Ng Yat Chung; P.Pathy; E. Rothwell; N.H.Schues; K. Siggins; H. Takahashi; N.P. Tsakos; P.A. Vasilchenko and Zhang Liang.

3.2 Responsibility

The Board shall have the duty and responsibility of carrying out all of the functions described and attributed to the Company in the Scheme. No Scheme Creditor shall be entitled to challenge the validity of any act done or omitted to be done in good faith and with due care by any director or alternate director of the Company in accordance with, or to implement the provisions of, the Scheme or in the performance or exercise of any power, right, duty or function conferred upon him under the Scheme and no such person shall be liable for any loss unless such loss is attributable to his willful default, willful breach of duty of trust, fraud or dishonesty.

Part 4 General Scheme Provisions

4.1 Effective Date

- 4.1.1 The Scheme shall become operative at Noon Greenwich Mean Time on 20 February 2013 or such other time and date as may be specified in the order sanctioning this Scheme, subject to (i) the sanction by the English Court of the UK Scheme and (ii) the sanction by the Court of the Scheme pursuant to Section 99 of the 1981 Act and the subsequent delivery of a copy of the order of the Court sanctioning the Scheme to the Registrar of Companies in Bermuda, as required by Section 99(3) of the 1981 Act.
- 4.1.2 For the avoidance of any doubt, the Scheme shall not proceed and be of no effect in the event that either the English Court fails to grant an order approving the UK Scheme or the Court fails to grant an order sanctioning the Scheme before noon GMT on 20 February 2013.
- 4.1.3 If the provisions of 2.1.5(c) or (d) are invoked, the Company shall within 10 days of the occurrence of the relevant event notify the Scheme Creditors.

4.2 Modifications to the Scheme

The Company may, at any hearing of the Bermuda Court to sanction the Scheme, consent on behalf of Scheme Creditors to any modification to or addition to the Scheme or any terms or conditions which the Bermuda Courts may think fit to approve or impose and which would not directly or indirectly have a materially adverse effect on the interests of any Scheme Creditor under the Scheme.

4.3 Governing Law and Jurisdiction

The Scheme shall be governed by, and construed in accordance with, the laws of Bermuda, and the Scheme Creditors hereby agree that the Bermuda Court shall have exclusive jurisdiction to hear and determine any suit, action or Proceeding and to settle any dispute which may arise out of the Explanatory Statement or any provision of the Scheme, or out of any action taken or omitted to be taken under the Scheme or in connection with the administration of the Scheme, and for such purposes the Scheme Creditors irrevocably submit to the jurisdiction of the Bermuda Court provided, however, that nothing in this Clause 4.3 shall affect the validity of any other provisions determining governing law and jurisdiction as between the Company and any of its Scheme Creditors whether contained in any contract or otherwise.

Dated 28 August 2012

**APPENDIX A
TO EXPLANATORY STATEMENT
NOTICE OF SCHEME CREDITORS SCHEME MEETING**

IN THE SUPREME COURT OF BERMUDA

CIVIL JURISDICTION

**IN THE MATTER OF The United Kingdom Mutual Steam Ship Assurance
Association (Bermuda) Limited**

and

IN THE MATTER OF THE COMPANIES ACT 1981

NOTICE OF SCHEME CREDITORS SCHEME MEETING

NOTICE IS HEREBY GIVEN that, by an Order dated 24 August 2012, the Court has directed in accordance with Section 99 of the Companies Act 1981 that a creditors meeting (the "Scheme Meeting") of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (the "Company") be held for the purpose of considering and, if thought fit, approving (with or without modification) a Scheme of Arrangement proposed to be made between the Company and the Scheme Creditors. The Scheme Meeting of the Scheme Creditors will be held at Hotel Le Bristol Paris, 112 Rue Du Faubourg Saint Honoré, 75008 Paris, France, on 29 October 2012 at **9:10 am (Central European Time)**.

Copies of the Scheme of Arrangement and copies of the Explanatory Statement required to be furnished pursuant to section 100 of the Companies Act 1981 of Bermuda are available from the offices of Thomas Miller, 90 Fenchurch Street, EC3M 4ST, London. These documents are available free of charge to any person entitled to attend the Scheme Meeting during usual business hours on any day (other than a Saturday, Sunday or a statutory holiday) prior to the day appointed for the Scheme Meeting.

Scheme Creditors may vote in person at the Scheme Meeting or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place. A Form of Proxy and/or a blank Claim Form for

use at the Scheme Meeting is available from John McPhail of Thomas Miller on tel number +44 (0) 20 7204 2308. Forms of Proxy and a completed and signed Claim Form should be lodged with Thomas Miller at 90 Fenchurch Street, London, EC3M 4ST, marked for the attention of John McPhail, **by no later than 5pm Greenwich Mean Time on 23 October 2012**. Forms of Proxy may be sent by facsimile transmission to +44 (0) 20 7283 8006 or by email of a pdf format to john.mcphail@thomasmiller.com by the same time and date.

At the direction of the Court, Dino Caroussis or, failing him, Eric Andre, shall be the Chairman of the Scheme Meeting. The Scheme of Arrangement will be subject to the subsequent approval of the Court.

Any inquiries relating to the Scheme and requests for copies of Scheme documentation should be directed to John Mc Phail of Thomas Miller, 90 Fenchurch Street, London, EC3M 4ST, England, tel number +44 (0) 20 7204 2308 in the first instance.

Eric Andre, Director
The United Kingdom Mutual Steam Ship Assurance Association (Bermuda)
Limited

The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited

APPENDIX B

CLAIM FORM

Please note that the capitalised terms used within these instructions and in the Claim Form bear the same meanings as given to them in the Scheme and Explanatory Statement. “You” refers to the Scheme Creditor referenced in the ‘Scheme Creditor Name’ section of the Claim Form or if no such Scheme Creditor has been referenced, then the Scheme Creditor to whom the Company has sent the Claim Form.

It is intended to be used for Scheme Creditors to advise the Company of the value of their Scheme Claim for voting purposes at the Scheme Meeting and not for any other purpose;

- If the records of the Company determine it likely that you have a Scheme Claim then you will have been provided with a pre-populated Claim Form in which Part 1 has been completed based on the records of the Company in respect of Bermuda Scheme Transferred Business.
- If you have received a pre-populated Claim Form you should review and if necessary amend the pre-populated Claim Form in respect of your Scheme Claim. If you agree with the contents of Part 1 of the Claim Form you should sign the Claim Form and return it to the Company in accordance with the instructions provided. If you do not agree with the contents of Part 1 you should amend Part 1 and complete Part 2 of the Claim Form and sign and return it to the Company in accordance with the instructions provided.
- If no such pre-populated Claim Form has been included, then the records of the Company determine it unlikely that you have a Scheme Claim. You should still check your records to determine if you have a Scheme Claim and contact the Company to request a Claim Form and then complete both Part 1 and Part 2 of the Claim Form and sign it and return it to the Company in accordance with the instructions provided.

The numbers below refer to the numbers in Part 2 of the Claim Form. The Company has pre-populated Part 1 of the Claim Form in US Dollars in accordance with the financial records maintained by the Company and as described in the explanatory statement. If you will be completing a blank Claim Form please include in Part 1 and Part 2 the amounts of all Scheme Claims in original currency and these will be converted in accordance with the usual practice adopted by the Company

The Policy year references refer to the Policy years under which each of your Scheme Claims may arise against the Company.

(1) Gross Notified Outstanding Claims

Specify the estimated amount of any claim or (where there is more than one claim) the aggregate estimated amount of any claims you have arising under each Policy underwritten by the Company that has been reported but not yet established and provide particulars of your estimate(s) as supporting evidence.

(2) and (3) Non-OD and OD IBNR Claims

Specify the estimated amount or (where there is more than one claim) the aggregate estimated amount of any claims you have arising under each Policy that has been incurred but not yet reported ("IBNR") and provide particulars of your estimate(s) as supporting evidence.

(4) Net Total for Voting Purposes

Enter the total sum of all of the amounts in the boxes marked (A), (B) and (C) in the column marked (4).

Whether or not you intend to attend the Scheme Meeting in person, you are requested to return the signed Claim Form (along with a signed Proxy Form) to the Company by no later than 5pm Greenwich Mean Time on 23 October 2012. If you do not return your signed Claim Form (and signed Proxy Form) by this time you may not be entitled to vote at the Scheme Meeting.

There are three ways in which you may return the Claim Form (together with any supporting evidence) and the signed Form of Proxy marked for the attention of John Mc Phail:

- **by post, to The United Kingdom Mutual Steam Ship Assurance Association (Bermuda), care of Thomas Miller, 90 Fenchurch Street, London, EC3M 4ST, England, tel number +44 (0) 20 7204 2308 marked for the attention of John McPhail;**
- **by facsimile transmission to facsimile number +44 (0) 20 7283 8006; or**
- **by email of a pdf format to john.mcphail@thomasmiller.com.**

The format of the Claim Form set out in the Scheme at Appendix B must be used, not any alternative presentation or format.

Any queries regarding the Claim Form, its completion or submission should be addressed to John McPhail of Thomas Miller, 90 Fenchurch Street, London, EC3M 4ST, Telephone ++44 (0) 20 7204 2308, Fax +44 (0) 20 7283 8006, email john.mcphail@thomasmiller.com.

CLAIM FORM (Part 1)

The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited

Words and phrases defined in the Scheme shall have the same meaning in this Claim Form.

THIS CLAIM FORM, ALONG WITH APPROPRIATE SUPPORTING EVIDENCE IF FILING A NEW CLAIM FORM, MUST BE RETURNED TO JOHN MCPHAIL OF THOMAS MILLER, 90 FENCHURCH STREET, LONDON, EC3M 4ST, TELEPHONE + 44 (0) 20 7204 2308, FAX +44 (0) 20 7283 8006, EMAIL john.mcphail@thomasmiller.com AS SOON AS POSSIBLE AND BY NO LATER THAN 5PM GREENWICH MEAN TIME ON 23 OCTOBER 2012.

SCHEME CREDITOR NAME:

SCHEME CREDITOR REFERENCE:

Claim Summary:

Scheme Claims (USD)

"A" - Gross Notified Outstanding Claims		
"B" - Non-OD IBNR Claims		
"C" - OD IBNR Claims		
Total of votes A, B and C		

To the best of my knowledge and belief the information on this Claim Form as completed and any supporting evidence, as amended or otherwise, is correct and fair.

Signed:

Name:

...

Position/Capacity:

CLAIM FORM (Part 2)

The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited

Words and phrases defined in the Scheme shall have the same meaning in this Claim Form.

THIS CLAIM FORM, ALONG WITH APPROPRIATE SUPPORTING EVIDENCE IF YOU ARE AMENDING A PRE-POPULATED CLAIM FORM OR A NEW CLAIM FORM, MUST BE RETURNED TO JOHN MCPHAIL OF THOMAS MILLER, 90 FENCHURCH STREET, LONDON, EC3M 4ST, TELEPHONE + 44 (0) 20 7204 2308, FAX +44 (0) 20 7283 8006, EMAIL john.mcphail@thomasmiller.com AS SOON AS POSSIBLE AND BY NO LATER THAN 5PM GREENWICH MEAN TIME ON 23 OCTOBER 2012.

For each claim arising under a Policy, in relation to which you are a Scheme Creditor, please review the contents of the pre-populated Claim Form sent to you or if you have not received a pre-populated Claim Form and believe you have a Scheme Claim please complete Part 1 and Part 2 of this Claim Form following the instructions on the following pages. **You should read the instructions carefully.** The numbers in the brackets correspond to the numbered instructions contained on the preceding pages of this form. **Use photocopied pages as required.**

SCHEME CLAIMS ARISING AGAINST THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION (BERMUDA) LIMITED AS AT [20 UGUST], 2012			
CURRENCY:US DOLLARS			
Policy Year	(1) Gross Notified Outstanding Claims	(2) Non-OD IBNR	(4) Total ((A) +(B) +(C)
Pre 2003			
2004			
2005			
2006			
2007			
2008			
2009			
2010			
2011			
2012			
OD IBNR Claims (3)(C)			
Totals	(A)	(B)	

SEE THE PRECEDING PAGES FOR INSTRUCTIONS FOR COMPLETION OF THE CLAIM FORM

The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited

APPENDIX C

SCHEME CREDITORS FORM OF PROXY

***Words and phrases defined in the Scheme of Arrangement shall have the same meaning in this Form of Proxy**

IN THE MATTER OF
THE UNITED KINGDOM MUTUAL STEAM SHIP ASSURANCE ASSOCIATION (BERMUDA) LIMITED

AND
IN THE MATTER OF THE COMPANIES ACT 1981

FORM OF PROXY OF SCHEME CREDITORS

To be used at the Scheme Meeting of Scheme Creditors ("the Scheme Meeting") of The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited (the "Company") to be held at Hotel Le Bristol Paris, 112 Rue Du Faubourg Saint-Honoré, 75008, Paris France on Monday 29 October 2012 at 9.10 am (Central European Time).

PART A

I/We
(enter the name of the Scheme Creditor, including all former names)

of
(enter the address of the Scheme Creditor)

being a Scheme Creditor of the Company (i) whose Scheme Claim is listed on a Claim Form submitted by the Company and agreed by the Scheme Creditor, or ii) who has completed or amended a Claim Form accompanies this Form of Proxy, **HEREBY APPOINT** the Chairman of the Scheme Meeting or as my/our proxy to act for me/us at the Scheme Meeting for the purpose of considering and, if thought fit, agreeing (with or without modification) to the Scheme of Arrangement referred to in the notice summoning the Scheme Meetings (the "Scheme"), and at such Scheme Meetings, or any adjournment thereof, to vote for me/us and in my/our name for or against the Scheme (with or without modification, as my/our proxy may approve) as hereinafter indicated.

If you wish to vote for the Scheme, sign in the box marked "FOR". If you wish to vote against the Scheme, sign in the box marked "AGAINST". If you wish to give your proxyholder a discretion to vote for or against (or to abstain) at the Scheme Meeting you should sign the box marked "PROXYHOLDER'S DISCRETION". If you do not sign in either the box marked "FOR" or the box marked "AGAINST" or the box marked "PROXYHOLDER'S DISCRETION" this form will not operate as a valid appointment of your proxy at the Scheme Meeting of the Scheme Creditors.

FOR the Scheme	AGAINST the Scheme	PROXYHOLDER'S DISCRETION
Signature	Signature	Signature

To be valid, this form must be signed by the creditor in person (if an individual) or by a duly authorised individual if the creditor is a corporation. When completed please return this form to The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited, post to care of Thomas Miller attention John McPhail, 90 Fenchurch Street, London, EC3M 4ST or by fax at +44 (0) 20 7204 2308 or email to john.mcphail@thomasmiller.com by 5pm Greenwich Mean Time on 23 October 2012 .

Notes and Instructions for the completion of Proxy

The Form of Proxy must be completed by a Scheme Creditor or its duly authorised agent or representative and returned to The United Kingdom Mutual Steam Ship Assurance Association (Bermuda) Limited, by post to care of Thomas Miller attention John McPhail, 90 Fenchurch Street, London, EC3M 4ST or by fax at +44 (0) 20 7204 2308 or email to john.mcphail@thomasmiller.com by 5pm Greenwich Mean Time on 23 October 2012 i.e. no later than three business days before the Scheme Meeting. If a Form of Proxy is returned by fax or email, it is within the discretion of the Company to request an original proxy form be submitted no later than three business days after the Scheme Meeting. The amount appearing on the Claim Form sent to the Scheme Creditors by the Company, unless otherwise agreed by the Company and the Scheme Creditor, will be the amount of a Scheme Creditor's claim against the Company which the Chairman of the Scheme Meeting will accept for voting purposes unless a Scheme Creditor who does not agree with the amount appearing on the claim form as the amount of their claim against the Company or who has not received a Claim Form from the Company contacts the Company at the address appearing on the Form of Proxy, provides a completed Claim Form on or before the relevant Scheme Meeting attaching such reasonable information as will allow the Chairman of the Scheme Meeting to place a just estimate on the value of the Scheme Claim for voting purposes. If a Scheme Creditor provides a Claim Form to the Company on or before the Scheme Meeting, the Chairman shall consider the Claim Form and any supporting information provided by the Scheme Creditor together with the information available to the Chairman from the existing records of the Company and will make a just estimate of the claim for voting purposes only.

The conduct of the Scheme Meeting is at the discretion of the Chairman. If a Scheme Creditor proposes to attend a Scheme Meeting in person you should complete the Form of Proxy and return it to the Company by the date above to allow time for the Chairman to evaluate your claim. Note that corporations, if they wish to vote at the Scheme Meeting, must do so by proxy or duly authorised representative. If a Form of Proxy is completed by an agent or duly authorised representative of a Scheme Creditor, the Company will require evidence at or before the Scheme Meeting that the representative or agent is duly authorised to sign the form on behalf of the Scheme Creditor.

If you do not wish to attend the Meeting, you may appoint the Chairman of the Scheme Meeting or some other person as your proxy. If you appoint the person other than the Chairman of the Scheme Meeting as your proxy in order to represent you, that person must attend in person at the Scheme Meeting.

It is particularly important that you sign the Form of Proxy. If you wish to vote for the Scheme, sign in the box marked "**FOR**". If you wish to vote against the Scheme, sign in the box marked "**AGAINST**". If you wish to give your proxyholder a discretion to vote for or against (or to abstain) at the Scheme Meeting you should sign the box marked "**PROXYHOLDER'S DISCRETION**".

Scheme Creditors must complete the Form of Proxy and if the amount claimed for voting purposes differs from the amount on the Claim Form sent to them by the Company or if they have not received a Claim Form from the Company, then the Scheme Creditor must contact the Company at the address appearing on the Form of Proxy and complete a Claim Form and provide such supporting information as is appropriate to enable the Chairman to evaluate their claim. Claims of Scheme Creditors are evaluated for voting purposes as at the Valuation Date being the 20 August 2012.

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