

SCHEME SUMMARY

London General Insurance Company Limited (the "**LGI**") is proposing to transfer part of its accident and sickness insurance business to London General Life Company Limited ("**LGL**") by means of an insurance business transfer scheme (the "**Scheme**") under Part VII of the Financial Services and Markets Act 2000 (the "Act").

This document provides you with information about the application which has been made to the High Court of Justice of England and Wales to transfer LGI's insurance business as described below to LGL and about the terms of the Scheme. It is important that you understand the background to the proposal and you are encouraged to read the whole document.

In the Appendix to this document is a summary of a report prepared by an independent expert, Oliver Gillespie of Milliman Limited ("**Independent Expert**"), who has been appointed to report on the effect of the proposed transfer of the business on policyholders and whose appointment has been approved by the FSA. In considering whether to make an order sanctioning the Scheme, the Court will be assisted by the Independent Expert's report, a copy of which may be obtained free of charge by writing to LGI, at the address and reference given below. Alternatively, it may be downloaded from the website www.thewarrantygroup.co.uk.

LGI and LGL form part of a group of companies known as The Warranty Group, the business of which includes underwriting payment protection insurance for customers who take out loans or other credit finance from banks and other lenders. LGI is a general insurance company and is authorised to write certain types of "non life" insurance contracts. LGL is a life insurance company and is authorised to write certain types of long-term and life insurance business. Both LGI and LGL write 'payment protection insurance' contracts. These contracts are written to provide insurance cover for the policyholder to enable them to continue to make their repayments of a loan or other financing if and when one of the insured events occurs. These insured events include one or more of unemployment, accident or sickness (including critical illness) and/or death. The different elements are insured as appropriate by LGI or LGL normally within one policy.

The insurance for short-term accident or sickness payment protection contracts (written for less than 5 years) are written in LGI. The insurance for long-term accident or sickness payment protection contracts (written for terms of 5 years or more) are written in LGL. As a result of a review of the policies written by LGI and LGL, it was discovered

that some policies written in LGI had terms of 5 years or more and therefore the sickness and accident insurance cover within such policies should have been classified as long term insurance and written in LGL. The decision has therefore been taken, with the approval of the FSA, to transfer the relevant long term insurance elements of such policies from LGI to LGL.

The transfer will take place by means of the Scheme. In broad terms, the effect of the Scheme is that LGI's rights and obligations under its long term insurance business will be transferred without alteration to LGL. Each policyholder's rights and obligations under his/her policy will remain unchanged, but will following the transfer be exercisable against or owed to LGL alone in respect of such long term insurance business. Policyholder's valid claims will continue to be paid although the party liable to make payment will be LGL in respect of the long term insurance, rather than the LGI.

The cost of the Scheme will be borne by the shareholders of LGI and LGL – no costs will be borne by policyholders. There will be no change to the administration of the LGI policies and LGL policies after the transfer and there will be no changes to direct debit mandates or standing orders. The Scheme will have no effect on the amounts payable by policyholders.

If you have any concerns or queries concerning this transfer, please contact LGI at the address and reference given below.

In order to become effective, the Scheme will need to be approved by the Court. The necessary application has already been lodged with the Court. It is anticipated that the Scheme will take effect at 2pm on the first Business Day of the month following the date on which the High Court makes an order sanctioning the Scheme which is scheduled to take place on 16th March 2012.

A copy of this circular has been sent to brokers or insurance intermediaries believed to have placed business forming part of the proposed Scheme with LGI.

If you have any questions or require any further information, LGI can be contacted at London General Insurance Company Limited, The Aspen Building, Floor 2, Vantage Point Business Village, Mitcheldean, GL17 0DD or on +44 (0)1594 864 489 by telephone, or at customer.information@eu.thewg.com by email.

Customer Services Manager, London General Insurance Company Limited

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Further copies of this circular and copies of the Scheme Report may be downloaded from the website www.thewarrantygroup.co.uk.