SCHEDULE 1

ESTIMATION GUIDELINES

1 **INTRODUCTION**

1.1 The Estimation Guidelines are intended to make the process that the Company will follow in valuing Liabilities as transparent as possible to Direct Scheme Creditors. The Estimation Guidelines describe the approach that the Company will expect both Direct Scheme Creditors and the Company to follow in valuing Notified Outstanding Liabilities and IBNR Liabilities. Under the terms of the Direct Scheme, the Estimation Guidelines will be applied by the Company in seeking to reach agreement with Direct Scheme Creditors in respect of any Notified Outstanding Liabilities and any IBNR Liabilities. If the Company is unable to reach agreement with a Direct Scheme Creditor as to any of these amounts, they will be referred to the Direct Scheme Adjudicator for determination by him in accordance with the provisions of the Direct Scheme.

1.2 **Direct Scheme Creditors are advised to read this Schedule 1 in its entirety. Each section of this Schedule 1 must be read in its entirety. Reading individual parts of sections in isolation could be misleading.**

1.3 The Estimation Guidelines are designed to be of assistance to Direct Scheme Creditors in developing their estimates of Notified Outstanding Liabilities and IBNR Liabilities by setting out estimation techniques that are generally accepted within the insurance market. Direct Scheme Creditors are not, however, precluded from using other projection techniques where they consider these techniques to be appropriate, provided that such techniques are well supported and that they use assumptions that can reasonably be justified by the Direct Scheme Creditor. If the Company considers that such techniques are well supported and justified, then these may be adopted in valuing Notified Outstanding Liabilities and IBNR Liabilities of that Direct Scheme Creditor.

1.4 It should be noted, in this context, that the Company does not consider the valuation of "All Sums" claims on a "Pure All Sums" basis, which takes no account of contributions or credits from other insurers from within the relevant triggered period, to be either appropriate or robust. An approach of this type would be inconsistent with the manner in which "All Sums" claims are actually settled and the manner in which such claims are valued in standalone commutations outside schemes of arrangement. The Company will only agree to settle such claims (or give weight to "All Sums" claims in a settlement) where such claims are calculated on a basis that is net of contributions to and from other insurers from within the relevant triggered period.

However, notwithstanding anything to the contrary herein, the Company will apply the law that would likely, under traditional choice of law analysis, have been applicable to each Direct Scheme Creditor's claim had it been resolved in the normal course outside the Direct Scheme. This may include allocation rules whereby contribution or credits may or may not be available from other insurers under the applicable law, or are available only in limited manner. The Company also will take into account the terms of any court judgment obtained by a creditor prior to the Scheme Reference Date under policies subscribed by the Company and subject to the judgment.

1.5 Also, "All Sums" claims are still subject to other terms, conditions and exclusions of the policies, including anti-stacking provisions in the policies, which may limit the Direct Scheme Creditor's claim. To the extent the Company applies a contribution offset to a given claim, as set forth in the preceding paragraph, the applicability of such anti-stacking provisions would be reduced.

1.6 Where appropriate and insofar as is practicable and possible, the basis of settlement shall include an assignment to the Direct Scheme Creditor of any and all rights that the Company may have against other insurers from within the relevant triggered period now and/or in the future.

1.7 In all cases Direct Scheme Creditors should value their Notified Outstanding Liabilities and IBNR Liabilities as an estimate that is not biased either upwards or downwards and is intended to represent the mean of the distribution of possible outcomes.

1.8 The Company will not, unless legally obliged to do so, be bound by, or obliged to follow, any settlement made between a Direct Scheme Creditor and another insurer or reinsurer (including, without limitation, any co-insurer in relation to a common liability) if it believes that settlement to be unreasonable or inappropriate.

1.9 If, at any stage of the process, a Direct Scheme Creditor has any queries relating to the application or potential application of the Estimation Guidelines to its claim, it should contact the Company for further guidance. Direct Scheme Creditors may also wish to consult appropriate professional advisers in determining their claim against the Company.

2 DIRECT INSURANCE OF APH CLAIMS

2.1 This section describes the Estimation Guidelines that the Company will expect both Direct Scheme Creditors and the Company to follow where Direct Scheme Creditors have asbestos, pollution or health hazard (“**APH**”) claims arising under an Insurance Contract (i.e. a contract of Direct Insurance with the Company).

2.2 This section relates to a Direct Scheme Claim arising under contracts of Direct Insurance.

2.3 If the Direct Scheme Creditor has agreed a settlement with the Company, or obtained a court decision against the Company, the Direct Scheme Creditor should follow that settlement or decision which may address how claims are to be paid, or which may bar or restrict the ability to make any further claims by the Direct Scheme Creditor against the Company.

Asbestos claims

2.4 An "average cost per claim method" should be adopted. This involves building up an estimate of the total number of claims to be received by the Direct Scheme Creditor and applying to that an average claim cost to determine the total inwards liability in respect of that Direct Scheme Creditor. This amount can then be allocated across the appropriate period and applied to the policy profile of the Direct Scheme Creditor to derive the Company's share of that cost.

2.5 If this approach is adopted, the following steps should be followed (note that further guidance for some of these points is given later):

(a) estimate the ultimate number of claims to be filed against the Direct Scheme Creditor;

(b) estimate the proportion of the ultimate claims that are likely to be dismissed;

(c) select average indemnity and expense costs per claim allowing for future inflation;

(d) multiply the number of settled claims (i.e. the ultimate number of claims less those expected to be dismissed) by the selected average indemnity cost per claim to derive an estimate of the total indemnity cost. Multiply the ultimate number of claims by the selected average expense cost per claim to derive an estimate of the total expense cost;

(e) identify the period over which these costs are to be allocated by reference to the appropriate trigger; and

(f) allocate the indemnity and expense costs across this period and apply the results to the policy profile of the Direct Scheme Creditor to derive the Company's share of those costs.

2.6 Within the above approach, separate consideration should be given to the type of claim (i.e. products bodily injury, products property damage, premises, other types of non-products etc.) and the US State or country whose applicable case law governs the Insurance Contracts. For bodily injury claims, separate consideration should be given to the disease type (e.g. mesothelioma, lung cancer, other cancer, asbestosis, other non-malignant etc.).

Claim numbers

2.7 The estimates of claim numbers should take account of the historical claims development together with any available independent studies of the incidence of asbestos-related diseases and should reflect the prevailing legal environment in the relevant country and/or jurisdiction.

Expenses

2.8 Direct Scheme Creditors should indicate whether expenses are included within the limits or are payable in addition to the limits for each policy, or not covered at all by the policies implicated.

Trigger of coverage

2.9 The most common approach adopted by the US courts to determine the period over which the losses should be allocated is the continuous trigger, whereby all policies available over the period from the date of first exposure to asbestos up to the date when the disease became clinically evident are triggered.

2.10 The selection of the triggered period should also take the following into consideration:

(a) the treatment of any periods of self-insurance;

(b) the period during which the Direct Scheme Creditor manufactured, installed or distributed asbestos-containing products;

(c) exclusion clauses within the Direct Scheme Creditor's policies, where appropriate;

(d) settlements and other major agreements between the Direct Scheme Creditor and its insurers;

(e) legal judgments in any coverage disputes between the Direct Scheme Creditor and its insurers; and

(f) relevant US case law (or case law from other countries if appropriate). Allocation of costs to the triggered period

2.11 In most circumstances, the Company will expect the costs to be spread over the entire period covered by the triggered policies with reference to the Direct Scheme Creditor's asbestos exposure over time. The Company will expect the Direct Scheme Creditor to provide exposure information in support of its approach.

2.12 The Direct Scheme Creditor is required to share in the allocation of costs by bearing the loss allocated to periods of self-insurance or non-insurance, unless the Direct Scheme Creditor can identify a relevant court decision under applicable law that demonstrates that it is not required to bear these loss allocations.

2.13 In circumstances where consideration may be given to settlement on an "All Sums" basis, the Company will assign an appropriate weight (which may be 100%) to an "All Sums" calculation. This weight will be based on past court decisions in respect of the Direct Scheme Creditor and/or on other court decisions that are likely to be directly relevant to the Direct Scheme Creditor. Where non-zero weight is given to an "All Sums" calculation, that calculation should be conducted on a basis that is net of contributions to and from other insurers from within the relevant triggered period.

2.14 The Company will consider other methods of allocating costs to the triggered period provided that they are shown to be robust and that they use assumptions that can reasonably be justified by the Direct Scheme Creditor.

Benchmarking Approach

2.15 The average cost method described above would be the expected calculation to be performed. If for some reason this approach is not possible in relation to the Direct Scheme Creditor's exposure to asbestos claims then a benchmarking approach can be applied.

2.16 In these instances the benchmark applied (e.g. IBNR to outstanding ratio, paid survival ratios etc) will need to be justified and in particular a justification for why the average cost method was not possible to apply.

Environmental pollution claims

2.17 In order to determine the inwards liability of a Direct Scheme Creditor in respect of each polluted site, an exposure-based approach should be used. The Direct Scheme Creditor should identify all sites to which it has exposure for which liability potential has already been notified and sites for which it believes that it will be notified of liability potential in the future. The steps below should be used to determine the Direct Scheme Creditor's share of the clean-up costs at each site and then to estimate the extent to which these costs can be recovered under the Direct Scheme Creditor's insurance policies with the Company:

(a) estimate the cost of cleaning up a polluted site;

(b) apportion those clean-up costs between the Direct Scheme Creditor and other potentially responsible parties ("**PRPs**");

(c) estimate corresponding expenses;

(d) identify the period over which these clean-up costs and expenses are to be allocated with reference to the appropriate trigger;

(e) allocate the clean-up costs and expenses over this period and apply the results to the Direct Scheme Creditor's policy profile to derive the Company's share of those costs; and

(f) assess any legal coverage issues involved in determining the validity of any claim of the Direct Scheme Creditor against the Company in respect of those sites.

Clean-up costs

2.18 The Direct Scheme Creditor should estimate the undiscounted clean-up cost for each site. The Direct Scheme Creditor should provide independent supporting evidence when claiming future clean-up costs. Past costs may be supported by internal evidence held or obtained by the Direct Scheme Creditor.

Expenses

2.19 Direct Scheme Creditors should indicate whether expenses are included in the limits or in addition to the limits for each policy, or not covered at all by a policy. Where expenses are included in the clean-up cost amounts, this should be indicated by the Direct Scheme Creditor. Each Direct Scheme Creditor should provide details of how its expenses have been determined, allowing for the number of PRPs involved at the site (if appropriate).

PRP share

2.20 The total clean-up costs for each site should be allocated to PRPs using participation percentages or volumetric shares where possible. Where neither of these methods is available, the share of unallocated costs on a site should be estimated with reference to the most appropriate available information.

Governing law

2.21 The ultimate loss to the Company for a site will depend, to some extent, on the assumptions adopted by the courts in any litigation in the relevant jurisdiction. These assumptions vary from state to state and from country to country. Settlements of US pollution claims and US court judgments relating to pollution claims typically use the principal place of business of the insured at the relevant time periods of the relevant Insurance Contracts as the key factor in determining the appropriate governing law, although there are some exceptions to this (see below). The governing law in relation to any dispute in respect of a pollution claim arising out of an Insurance Contract will therefore be the law of the state where the insured has its principal place of business at the relevant time periods of the relevant Insurance Contracts and the Company will apply that law by reference to the principles set out below. The exceptions to this are where:

(a) The Direct Scheme Creditor has agreed a settlement with the London Market and / or a settlement that is governed by a different law; or

(b) The Direct Scheme Creditor can identify a relevant court decision that means that the Direct Scheme Creditor's claims will be subject to a different governing law.

Trigger of coverage

2.22 The most common approach adopted by the US courts to determine the period over which the losses should be allocated is the continuous trigger, whereby all insurance policies are triggered between the date of first exposure to the risk up to the date of its manifestation. Other triggers (such as exposure or manifestation) may be used if there is strong justification to do so.

Allocation of costs to triggered policies.

2.23 The default method of allocation should be the pro rata allocation. Under this allocation basis, the costs are spread evenly over the entire period covered by the triggered policies.

2.24 The Direct Scheme Creditor is required to share in the allocation by bearing the loss allocated to periods of self-insurance or non-insurance, unless otherwise provided for by applicable law.

2.25 In circumstances where consideration may be given to settlement on an "All Sums" basis, the Company will assign an appropriate weight (which may be 100%) to an "All Sums" calculation. This weight will be based on past court decisions in respect of the Direct Scheme Creditor and/or on other court decisions that are likely to be directly relevant to the Direct Scheme Creditor. Where non-zero weight is given to an "All Sums" calculation, that calculation should be conducted on a basis that is net of contributions to and from other insurers from within the relevant triggered period.

2.26 The Company will consider other methods of allocating costs to the triggered period provided that they are shown to be robust and that they use assumptions that can reasonably be justified by the Direct Scheme Creditor.

Coverage issues

2.27 Insurers may not in all cases be liable to pay the clean-up costs and expense costs. Each policy covering the Direct Scheme Creditor may have several clauses that insurers and reinsurers may argue preclude liability. The key issues to consider include but are not limited to:

(a) whether the policy contains any "absolute", "sudden and accidental" and/or "owned property" exclusion clauses;

(b) whether clean-up costs are considered as damages; and

(c) the "expected or intended" argument.

2.28 The effect of any of the above issues on individual sites will be assessed by considering past court decisions under applicable law in order to determine the likelihood of various outcomes by state (or country) and policy year. The owned property sites should be indicated by the Direct Scheme Creditor.

Future sites

2.29 If the Direct Scheme Creditor considers that it will potentially be exposed to as yet unidentified sites, then it should consider making an allowance for these sites using an "average cost per claim method". The Direct Scheme Creditor should estimate the number of such sites, with reference to the past emergence of unidentified sites, and apply an average cost per site. This average cost per site will need to have regard to the characteristics that the unidentified sites are likely to exhibit.

Benchmarking Approach

2.30 The average cost method described above would be the expected calculation to be performed. If for some reason this approach is not possible in relation to the Direct Scheme Creditor's exposure to environmental pollution claims then a benchmarking approach can be applied.

2.31 In these instances the benchmark applied (e.g. IBNR to outstanding ratio, paid survival ratios etc) will need to be justified and in particular a justification for why the average cost method was not possible to apply.

Other health hazards (for example Lead Paint exposures)

2.32 For each health hazard (for example Lead Paint exposures), an "average cost per claim method" should be adopted. This involves building up an estimate of the total number of claims to be received by the Direct Scheme Creditor and applying to that an average claim cost to determine the total inwards liability of that Direct Scheme Creditor. This can then be allocated across the appropriate period and applied to the policy profile of the Direct Scheme Creditor to derive the Company's share of that cost.

Claim numbers

2.33 The estimates of claim numbers should take account of the historical claims development together with any independent studies of the incidence of the relevant loss type.

Expenses

2.34 Direct Scheme Creditors should indicate whether expenses are included within the limits or are payable in addition to the limits for each policy, or not covered at all by the policies implicated.

Trigger of coverage

2.35 The most common approach adopted by the US courts to determine the period over which the losses should be allocated is the continuous trigger, whereby all policies available over the period from the date of first exposure up to the date when the disease became clinically evident are triggered. Other triggers (e.g. exposure, manifestation or injury in-fact) have occasionally been selected and applied by the courts and may be used if there is strong justification to do so.

2.36 The selection of the triggered period should also take the following into consideration:

(a) settlements and other major agreements between the Direct Scheme Creditor and its insurers;

(b) legal judgments in any coverage disputes between the Direct Scheme Creditor and its insurers; and

(c) relevant US case law (or case law from other countries if appropriate).

Allocation of costs to the triggered period

2.37 In most circumstances, the Company will expect the costs to be spread over the entire period covered by the triggered policies with reference to the Direct Scheme Creditor's exposure to the health hazard over time. The Company will expect the Direct Scheme Creditor to provide exposure information in support of its approach.

2.38 The Direct Scheme Creditor is required to share in the allocation of costs by bearing the loss allocated to periods of self-insurance or non-insurance, unless the Direct Scheme Creditor can identify a relevant court decision under applicable law that demonstrates that it is not required to bear these loss allocations.

2.39 In circumstances where consideration may be given to settlement on an "All Sums" basis, the Company will assign an appropriate weight (which may be 100%) to an "All Sums" calculation. This weight will be based on past court decisions in respect of the Direct Scheme Creditor and/or on other court decisions that are likely to be directly relevant to the Direct Scheme Creditor. Where non-zero weight is given to an "All Sums" calculation, that calculation should be conducted on a basis that is net of contributions to and from other insurers from within the relevant triggered period.

2.40 The Company will consider other methods of allocating costs to the triggered period provided that they are shown to be robust and that they use assumptions that can reasonably be justified by the Direct Scheme Creditor.

Benchmarking Approach

2.41 The average cost method described above would be the expected calculation to be performed. If for some reason this approach is not possible in relation to the Direct Scheme Creditor's exposure to other health hazard claims then a benchmarking approach can be applied.

2.42 In these instances the benchmark applied (e.g. IBNR to outstanding ratio, paid survival ratios etc) will need to be justified and in particular a justification for why the average cost method was not possible to apply.

Alternative approaches where historical information may not be available

2.43 If a Direct Scheme Creditor has evidence that it is exposed to an asbestos, pollution or health hazard liability from a source from which it has as yet no claims experience, it may be appropriate for that Direct Scheme Creditor to use information that is not based on past claims experience to support its claim if methods using such information are well supported and include justifiable assumptions. A suitable methodology is likely to involve elements from epidemiological and demographic studies, industry comparisons and trend lines. Other methods, provided that the rationale and basis for the assumptions are clearly explained, might also be suitable.

2.44 The approach taken will need to draw from the information available to the Direct Scheme Creditor. The Direct Scheme Creditor should consider what information and supporting evidence it can gather and thus what approach should be developed which maximises its ability to provide backing information and justification for the assumptions used.

2.45 Once the ground-up costs against the Direct Scheme Creditor have been established, the liabilities can be applied to the Company's policies in the normal manner. Consideration then needs to be given to the likelihood of the claims actually emerging to the extent indicated by the selected methodology. The final result needs to be adjusted for this probability which should be documented in full.

3 DIRECT NON-APH CLAIMS

3.1 This section describes the Estimation Guidelines that the Company will expect Direct Scheme Creditors to follow where those Direct Scheme Creditors have non-APH claims arising under an Insurance Contract with the Company.

Overview

3.2 The Estimation Guidelines are designed to be of assistance to Direct Scheme Creditors in developing their estimates of Notified Outstanding Liabilities and IBNR Liabilities by setting out estimation techniques that are generally accepted within the insurance market.

3.3 The section below describes one such technique that Direct Scheme Creditors may use to value claims arising from non-APH liabilities. Direct Scheme Creditors are not, however, precluded from using other projection techniques where they consider these techniques to be appropriate, provided that such techniques are well supported and that they use assumptions that can reasonably be justified by the Direct Scheme Creditor. If the Company consider that such techniques are well supported and justified, then these may be adopted in valuing Notified Outstanding Liabilities and IBNR Liabilities of that Direct Scheme Creditor.

Benchmarking

3.4 Benchmarks should be applied to positions as at the Scheme Reference Date in respect of paid, outstanding and incurred recoveries between the Direct Scheme Creditor and the Company. Benchmarks that could be used include ratios of IBNR Liabilities to Notified Outstanding Liabilities or ratios of ultimate claims to paid or incurred claims based on an analysis of the Direct Scheme Creditor's exposures. Allowance should be made for the effect of large single movements, such as large losses or major commutations, and any other features that could distort these benchmark approaches.

3.5 Consideration should be given to the subdivisions of the Direct Scheme Creditor's account which are used in the benchmarking process. A balance needs to be struck between sub-dividing to make the benchmarking process more appropriate to each sub-division of data and not sub-dividing so much that the resulting data being used in the benchmarking process lacks statistical credibility.

3.6 The types of sub-division will depend on the data available and may consist of any or all of the following:

(a) type of loss (e.g. liability or property damage);

(b) type of business (e.g. proportional or non-proportional); and

(c) class of business.

3.7 Where possible, the results from this approach should be supported using development data or ceded paid and incurred claims.

4 DIRECT UNANTICIPATED LATENT CLAIMS

4.1 A Direct Scheme Creditor may have reason to believe that it faces exposure to a type of latent claim that has not yet been notified to the world's leading insurance markets which is covered under the policies issued by the Company to that Direct Scheme Creditor. This may be a result of insufficient scientific and/or causal evidence or for other reasons, including the possibility that this claim type is currently completely unknown. Subject to the conditions set out later in this section, a Direct Scheme Creditor may submit a claim for this exposure.

4.2 Such exposure is expected to vary according to several factors, including:

(a) class of business and year of inception and termination;

(b) type of policy and other coverage aspects; and

(c) nature of the underlying insured's business, including the industry in which it operates and, consequently, the likely nature of any potential claim; and territory including the applicable law.

4.3 The Company's exposure to such types of latent claim would be expected to diminish over time until it eventually reduces to an immaterial level.

4.4 The Direct Scheme Creditor must supply information to demonstrate that it faces exposure to such types of latent claim. This information will have regard to the above factors and will need to draw on company and/or industry data to show a non-zero likelihood that unanticipated claim types may emerge in the future that will impact the Company's policies with that Direct Scheme Creditor.

4.5 The Direct Scheme Creditor must also provide an estimate of the ultimate cost of the exposure together with appropriate supporting evidence. In view of the diverse nature of the underlying claims, the Company will accept any reasonable approach, provided that it is appropriately supported and takes into account the factors listed above.

5 ALLOWANCE FOR TIME VALUE OF MONEY

Discounting

5.1 Once the Outstanding Claims and IBNR Claims have been ascertained, they will be discounted to take account of the time value of money.

Items to be discounted

5.2 Both Outstanding Claims and IBNR Claims will be discounted to the Scheme Reference Date. The discount factors to be applied depend on rates of interest and claims development (i.e. payment) patterns.

Rates of Interest

5.3 The rates of interest will vary by claim type, based on an estimated mean term for that claim type. The rates for each mean term are as at the Scheme Reference Date and are based on the rates for U.S. Treasury securities on the Scheme Reference Date for terms that reflect the range of mean terms of the different claim types (these rates will be based on information published by EIOPA for USD risk free yields for Solvency II).

Claims Development (i.e. payment) Patterns

5.4 The Direct Scheme Actuary will use claims development (i.e. payment) patterns for each of the main claim types and the claim amounts will be discounted assuming an average time to settlement of each such claim type. The Direct Scheme Actuary will take into account specific information supplied by the Direct Scheme Creditor and/or Direct Scheme Administrator relating to payment patterns that he considers relevant to their Direct Scheme Claim and which would have a material impact on the discount factors to be used. For example, in some cases it might be appropriate to allow for pre-agreed instalment dates as part of a settlement agreement.

Default Factors to be used

5.5 The following table shows the discount factors as at the Scheme Reference Date. These factors will be used unless the Direct Scheme Actuary deems it appropriate to adjust either the interest rates or claims development patterns described in Sections 5.3 and 5.4

respectively. The "Discount Factor" shown in the final column of this table represents the percentage reduction that will be applied to the undiscounted reserve (that is Outstanding Claims and IBNR Claims), except where it is amended in accordance with Section 5.5 (in which case a different factor may be used).

Claim Type	**Mean Settlement Term**	**USD annualised interest rate**	**Discount Factor**
Asbestos	8	3.44%	23.72%
Pollution	7	3.45%	21.13%
Health Hazards	8	3.44%	23.72%
Unanticipated Latent Claims	10	3.45%	28.76%
Direct Non-APH Claims	5	3.50%	15.80%

SCHEDULE 2

SUPPORTING EVIDENCE

INDEX

1. INTRODUCTION

1.1 This Schedule 2 sets out the level of supporting evidence that should be supplied by a Direct Scheme Creditor in support of the different approaches used for estimating Notified Outstanding Claims and IBNR Claims for different Insurance Contract types and claim loss types as described in the Estimation Guidelines.

1.2 Where the Direct Scheme Creditor adopts projection techniques other than those set out in the Estimation Guidelines full supporting evidence should be provided, including full descriptions of the techniques adopted and the assumptions made, including supporting data to justify each of the assumptions made.

2. DIRECT APH CLAIMS

2.1 This section describes the supporting evidence that should be submitted by Direct Scheme Creditors with APH claims arising under an Insurance Contract with the Company.

2.3 Asbestos claims

2.3.1 Direct Scheme Creditors with asbestos claims following the approach set out in section 2.4 of Schedule 1 should provide supporting evidence with the Claim Form that should include:

Agreements or settlements with any insurer

2.3.2 If there is a coverage in place agreement or settlement with any insurer, the Direct Scheme Creditor should:

(a) provide a copy of the agreement (the Company and its advisers will sign a confidentiality agreement if necessary);

(b) indicate the policy years covered by the agreement; and

(c) indicate the extent to which the limits provided by the agreement have been paid to date.

Claims estimation data

2.3.3 If the asbestos claims arise from products liability coverage then the Direct Scheme Creditor should provide details of the asbestos product(s) involved, the years that the product(s) were manufactured and distributed by the underlying insured, and the source of the asbestos claims (e.g. employees, third parties etc.).

2.3.4 A claimant database should also be provided for all asbestos claim types. The database should include the following information for each individual claimant who has filed a claim against the insured:

(a) claimant name;

(b) date when the claim was filed against the insured;

(c) type of claim (i.e. products bodily injury, products property damage, premises, other types of non-products etc.);

(d) if the claim is a non-products claim, the site and US State (or country) where that site is located from where the claim arose;

(e) claim status (i.e. whether the claim is still open, or whether it has been closed);

(f) if the claim has been closed, a flag to show whether the claim was settled or dismissed, the date when such settlement or dismissal took place and the total indemnity amount of any settlement;

(g) for open claims, the dates and amounts of all indemnity amounts paid;

(h) total defence costs paid to date in respect of each claim (both for the closed (settled and dismissed) and open claims);

(i) disease type (e.g. mesothelioma, lung cancer, other cancer, asbestosis, other non- malignant etc.);

(j) US State or other jurisdiction in which the claim was filed;

(k) if the claim record relates to a class action or multi-plaintiff lawsuit, the number of underlying individual claimants (although ideally, the Company would like full data in respect of each individual claimant underlying a particular class action); and

(l) date of first and last exposure to asbestos for the claimant.

2.3.5 From this database, it should be possible to determine the following summary information for each claim type and disease type:

(a) number of claims filed, settled and dismissed by year and by state or country (as applicable) for as many years as possible including the number of claims against the underlying insured remaining open as at the Scheme Reference Date; and

(b) indemnity and expense costs for claims closed by the underlying insured by year, by state and by disease type for as many years as possible.

Policy data

2.3.6 The Direct Scheme Creditor should provide policy data as follows:

(a) a list of the policies written by the Company where asbestos claims have been allocated including information on policy limits, aggregate limits and excess points;

(b) evidence of prior settlement where blocks of coverage are excluded from allocation;

(c) evidence of policies being "costs in addition" or "costs inclusive" where the underlying insured is making such an assertion;

(d) evidence of entitlement under the policies where the claimant is not the underlying named insured;

(e) details of any exclusion clauses, where appropriate; and

(f) a complete coverage chart showing erosion to date, in both an electronic format and as a colour coded chart as appropriate.

Basis of estimation

2.3.7 The Direct Scheme Creditor should indicate the basis of estimation that it has used and should provide:

(a) a description of the Direct Scheme Creditor's basis of estimation of the ultimate asbestos claims cost, including the techniques used for projecting future numbers of claims filed and for projecting average claims costs and details of any assumptions used;

(b) evidence of court or other rulings to substantiate the basis of estimation;

(c) details of the methodology and assumptions used to allocate the ultimate claims cost to the Direct Scheme Creditor's policies with the Company; and

(d) the value of Notified Outstanding Claims and IBNR Claims being claimed by the Direct Scheme Creditor from the Company.

2.4 Environmental pollution claims

2.4.1 Direct Scheme Creditors with pollution claims following the approach set out in section 2.17 of Schedule 1 should provide supporting evidence with the Claim Form that should include:

Agreements or settlements with any insurer

2.4.2 Direct Scheme Creditors should provide a copy of, or excerpt from, any settlement agreement with any insurer specifying the date of the settlement, the amount of the settlement, the allocation to policy years, the sites involved and the split of the settlement between indemnity and expense costs. The Company and its advisors will sign a confidentiality agreement if necessary.

Numbers of sites exposed

2.4.3 The Direct Scheme Creditor should provide the Environmental Protection Agency (EPA) site ID for each site where the underlying insured is submitting a claim against the Scheme Creditor for liability arising under the Comprehensive Environmental Response, Compensation and Liability Act 1980 (CERCLA). Appropriate identifiers should also be provided for third party, Resource Conservation and Recovery Act 1976 (RCRA), Natural Resource Damage (NRD) or other sites as applicable.

Claims estimation data

2.4.4 For each of the sites, the following information will be required:

(a) site name;

(b) US state or country (as applicable) in which the site is located;

(c) estimated undiscounted cost of cleaning up the site including operation and maintenance costs, either:

  (i) the whole site with volumetric share or participation percentage or estimated share as documented by site engineers; or

  (ii) the underlying insured's share of the site clean-up costs only;

(d) evidence as to how the costs have been estimated and by whom will need to be provided;

(e) start date of involvement at site;

(f) end date of involvement at site;

(g) notification date or discovery date for involvement;

(h) costs spent to date for clean-up or investigation of the site by the underlying insured;

(i) legal costs spent to date by the underlying insured;

(j) latest and pertinent previous records of decision; and

(k) legal assumptions made regarding the trigger and allocation to policies including, if the Direct Scheme Creditor has calculated the settlement on an "All Sums" basis, the "All Sums" year selected.

Policy data

2.4.5 In addition to the policy data outlined in section 2.3.6 of this Schedule 2 (with reference to “asbestos” being replaced with reference to “environmental pollution” as appropriate) the Direct Scheme Creditor should provide evidence of entitlement under the policies where the claimant is not the underlying named insured.

Basis of estimation

2.4.6 The Direct Scheme Creditor should indicate the basis of estimation that it has used and should provide:

(a) a description of the Direct Scheme Creditor's basis of estimation of the ultimate pollution claims cost;

(b) evidence of court or other rulings to substantiate the basis of estimation;

(c) details of the methodology and assumptions used to allocate the ultimate claims cost to the Direct Scheme Creditor's policies with the Company including, if the Direct Scheme Creditor has calculated the settlement on an "All Sums" basis, the "All Sums" year selected and the impact of any adjustment to the allocation to specific policies to allow for the existence of policy exclusions where applicable; and

(d) the value of Notified Outstanding Claims and IBNR Claims being claimed by the Direct Scheme Creditor from the Company.

2.5 Other health hazards claims

2.5.1 Direct Scheme Creditors with health hazard claims following the approach set out in section 2.32 of Schedule 1 (such as those occurring under US product liability insurances) should provide supporting evidence with the Claim Form that should include:

Agreements or settlements with any insurer

2.5.2 if there is a coverage in place agreement or settlement with any insurer, the Direct Scheme Creditor should:

(a) provide a copy of the agreement (the Company and its advisers will sign a confidentiality agreement if necessary);

(b) indicate the policy years covered by the agreement; and

(c) indicate the extent to which the limits provided by the agreement have been paid to date.

Claims estimation data

2.5.3 The Direct Scheme Creditor should provide details of:

(a) any products involved, including the years the products were manufactured and distributed by the underlying insured;

(b) all claims information should be split by type of claim (e.g. products bodily injury, products property damage, types of non-products claims etc.);

(c) number of claims filed against the underlying insured by year, by state and by disease type (i.e. malignant, non-malignant) for as many years as possible;

(d) number of claims closed by the underlying insured by year, by state and by disease type for as many years as possible;

(e) indemnity and expense costs for claims closed by the Direct Scheme Creditor by year, by state and by disease type for as many years as possible;

(f) analysis of closed claims split into those settled at cost and those settled for zero cost;

(g) number and amounts of claims against the underlying insured remaining open as at the Scheme Reference Date by year, by state and by disease type; and

(h) if appropriate, a claimant database to include claim status, claimant name, doctor, screening facility, law firm, filing date, US state or country (as applicable), disease type, date of first exposure and date of last exposure.

Policy data

2.5.4 The Direct Scheme Creditor should provide policy data as outlined in section 2.3.6 (with reference to “asbestos” being replaced with reference to “other health hazards” as appropriate) of this Schedule 2.

Basis of estimation

2.5.5 The Direct Scheme Creditor should indicate the basis of estimation that it has used and should provide:

(a) the technique and basis used for projecting average claims costs;

(b) the technique and basis used for projecting future numbers of claims filed;

(c) evidence of court or other rulings to substantiate the basis of estimation;

(d) details of the methodology and assumptions used to allocate the ultimate claims cost to the Direct Scheme Creditor's policies with the Company; and

(e) the value of Notified Outstanding Claims and IBNR Claims being claimed by the Direct Scheme Creditor from the Company.

2.6 Alternative approaches where historical information may not be available

2.6.1 Direct Scheme Creditors with APH claims following the approach set out in section 2.43 of Schedule 1 should provide supporting evidence with the Claim Form that should include full details of the approach taken and justification of any assumptions made.

3. DIRECT NON-APH CLAIMS

3.1 Overview

3.1.1 This section describes the supporting evidence that should be submitted by Direct Scheme Creditors with Non-APH claims arising under a Direct policy.

3.1.2 If the Direct Scheme Creditor adopts projection techniques other than those set out in section 3 of Schedule 1 in order to determine its inwards liabilities, full supporting evidence should be provided, including full descriptions of the techniques adopted and the assumptions made, including supporting data to justify each of the assumptions made.

3.2 Benchmarking

3.2.1 Direct Scheme Creditors following the approach set out in section 3.4 of Schedule 1 should provide supporting evidence with the Claim Form that should include:

(a) policy details as required by the Claim Form, including details of policies that inure to the benefit of the Company's policies;

(b) type of claim;

(c) details of the benchmarks and how they have been applied;

(d) evidence to justify why the benchmarks used apply to the Direct Scheme Creditor; and

(e) the value of Notified Outstanding Claims and IBNR Claims being claimed by the Direct Scheme Creditor from the Company.

4. DIRECT - UNANTICIPATED LATENT CLAIMS

4.1 Direct Scheme Creditors submitting a claim in respect of unanticipated latent claims, following the approach set out in section 4 of Schedule 1, should provide supporting evidence with the Claim Form that should include:

4.1.1 policy details as required by the Claim Form, including details of policies that inure to the benefit of the Company's policies;

4.1.2 information to demonstrate a non-zero likelihood that unanticipated claim types may emerge in the future that will impact the Company's policies, drawing on company and industry data;

4.1.3 the value of IBNR Claims being claimed by the Direct Scheme Creditor from the Company; and

4.1.4 the methodology and assumptions used to estimate the total value of IBNR Claims being claimed by the Direct Scheme Creditor from the Company.