

9 July 2015

Dear Sirs

Transfer of the Insurance Business of Marine Shipping Mutual Insurance Company Limited to North of England Protecting & Indemnity Association Limited

We are writing to you regarding a proposed transfer of all of the insurance business of:

1) Marine Shipping Mutual Insurance Company Limited, a mutual insurance company registered in the United Kingdom whose registered address is at The Quayside, Newcastle Upon Tyne, England, NE1 3DU (Company No. 01065393) (in run off) ("**MSMI**");

TO

2) North of England Protecting & Indemnity Association Limited, a mutual insurance company registered in the United Kingdom whose registered address is at The Quayside, Newcastle Upon Tyne, England, NE1 3DU (Company No. 00505456) ("**NOE**").

This letter refers to the proposed transfer as "the Scheme".

This letter is sent to you because:

- you are or have previously been entered as a member or policyholder with either, or both, of MSMI and/or NOE; and/or
- you have been identified as the appointed representative or agent of one or more of the current or former Members or policyholders of MSMI and/or NOE.

We are providing you with the information which members and policyholders of MSMI and NOE are entitled to receive as provided in the Financial Services and Markets Act 2000 ("**FSMA**") and the subordinate legislation governing insurance business transfer schemes.

Background and Commercial Rationale for the Scheme

The Scheme is a consolidation of the businesses of NOE and MSMI (in run off) following NOE's appointment as the sole member of MSMI (in run off) in November 2011.

The rationale for the Scheme is that it will be more cost efficient for the businesses of NOE and MSMI (in run off) to be directly owned and operated by a single legal entity rather than two separate legal entities as is presently the case. In particular it is expected that the overall auditing, compliance and management costs associated with the consolidated business will be considerably reduced. It is also expected that the merged business will be more capital efficient compared with the overall capital requirements of the individual businesses.

The Scheme

MSMI and NOE will apply to the High Court of England and Wales (the "**Court**"), pursuant to section 107(1) FSMA for a Court Order sanctioning the transfer of all of MSMI's insurance business (in run

off) to NOE. The intended date of the Court hearing is 20 October 2015 and it is proposed that the Scheme, subject to the Court's approval, will take effect on or about 1 November 2015.

If the Scheme is sanctioned by the Court the rights and liabilities of MSMI's reinsurers and former members will become rights and liabilities enforceable against/due to NOE as if they had always been enforceable as such. It is a requirement of the FSMA that any proposed insurance business transfer must be accompanied by a report (the "**Scheme Report**"), prepared by an independent expert, who is usually an actuary. Keith Tucker (the "**Independent Expert**"), a qualified actuary has been appointed as independent expert with the approval of the Financial Services Authority ("**FSA**").

The FSA and its successor organisations, the Prudential Regulation Authority and the Financial Conduct Authority, have been consulted and they will continue to consider the proposed Scheme in the light of information they receive including issues raised by affected parties or any other representations or information they receive prior to the sanction hearing and, should they have any significant concerns, these will be drawn to the attention of the Court.

A copy of the Scheme Report, a document containing a statement setting out the terms of the Scheme and containing a summary of the Scheme Report, and the Scheme Document setting out the full terms and conditions of the Scheme are provided with this letter. They can also be viewed on our websites at www.nepia.com and www.msmi.co.uk and you can also request a further copy of these documents free of charge by contacting Chris Owen whose contact details are as follows:

Address: Chris Owen, North of England Protecting & Indemnity Association Limited, 100 The Quayside, Newcastle Upon Tyne, NE1 3DU, UK

Telephone: +44 191 2325221 (Monday to Friday 9.00 am to 5.00 pm)

Email: chris.owen@nepia.com

The documents will also be available for inspection at 100 The Quayside, Newcastle Upon Tyne, NE1 3DU, UK during normal office hours (Monday to Friday 9.00 am to 5.00 pm).

If you are the appointed representative or agent of one or more of the current or former Members or policyholders of MSMI and/or NOE you should draw the Scheme to the attention of the Members and/or policyholders of NOE and/or MSMI on behalf of whom you act.

Any person who considers that he would be adversely affected by the carrying out of the Scheme has the right under FSMA to make written or oral representations prior to the hearing and/or to be heard by the Court in person or by Counsel. The application will be heard on 20 October 2015 at The Rolls Building, 7 Rolls Buildings, Fetter Lane, London, EC4A 1NL.

If you have no objection to the Scheme, there is no need for you to do anything. If you do intend to present any objections to the Scheme because you believe you would be adversely affected by the Scheme, or you otherwise object to the Scheme, please write to Chris Owen at North of England Protecting & Indemnity Association Limited, 100 The Quayside, Newcastle Upon Tyne, NE1 3DU, UK or by email to chris.owen@nepia.com as soon as possible giving your reasons for any objection you may have. Alternatively, please feel free to contact Chris Owen by telephone on +44 191 232 5221 to give notice of your intention to attend court or of any representations you wish to make (whether

you intend to attend Court in person or not). All representations received whether in writing or by telephone will be presented to the Court by the parties.

Yours faithfully

AA WILSON & PA JENNINGS

JOINT MANAGING DIRECTORS

Marine Shipping Mutual Insurance Company Limited and the North of England Protecting & Indemnity Association Limited