

Attention Cedents and Reinsurers of Scottish Re (U.S.), Inc. in Liquidation and
Other Interested Persons

**NOTICE OF RECEIVER'S MOTION TO APPROVE A RELEASE AND
SETTLEMENT AGREEMENT WITH ORKNEY RE II PLC AND ASSURED
GUARANTY UK LIMITED**

**PLEASE READ ALL OF THE ATTACHED DOCUMENTS CAREFULLY -
YOUR RIGHTS MIGHT BE AFFECTED.**

Attached are important legal documents concerning the "Receiver's Motion to Approve a Release and Settlement Agreement with Orkney II PLC and Assured Guaranty UK Limited" dated December 30, 2024 (the "Settlement Motion").

You are receiving these documents because you are either a cedent or reinsurer of Scottish Re (U.S.), Inc. ("SRUS") or another interested person.

The settlement proposed by the Receiver of SRUS is contained in Exhibit 1 to the Settlement Motion. Please read the exhibit carefully to determine how you are affected.

The enclosed January 27, 2025, Order to Show Cause issued by the Court of Chancery of the State of Delaware (the Court overseeing the liquidation of SRUS) is also enclosed. The Order to Show Cause has been signed electronically. Therefore, it is a valid and binding Order of the Court despite the absence of a conventional signature. The Order to Show Cause has set the following objection deadline:

If you have an objection, **OBJECTIONS** to the Settlement Motion **MUST BE FILED WITH THE COURT ON OR BEFORE FRIDAY, MARCH 14, 2025. A Hearing on the Settlement Motion will be scheduled only if there are any objections filed on or before the objection deadline.** If you have NO objections, you do not need to respond.

Please consult the attached ORDER TO SHOW CAUSE and the Settlement Motion for more details concerning the OBJECTION DEADLINE.



GRANTED WITH MODIFICATIONS

IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE LIQUIDATION :
OF SCOTTISH RE (U.S.), INC. : C.A. 2019-0175-JTL
_____ :

ORDER TO SHOW CAUSE CONCERNING THE RECEIVER'S MOTION TO APPROVE A RELEASE AND SETTLEMENT AGREEMENT WITH ORKNEY RE II PLC AND ASSURED GUARANTY UK LIMITED

PLEASE READ THIS ORDER CAREFULLY as it might affect your rights regarding Scottish Re (U.S.), Inc, in Liquidation. **If you do not file a timely response** to the Receiver's Motion to Approve a Release and Settlement Agreement (the "Motion to Approve Settlement") with Orkney Re II plc ("Orkney II") and Assured Guaranty UK Limited (as successor to Assured Guaranty (Europe) plc (formerly known as Assured Guaranty (UK) plc and Assured Guaranty (UK) Ltd.)) ("Assured"),

following the instructions in this Order to Show Cause, the Receiver's motion will be determined as unopposed. If you have no objection to the Receiver's Motion to Approve Settlement, you do not need to take any further action in response to this Order to Show Cause;

WHEREAS, pursuant to 18 Del. C. §5902(a), the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware (the "Commissioner") in his capacity as the Receiver ("Receiver") of Scottish Re (U.S.), Inc., in Liquidation ("SRUS") filed the Motion to Approve Settlement;

WHEREAS, the Settlement Agreement that is the subject of the Motion to Approve Settlement will terminate the parties business relationships and resolve all disputes between and among them, as further described in the Motion to Approve Settlement.

NOW, THEREFORE, IT IS HEREBY ORDERED THAT:

OBJECTION DEADLINE

1. Any interested party who has an objection to the Receiver's Motion to Approve Settlement and the settlement agreement which is the subject of the motion ("Settlement Agreement") must file their objection under the procedures set forth in this Order **on or before February 14, 2025** (the Objection Deadline"). Any claimant who objects to the Receiver's Motion must advise the Court of their objection to the Receiver's Motion and the basis for their objection so that such objection is received by the Court and the Receiver's attorney on or before the foregoing Objection Deadline. **Any interested party who fails to notify the Court of their objection to the Receiver's Motion to Approve Settlement and the Settlement Agreement by the Objection Deadline will be deemed to have waived any right to Court review of any objection that such party may have had to the Motion to Approve Settlement or the Settlement Agreement and to have abandoned any objection to the Receiver's Motion to Approve and the Settlement Agreement.** *Any Interested Party who objects to the Motion shall be required to attend a hearing to present their objection.*

A HEARING WILL BE HELD ONLY IF NECESSARY

3. A hearing on the Motion will be scheduled only if there are any objections filed on or before the Objection Deadline set forth in Paragraph 1 above.

NOTICE OF THIS ORDER TO SHOW CAUSE

4. Within five (5) business days of receipt of this signed Order to Show Cause, the Receiver shall: (1) post a copy of this Order to Show Cause, the Motion to Approve and the proposed form of Order to grant the Motion to Approve on the SRUS (in Liquidation) website; and (2) by first class mail, serve copies of this Order to Show Cause, the Motion to Approve, and the proposed form of Order to grant the Motion to Approve, on all cedents and retrocessionaires of SRUS who were not served electronically through File & ServeXpress.

5. If no party files a timely objection to the Motion, the Court may enter an Order granting the relief sought by the Receiver.

IT IS SO ORDERED.

J. Travis Laster,
Vice Chancellor

Dated:

This document constitutes a ruling of the court and should be treated as such.

Court: DE Court of Chancery Civil Action

Judge: J Travis Laster

File & Serve

Transaction ID: 75340116

Current Date: Jan 27, 2025

Case Number: 2019-0175-JTL

Case Name: CONF ORDER - IN THE MATTER OF THE LIQUIDATION OF SCOTTISH RE (U.S.),
INC.

Court Authorizer: J Travis Laster

Court Authorizer

Comments:

The Bar Date is March 14, 2025.

/s/ Judge J Travis Laster



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE LIQUIDATION :
OF SCOTTISH RE (U.S.), INC. : C.A. 2019-0175-JTL
: _____
:

**RECEIVER’S MOTION TO APPROVE
A SETTLEMENT AGREEMENT AND RELEASE WITH
ORKNEY RE II PLC AND ASSURED GUARANTY UK
LIMITED, AND THE RELATED RECAPTURE AGREEMENT**

The Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware, (the “Commissioner”) in his capacity as the Receiver (the “Receiver”) of Scottish Re (U.S.), Inc., in Liquidation (“SRUS”), hereby moves (the “Motion”) this Honorable Court pursuant to 18 *Del. C.* § 5902, for an Order approving a settlement with Orkney Re II plc (“Orkney II”) and Assured Guaranty UK Limited (as successor to Assured Guaranty (Europe) plc (formerly known as Assured Guaranty (UK) plc and Assured Guaranty (UK) Ltd.)) (“Assured”) that ends the business relationship and resolves all issues between them, as reflected in the terms and conditions of the attached Settlement and Release Agreement (attached hereto as Exhibit 1), and the Recapture Agreement (attached as Exhibit A to the Settlement and Release Agreement and attached hereto as Exhibit “2”). In support of this Motion, the Receiver states the following:

I. RELEVANT BACKGROUND

a. SRUS

1. SRUS, prior to liquidation, was a Delaware domiciled insurance company licensed by the Delaware Department of Insurance as a stock life and

health reinsurance company. SRUS was a wholly owned subsidiary of Scottish Holdings, Inc. (“SHI”), a Delaware corporation. SHI is a wholly owned subsidiary of Scottish Annuity & Life Insurance Company (Cayman) Ltd. (“SALIC”), a Cayman Islands company and SRUS’s indirect parent. SALIC is a wholly owned subsidiary of Scottish Re Group Limited, also a Cayman Islands company and SRUS’s ultimate parent.

b. The Delinquency Proceedings of SRUS

2. On March 6, 2019, this Honorable Court entered a Rehabilitation and Injunction Order in this matter (the “Rehabilitation Order”). The Rehabilitation Order, *inter alia* and consistent with 18 *Del. C.* ch. 59 of the Delaware Insurance Code (Delaware’s version of the Uniform Insurer’s Liquidation Act (the “DUILA”)),¹ found that: SRUS was impaired and in an unsound condition; placed SRUS into rehabilitation; and appointed the Commissioner as the Receiver. (D.I. 18, ¶¶ 4 -17).

3. On July 18, 2023, SRUS was determined to be insolvent and placed into liquidation by a Liquidation and Injunction Order (the “Liquidation Order”) (D.I. 799).

4. The Liquidation Order contains several injunctive provisions including an injunction against recaptures without the prior written permission of the Receiver or until further order of this Court. (D.I. 799, ¶ 14).

¹ Although all of Title 18, Chapter 59, of the Delaware code is devoted to insurance delinquency regulation, technically only Sections 5901(2)-(13), 5902, 5903, and 5913–5920 form the DUILA. *See* 18 *Del. C.* § 5920(a); *In re Liquidation of Freestone Ins. Co.*, 143 A.3d 1234, 1243 at n. 5 (Del. Ch. 2016).

c. The Existing Contractual Relationships Among SRUS, Orkney II, and Assured that are the Subject of the Settlement

5. Orkney II is a currently non-affiliated special purpose reinsurance company initially created by SRUS to obtain capital through the issuance of bonds and preference shares.

6. For nearly nineteen (19) years, SRUS and Orkney II have been parties to that certain Indemnity Reinsurance Agreement, dated December 21, 2005, as amended (the “Reinsurance Agreement”) pursuant to which SRUS retrocedes to Orkney II certain liabilities under certain reinsurance contracts ceded to SRUS. A true and correct copy of the Reinsurance Agreement is attached hereto as Exhibit “3”.

7. Orkney II’s payment obligations to SRUS under the Reinsurance Agreement were secured by a certain reinsurance trust agreement dated December 21, 2005, among Orkney II, SRUS and the Bank of New York, as trustee (“Orkney II Reinsurance Trust Agreement”), in which Orkney II established a reserve credit trust for the benefit of SRUS (“Orkney II Reinsurance Trust”). A true and correct copy of the Orkney II Reinsurance Trust Agreement is attached as Ex. “4”.

8. On December 21, 2005, Orkney II issued ordinary shares in a private offering to external investors. These shares are held by a share trustee and its nominees in trust. The issuance consisted of \$382.5 million of Series A-1 Floating Rate Guaranteed Notes (the “Series A-1 Notes”), \$42.5 million of Series A-2 Floating

Rate Notes (the “Series A-2 Notes”), and \$25.0 million of Series B Floating Rate Notes (the “Series B Notes”), all due December 31, 2035 (collectively, the “Orkney II Notes”). The Orkney II Notes are non-recourse to SRUS. The Orkney II Notes are listed on the Irish Stock Exchange. Proceeds from this private offering were used to fund the higher reserve requirements associated with Regulation XXX with respect to a defined block of level premium term life insurance policies issued between January 1, 2004 and December 31, 2004, and reinsured by SRUS to Orkney II (Affidavit of Ryan Fuhs (“Fuhs Aff.”), ¶¶ 6-10).² Proceeds from the Orkney II Notes were deposited into a series of accounts that collateralized the notes and met the reserve obligations of SRUS.

9. On the scheduled interest payment date of May 11, 2009, Orkney II

² (Fuhs Aff., fn. 1). Life (re)insurance companies operating in the United States, determine policy reserves based upon methods and assumptions set by the laws of the state of the insurer’s domicile (such as prescribed reserves, the statutory reserves). States attempt to standardize these laws by incorporating to varying degrees the recommendations and guidance of the NAIC. The laws and regulations for setting statutory policy reserves differ from and are generally greater than the amounts economically needed to be set aside by the (re)insurance company to pay future claims. The amounts economically needed to pay claims are generally determined by a process referred to as a gross premium valuation (“GPV”). The assumptions for measuring a GPV are made by the actuary performing the valuation using his/her professional judgement based on the experience of the block of business or a similar block of business and following standards of practice as prescribed by the American Academy of Actuaries. The GPV determined by different actuaries will vary but typically within a reasonable range. After the NAIC adopted Regulation XXX, individual states adopted versions of the model regulation (Delaware enacted its version of the model regulation in 2002). The regulation revised the requirements for establishing reserves for level premium term life insurance such that the statutory reserves for future issues of level premium term life insurance increased significantly, far in excess of reserves otherwise needed to satisfy claims from an economic perspective. Thus, insurance companies issuing (or reinsuring) level premium term life insurance were required to maintain a higher level of assets in order to remain solvent under statutory accounting.

was unable to make scheduled interest payments on the Series A-1 Notes. Failure to make such payments in full when due constituted an event of default under a certain Indenture dated December 21, 2005 (as supplemented, amended, or otherwise modified from time to time) among Orkney Re II plc, as Issuer, Assured Guaranty (Europe) plc (formerly Assured Guaranty (UK) Ltd.), as Financial Guarantor, and the Bank of New York as Trustee (“Orkney II Indenture”).

10. Assured, as financial guarantor of the Series A-1 Notes, made guarantee payments on the Series A-1 Notes in the amount of \$1.2 million. As a result of the Orkney II Indenture, Assured obtained, and continues to have, certain enhanced contractual rights under the transaction documents, and additional fees are accrued for the guarantee coverage. Among Assured’s enhanced contractual rights are (a) the right to instruct the trustee to declare the principal of and the interest on all the Orkney II Notes to be due and payable immediately and (b) the right to foreclose upon the Orkney Re II collateral as defined in the Orkney II Indenture (“Orkney Re II Collateral”).

11. On June 1, 2009, Assured instructed the trustee to accelerate the Orkney II Notes, and the trustee delivered a notice of acceleration to Orkney II on June 18, 2009. On June 19, 2009, Assured notified Orkney II and the trustee that it was electing to foreclose upon the Orkney Re II Collateral.

12. Following these actions, on June 26, 2009, SRUS exercised its contractual right under the Reinsurance Agreement and Orkney II Reinsurance Trust Agreement to withdraw all assets from the Orkney II Reinsurance Trust

(which trust does not form part of the Orkney Re II Collateral).

13. The withdrawn assets were deposited into SRUS segregated accounts pursuant to the terms of the Reinsurance Agreement where they are held to further secure Orkney II's obligations to SRUS under the Reinsurance Agreement, including (prior to the liquidation of SRUS) providing reserve credit to SRUS for the reinsurance liabilities ceded to Orkney II and for certain other permissible uses under the Reinsurance Agreement. *See* Ex. 3, § 6.4.3.

14. Since May 11, 2009, Orkney II has been unable to make scheduled quarterly interest payments on the Series A-1 Notes, and, as a result, Assured has made guarantee payments on the Series A-1 Notes on each such scheduled interest payment date.

15. Assured, in its own right and in the right of Orkney II, commenced litigation against its investment manager. Assured asserted breach of fiduciary duty, gross negligence, and breach of contract claims based on allegations that the manager did not diversify Orkney II's assets and invested them in highly risky subprime mortgage-backed securities. Further, Assured alleged that the investment manager maintained these imprudent investments despite its fundamental obligation to preserve capital and its knowledge that such investments posed unreasonably high risk. *See Assured Guaranty (UK) Ltd., in its own right and in the right of Orkney Re II plc vs. J.P. Morgan Investment Management Inc.* (Supreme Court of the State of New York, Index No. 603755/2008. (the "Assured Litigation").

16. Assured contends SRUS owes it reimbursement for its legal expenses

relating to the Assured Litigation pursuant to a Guarantee and Reimbursement Deed. Assured estimates this litigation expense at approximately \$20 million (the “Litigation Reimbursement Claim”).

II. THE SETTLEMENT

17. In an effort to resolve their disputes and terminate their business relationship on terms and conditions that are beneficial to the SRUS Estate and acceptable to Orkney II and Assured, the parties have, over the past several months, been in negotiations.

18. The parties have reached a settlement, subject to Court approval, whereby they intend to permanently unwind and terminate their business relationships, settle their outstanding and future obligations between and among them, and resolve all pending disputes arising from their existing contractual relationships.

19. The terms and conditions of the settlement are contained in the Settlement and Release Agreement among SRUS, Orkney, and Assured (Ex. 1) and the Recapture Agreement among SRUS and Orkney II (Ex. 2) (collectively the Settlement and Release Agreement and Recapture Agreement are referred to as the “Settlement Agreement”).

a. Terms of the Settlement Agreement

20. Generally, the Settlement Agreement determines a Recapture Payment based on the methods and assumptions outlined in the recapture clause of the underlying Reinsurance Agreement. In exchange for SRUS’s withdrawal of the

Recapture Payment³ from the Funds Withheld Account, the remainder of the assets are released to the general account of Orkney II. The settlement contains broad mutual releases including a release of the Litigation Reimbursement Claim. It also sets forth the obligations of the parties to unwind the transactions that are the subject matter of the Settlement Agreement.

21. More specifically, the material terms and conditions of the Settlement Agreement are as follows:

- The Settlement Agreement is subject to the approval of the Court of Chancery in this Liquidation proceeding. (Ex. 1, ¶ 5.01);
- Under the Recapture Agreement, SRUS shall recapture all of the liabilities under the Reinsurance Agreement and the Reinsurance Agreement shall terminate. (Ex 2, ¶¶ 2.a and 3);
- In consideration for the recapture of all of the liabilities under the Reinsurance Agreement, SRUS shall withdraw \$86,210,609.56 from the Funds Withheld Account (“Settlement Amount”), representing: (a) a Recapture Payment of \$93,593,551.16 less \$7,382,941.60 (representing amounts withdrawn by SRUS after September 30, 2023 from the Funds Withheld Account for Orkney II’s benefit); and (2) a release of all claims between or among the parties. Ex. 2, ¶ 2.b.; Ex. 1, ¶ 2.03(a)). The agreed withdrawal by SRUS from the Funds Withheld Account reflects the parties’ negotiated agreement as to this amount independent from any potential differing interpretations of the language of the recapture provisions of the Reinsurance Agreement;
- After the payment in full of the Settlement Amount, any assets remaining in the Funds Withheld Account shall be transferred to Orkney II’s Surplus Account. Payments to satisfy the requirements of the Indenture shall be made from the Surplus Account and the Additional Funding Account. (Ex. 1, ¶¶ 2.03(b) and (c)). As of September 30, 2024, the cash and other assets in the Funds Withheld Account had an aggregate market value of \$425,704,751⁴;

³ Terms not otherwise defined herein shall have the definition ascribed to such terms in the Settlement Agreement.

⁴ Market value includes accrued interest. Market value (or fair value) pricing of securities in the Funds Withheld Account was provided by SRUS’s third-party asset manager, New England Asset Management, Inc.

- Broad mutual releases by and to each of the parties to the Settlement Agreement. (Ex. 1, Art. 6).

22. The Settlement Amount of approximately \$86.2 million as provided in the Settlement Agreement is consistent with the calculation of the termination amount due to SRUS under the most favorable contract interpretation and economic outcome (valuation including pending claims and IBNR) for SRUS. (Fuh's Aff., ¶¶ 13-14).

23. This amount does not include a potential further reduction of the final recapture payment related to the Litigation Reimbursement Claim asserted by Assured in the amount of approximately \$20 million (released under the Settlement Agreement), nor the Receiver's potential associated litigation expenses.

24. Payment to SRUS of the Settlement Amount and release of the Litigation Reimbursement Claim provide SRUS with a substantial economic benefit when compared to possible outcomes outside of the Settlement, the elimination of the uncertainty of recovery by SRUS, the release of possible significant proofs of claim, and the avoidance of litigation costs.

25. The Receiver has entered into the proposed Settlement because it provides a benefit to the liquidation estate and all creditors for the reasons stated herein.

III. RELIEF REQUESTED

26. The Receiver seeks entry of an order approving the material terms of the Settlement and the Receiver's entry into the Settlement with Orkney II and

Assured on the terms and conditions stated in the Settlement Agreement.

27. By statute, the Receiver has several core duties or activities that he and his deputies perform in administering the Estate with the goal being, in most instances, to collect and conserve Estate assets and to maximize the later payment of legitimate creditor claims under 18 *Del. C.* § 5901, *et seq.* Approval of the Settlement serves that goal.

28. The Settlement Amount is fair and reasonable to the Estate of SRUS, with an outcome which is accretive to the estate. The Receiver's team has analyzed the Settlement and compared the Settlement Amount to potential outcomes if the settlement does not occur. The Settlement Amount of approximately \$86.2M is definite. It is consistent with including the pending claims and IBNR – the most favorable contract interpretation and economic outcome for SRUS. (Fuh's Aff., ¶¶ 13-14).

29. In addition, the Settlement eliminates Class VI claims by Orkney II or Assured against the SRUS Estate, including claims associated with the Assured Litigation and the Litigation Reimbursement Claim.

30. Similarly, the Settlement eliminates additional litigation expenses, prevents delay in receiving \$86.2M into the general assets of the SRUS Estate, and avoids additional claims against the Estate.

31. The Settlement Agreement is the product of protracted, good faith, and arm's-length negotiations between and among the parties.

32. For the reasons set forth above and in the Affidavit of Michael Johnson,

Deputy Receiver, the terms and conditions of the Settlement Agreement are fair and reasonable to the Estate of SRUS and the approval of the Receiver's entry into the Settlement with Orkney II and Assured under the terms and conditions stated in the Settlement Agreement are in the best interests of the SRUS Estate, creditors, and the public.

WHEREFORE, the undersigned attorney, on behalf of the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware in his capacity as Receiver of SRUS, in Liquidation, respectfully requests that this Honorable Court:

- (1) Find sufficient causes exists to support the conclusion that the Settlement Agreement is in the best interests of the SRUS estate, creditors and the public;
- (2) Grant the Receiver's Motion for Approval of the Settlement;
- (3) Authorize the Receiver, Orkney II and Assured to take all steps necessary to effectuate the terms of the Settlement Agreement; and
- (4) Grant such other relief as the Court deems just.

Dated: December 30, 2024

Respectfully submitted,

BAYARD, P.A.

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*Attorneys for The Honorable Trinidad
Navarro, Receiver for Scottish RE (U.S.),
Inc., in Liquidation*

CERTIFICATE OF SERVICE

I hereby certify that on December 30, 2024, a true and correct copy of the foregoing has been served upon the following counsel *via File and ServeXpress*:

<p>Michael Busenkell, Esquire Gellert Scali Busenkell & Brown, LLC 1201 North Orange Street, Suite 300 Wilmington, DE 19801</p> <p><i>Attorneys for Scottish RE (U.S.), Inc.</i></p>	<p>Joelle E. Polesky, Esquire Stradley Ronon Stevens & Young, LLP 1000 North West Street, Suite 1200 Wilmington, DE 19801</p> <p><i>Attorneys for Interested Party American Council of Life Insurers</i></p>
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<p>John C. Phillips, Jr., Esquire Paul S. Seward, Esquire Phillips, McLaughlin & Hall, P.A. 1200 North Broom Street Wilmington, DE 19801</p> <p><i>Attorneys for Hannover Life Reassurance Company of America and Security Life of Denver Insurance Company</i></p>	<p>Kelly A. Green, Esquire Smith, Katzenstein & Jenkins, LLP 1000 West Street, Suite 1501 Wilmington, DE 19801</p> <p><i>Attorneys for The Prudential Insurance Company of America, Metropolitan Life Insurance Company, Employers Reassurance Corporation and Jackson National Life Insurance Company</i></p>
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<p>Randall S. MacTough, Esquire Zarwin Baum Devito Kaplan Schaer Toddy, PC 1007 N. Orange Street, 4th Floor Wilmington, DE 19801</p> <p><i>Attorneys for Objector First Penn Pacific Life Insurance Company</i></p>	<p>Jennifer R. Hoover, Esquire Noelle B. Torrice, Esquire Benesch Friedlander Coplan & Aronoff LLP 1313 North Market Street, Suite 1201 Wilmington, DE 19801</p> <p><i>Attorneys for Objector Jackson National Life Insurance Company, United Life Insurance Company, Lincoln Benefit Life Company</i></p>
<p>Christopher D. Loizides, Esquire Loizides, P.A. 1225 King Street, Suite 800 Wilmington, DE 19801</p> <p><i>Attorneys for Intervenor, Paul Davis</i></p>	

/s/ GianClaudio Finizio
GianClaudio Finizio (#4253)



EXHIBIT 1

Execution Version

Dated as of [•], 2024

ASSURED GUARANTY UK LIMITED,

ORKNEY RE II PLC

And

SCOTTISH RE (U.S.), INC., IN LIQUIDATION

RELEASE AND SETTLEMENT AGREEMENT

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LIST OF EXHIBITS AND SCHEDULES

EXHIBIT A RECAPTURE AGREEMENT

This RELEASE AND SETTLEMENT AGREEMENT, dated as of [•], 2024 (this "**Agreement**"), is made by and among Scottish Re (U.S.), Inc., in Liquidation, a stock reinsurance company domiciled in the State of Delaware (the "**Ceding Company**") made by and through the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware, as Receiver for the Ceding Company (the "**Receiver**"), Orkney Re II plc, a special purpose public limited company incorporated under the laws of Ireland and Issuer under the Indenture (as defined below) (the "**Reinsurer**") and Assured Guaranty UK Limited (as successor to Assured Guaranty (Europe) plc (formerly known as Assured Guaranty (UK) plc and Assured Guaranty (UK) Ltd.)), as the Bond Insurer under the Reinsurance Agreement ("**Assured UK**"). Each of the Ceding Company, the Reinsurer and Assured UK are sometimes collectively referred to herein as the "**Parties**" and individually as a "**Party**."

RECITALS

WHEREAS, the Ceding Company and the Reinsurer are parties to that certain Indemnity Reinsurance Agreement, dated as of December 21, 2005 (as amended thereafter, the "**Reinsurance Agreement**"), pursuant to which the Ceding Company retrocedes to the Reinsurer certain liabilities under certain reinsurance contracts ceded to the Ceding Company;

WHEREAS, on July 18, 2023, the Ceding Company was declared insolvent and ordered liquidated by order of the Court of Chancery of the State of Delaware (the "**Chancery Court**") pursuant to the Liquidation and Injunction Order (the "**Liquidation Order**") granted re *In the Matter of the Liquidation of Scottish Re (U.S.), Inc.*, C.A. No. 2019-0175-JTL (the "**SRUS Liquidation Proceedings**"); and

WHEREAS, the Parties desire for the Ceding Company to recapture from the Reinsurer all liabilities under the Reinsurance Agreement in exchange for the Ceding Company receiving the Recapture Amount (as defined below), and desire to terminate the Reinsurance Agreement and terminate and settle certain other claims and liabilities arising under or related to the Transaction Documents (as defined below) on the terms set forth in this Agreement (collectively, the "**Settlement**").

NOW THEREFORE, in consideration of the mutual covenants, conditions and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto agree as follows:

ARTICLE I

DEFINITIONS

For purposes of this Agreement, the following terms shall have the respective meanings set forth below:

"**Affiliate**" means, with respect to any Person, any other Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with, such Person. For purposes of this definition, "control," when used with respect to any Person,

means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have correlative meanings to the foregoing. Notwithstanding, when referring to the Ceding Company, Affiliate does not include the Receiver, Scottish Holdings, Inc. ("**SHI**"), Scottish Re Group Limited ("**SRGL**"), SALIC (as defined herein), Scottish Re (Dublin) dac, a designated activity company organized under the laws of the Republic of Ireland ("**SRD**"), and Scottish Financial (Luxembourg) S.a.r.l., a Luxembourg organized special purpose entity.

"**Agreement**" has the meaning set forth in the preamble hereto.

"**Ballantyne Side Letter**" means that certain letter agreement dated May 2, 2006 by and among the Ceding Company, Assured UK and Ambac Assurance UK Limited.

"**Business Day**" means any day other than a Saturday, Sunday or other day on which banking institutions in the City of New York, New York are required or authorized by Law or executive order to be closed.

"**Ceding Company**" has the meaning set forth in the preamble hereto.

"**Chancery Court**" has the meaning set forth in the recitals hereto. Chancery Court when used herein also refers to, or means, the liquidation proceedings of the Ceding Company filed under the name and style In the Matter of the Liquidation of Scottish Re (U.S.), Inc. C.A. No. 2019-0175-JTL in the Court of Chancery of the State of Delaware, as applicable.

"**Chancery Court Approval**" has the meaning set forth in Section 4.02(a).

"**Closing**" has the meaning set forth in Section 2.01.

"**Closing Time**" means 10:00 am Eastern Standard Time on the day the Closing occurs.

"**Deputy Receiver**" means Michael J. Johnson.

"**Funds Withheld Account**" means the funds withheld account maintained by the Ceding Company pursuant to Section 6.4.3.3 of the Reinsurance Agreement.

"**Governmental Authority**" means any United States federal, state or local or any supra-national or non-U.S. government, political subdivision, governmental, legislative, judicial, regulatory or administrative authority, instrumentality, agency, body or commission, board, self-regulatory organization or any court, tribunal or judicial body of competent jurisdiction or any arbitrator or arbitration panel.

"**Indenture**" means that certain indenture, dated December 21, 2005 (as supplemented, amended or otherwise modified from time to time) among the Reinsurer, Assured UK and The Bank of New York (the "**Trustee**").

"**Law**" means any federal, state, local or foreign law, statute, common law or any rule, regulation, judgment, order, writ, injunction, ruling, ordinance, decree, license or permit of any Governmental Authority.

"**Liquidation Order**" has the meaning set forth in the recitals hereto.

"**Notes**" means, collectively, the Series A Notes, Series B Notes and Series C Notes, each as defined in the Indenture.

"**Order**" means any order, writ, judgment, injunction, decree, stipulation, determination or award entered by or with any Governmental Authority.

"**Orkney II Unwind Expenses**" has the meaning set forth in Section 4.03.

"**Person**" means any individual, corporation, partnership, association, limited liability company, trust, estate, unincorporated organization, government or agency or political subdivision thereof or other entity or any group comprised of two or more of the foregoing.

"**Q2 Cash Settlement Amount**" means the Ceding Company's withdrawal of \$11,336,308 from the Funds Withheld Account on or about August 28, 2023 in settlement of certain outstanding payables and receivables related to the quarter ended June 30, 2023.

"**Recapture Agreement**" means the Recapture Agreement by and between the Ceding Company and the Reinsurer, dated even date herewith and effective 11:59:59 pm Eastern Standard Time on June 30, 2023, in the form attached at Exhibit A.

"**Recapture Amount**" means (i) \$93,593,551.16 *minus* (ii) \$7,382,941.60 (which amount was withdrawn from the Funds Withheld Account on or about July 25, 2024 in settlement of certain outstanding payables and receivables related to the quarter ended September 30, 2023) *minus* (iii) any amounts (other than the Q2 Cash Settlement Amount and other than the amount referenced in clause (ii)) withdrawn from the Funds Withheld Account by the Ceding Company after the Recapture Effective Date.

"**Recapture Effective Date**" means June 30, 2023.

"**Recapture Effective Time**" means 11:59:59 pm Eastern Standard Time on the Recapture Effective Date.

"**Receiver**" has the meaning set forth in the preamble hereto and includes the Deputy Receivers.

"**Reinsurance Agreement**" has the meaning set forth in the Recitals.

"**Reinsured Business**" means the risks reinsured under the Underlying Reinsurance Agreements (as defined in the Reinsurance Agreement) pursuant to which the Ceding Company provides reinsurance of risks under the Defined Block Business (as defined in the Reinsurance Agreement).

"Representatives" means, with respect to any Person, the directors, officers, Affiliates, subsidiaries, employees, agents or representatives of such Person. With respect to the Receiver, "Representatives" means the Deputy Receivers, and all "Designees" as defined in Paragraph 29 of the Liquidation Order.

"SALIC" means Scottish Annuity & Life Insurance Company (Cayman) Ltd., a life insurance company organized in the Cayman Islands.

"Scottish Re Parties" means (a) the Ceding Company, (b) each respective past, present or future direct or indirect Affiliate, division or Subsidiary thereof and (c) each respective past, present or future direct or indirect Affiliate, parent, division, Subsidiary, general partner, limited partner, shareholder, officer, director, trustee, member, employee, agent, servant, attorney, accountant, insurer (and the predecessors, successors, heirs, and assigns thereof) of each of the Persons identified in the foregoing clauses (a) and (b); **provided that** Scottish Re Parties shall not include the Receiver, SALIC, SRGL, SHI, SRD and SFL.

"Settlement" has the meaning set forth in the Recitals.

"Subsidiary" means, with respect to any Person, any other Person of which (a) the issued and outstanding shares or other equity interests having ordinary voting power to elect a majority of the board of directors (or a majority of another body performing similar functions) of such other Person (irrespective of whether at the time shares or other equity interests of any other class or classes of such other Person shall or might have voting power upon the occurrence of any contingency), (b) more than 50% of the interest in the capital or profits of such other Person or (c) more than 50% of the beneficial interest in such other Person, is directly or indirectly owned by such Person.

"Surplus Account" has the meaning set forth in the Indenture.

"Transaction Documents" has the meaning set forth in the Indenture.

"Unwind Transaction" means the transactions contemplated by this Agreement and the Recapture Agreement.

ARTICLE II

SETTLEMENT TRANSACTIONS

Section 2.01. **Unwind Transaction Closing.** The closing of the Unwind Transaction (the "**Closing**") shall take place on the third (3rd) Business Day following the satisfaction or, to the extent permitted by applicable Law, waiver by the Parties entitled to the benefits thereof of the conditions set forth in Article V (other than those conditions that by their terms are to be satisfied at the Closing, but subject to the satisfaction or, to the extent permitted by applicable Law, waiver of those conditions) unless another date, time or place is agreed to in writing by the Parties.

Section 2.02. **Execution of Recapture Agreement.** Concurrently with the execution of this Agreement:

(a) each of the Ceding Company and the Reinsurer has executed and delivered the Recapture Agreement; and

(b) the Reinsurer has delivered duly executed resolutions of its board of directors approving the Unwind Transaction.

Notwithstanding the execution and delivery of the Recapture Agreement on the date hereof, the Recapture Agreement shall not be effective unless and until the Closing shall have occurred, whereupon it shall become effective as of the Recapture Effective Time automatically and without further action of any of the Parties.

Section 2.03. **Settlement Payments.**

(a) At the Closing, the recapture by the Ceding Company of the Reinsured Business shall become effective as of the Recapture Effective Time in accordance with this Agreement and the Recapture Agreement. In furtherance of the foregoing, at the Closing:

(i) the Ceding Company shall withdraw cash and cash equivalents then held in the Funds Withheld Account to satisfy the Recapture Amount; and

(ii) if all cash and cash equivalents have been so withdrawn from the Funds Withheld Account and the Recapture Amount has not been fully satisfied, then Assured UK shall designate assets (selected by Assured UK in its sole discretion) in the Funds Withheld Account for liquidation, in which case the Ceding Company shall withdraw from the Funds Withheld Account the cash proceeds resulting from the liquidation of such assets to satisfy any remaining portion of the Recapture Amount due until the Recapture Amount has been satisfied in full.

The cash (including the cash proceeds realized on the sale of assets, if any, as described in the foregoing paragraph) and cash equivalents the Ceding Company is entitled to withdraw from the Funds Withheld Account in satisfaction of the Recapture Amount shall be withdrawn free of any further claim of the Reinsurer or Assured UK or in respect of any credit for reinsurance trust.

(b) Immediately following payment in full of the Recapture Amount in accordance with Section 2.03(a), the Ceding Company shall transfer all cash and other assets remaining in the Funds Withheld Account to the Reinsurer's Surplus Account. For any assets credited to the Surplus Account, Assured UK shall (in its sole discretion) deliver an instruction to the Trustee for the liquidation or distribution in kind of such assets in accordance with the following paragraph. Reinsurer shall have no obligation or liability with respect to any such payments or the sufficiency thereof.

(c) Following the payment of the Recapture Amount and the transfer to the Surplus Account of any remaining assets in the Funds Withheld Account as contemplated above in this Section 2.03, Assured UK shall direct the Trustee to make payments using the cash and assets in the Surplus Account, the Additional Funding Account, and any other account created under the Indenture to satisfy the requirements of the Indenture; provided that, except in the case

of Assured UK or its Affiliates, if a holder of a Note is entitled to receive payment in cash, such holder shall receive such payment in cash.

(d) Within ten (10) Business Days after the day on which the Closing occurs and satisfaction of the payments under the Indenture, the Reinsurer and Assured UK shall cooperate in good faith to evidence the termination of all obligations of the Reinsurer on the Notes issued pursuant to the Indenture and the Indenture in accordance with the terms thereof.

ARTICLE III

REPRESENTATIONS AND WARRANTIES

Section 3.01. Legal Capacity; Valid and Binding Obligation

(a) By virtue of the Liquidation Order, 18 Del. C. ch. 59, and subject to receipt of Chancery Court Approval, the Ceding Company hereby represents and warrants that: (i) it has the full power and authority to enter into this Agreement and any other agreement, instrument and other document required to be executed by the Ceding Company hereunder (including the Recapture Agreement) and to consummate the transactions contemplated hereby and thereby, and otherwise to comply with and perform its obligations under this Agreement and the Recapture Agreement; (ii) this Agreement and the Recapture Agreement constitute the legal, valid and binding obligations of the Ceding Company, enforceable against the Ceding Company in accordance with their respective terms; (iii) the Ceding Company is duly organized, and validly existing under the Laws of its jurisdiction of organization; and (iv) this Agreement and the Recapture Agreement have been duly executed and delivered on behalf of it.

(b) The Reinsurer hereby represents and warrants that: (i) it is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization; (ii) it has the full power and authority under its governing instruments to execute this Agreement and the Recapture Agreement; (iii) this Agreement and the Recapture Agreement are enforceable against it in accordance with their respective terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, preference and other similar laws affecting creditors' rights generally, and by general principles of equity (regardless of whether enforcement is sought in equity or at law); and (iv) this Agreement and the Recapture Agreement have been duly executed and delivered on behalf of it.

(c) Assured UK hereby represents and warrants that: (i) it is duly organized, validly existing and in good standing under the Laws of its jurisdiction of organization; (ii) it has the full power and authority under its governing instruments to execute this Agreement; (iii) this Agreement is enforceable against it in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer, preference and other similar laws affecting creditors' rights generally, and by general principles of equity (regardless of whether enforcement is sought in equity or at law); and (iv) this Agreement has been duly executed and delivered on behalf of it.

Section 3.02. Additional Matters.

(a) As of the date hereof, each Party represents and warrants to each other Party solely as to itself as follows:

(i) other than the Chancery Court Approval, it has received all consents, approvals, licenses, permits, orders, qualifications or authorizations of Governmental Authorities necessary or required to be obtained by it in connection with the execution, delivery and performance by it of this Agreement and the Recapture Agreement, and the consummation by it of the transactions contemplated hereby and thereby;

(ii) no other Party has made any statement or representation or warranty to it regarding any fact it has relied upon in entering into this Agreement, and it has not relied upon any statement, representation, or promise of any other Party (or of any Representative or attorney of or for any other Party), in executing this Agreement, or in making the settlement provided for herein, except as expressly set forth in this Agreement;

(iii) it is not entering into this Agreement with the intent of hindering, delaying, or defrauding any of its respective current or future creditors;

(iv) it has made such investigation of the facts pertaining to this Agreement and of all the matters pertaining thereto as it deems necessary;

(v) it has read this Agreement and the Recapture Agreement and understands the contents hereof, and has executed this Agreement and the Recapture Agreement (if applicable) voluntarily and without duress or undue influence on the part of or on behalf of any other Party; and

(vi) it has not heretofore assigned, transferred, or granted, or purported to assign, transfer, or grant, any of the claims, demands or causes of action released or waived by this Agreement or the Recapture Agreement.

ARTICLE IV

COVENANTS

Section 4.01. Efforts.

(a) Upon the terms and subject to the conditions set forth in this Agreement, the Reinsurer shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement and the Recapture Agreement.

(b) Upon the terms and subject to the conditions set forth in this Agreement, Assured UK shall, and shall cause its Affiliates to, use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective,

in the most expeditious manner practicable, the transactions contemplated by this Agreement and the Recapture Agreement.

(c) Upon the terms and subject to the conditions set forth in this Agreement, the Ceding Company shall use commercially reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, and to assist and cooperate with the other Parties in doing, all things necessary, proper or advisable to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement and the Recapture Agreement, including using respective commercially reasonable efforts to obtain the Chancery Court Approval.

Section 4.02. **Additional Claims.** Each Party shall not, and shall cause their respective Affiliates not to, facilitate or cooperate with any other Person bringing any claims or causes of action arising out of the Agreement or the Recapture Agreement, other than claims for breach of this Agreement or the Recapture Agreement.

Section 4.03. **Chancery Court Approval.**

(a) Within thirty (30) days following the execution of this Agreement, the Receiver shall file a Motion to Approve Release and Settlement Agreement with Orkney Re II PLC and Assured Guaranty UK Limited, and the Related Recapture Agreement seeking approval of the Settlement in the Chancery Court ("**Chancery Court Approval**").

(b) The Parties shall, and Assured UK shall cause its Affiliates to, use commercially reasonable efforts to, as promptly as reasonably practicable, (i) obtain the Chancery Court Approval, (ii) fulfil or obtain the fulfilment of the conditions precedent to the consummation of the transactions contemplated by this Agreement and by the Recapture Agreement, including the execution and delivery of any documents, certificates, instruments or other papers and (iii) take, or cause to be taken, all actions, and do, or cause to be done, and assist and cooperate with the other Parties in doing, all things necessary, proper or advisable under applicable Laws or otherwise to consummate and make effective the transactions contemplated by this Agreement and by the Recapture Agreement.

Section 4.04. **Expenses.** Each of the Ceding Company and Assured UK, severally and not jointly, shall be responsible for and pay, or reimburse the Reinsurer for, one-half (50%) of any costs or expenses directly or indirectly incurred by the Reinsurer in connection with the Unwind Transaction (including reviewing and negotiating the binding term sheet related to this Agreement and the Recapture Agreement and any litigation, arbitration or similar proceeding related to the Unwind Transaction or arising therefrom) and the liquidation of the Reinsurer ("**Orkney II Unwind Expenses**"), not to exceed \$250,000 (being one-half of a total of \$500,000) for the Ceding Company and \$250,000 (being one-half of a total of \$500,000) for Assured UK. Orkney II Unwind Expenses payable by the Ceding Company shall be considered an expense of the administration of the SRUS Liquidation Proceedings. Except as specifically set forth in this Agreement and the Recapture Agreement, neither the Ceding Company nor Assured UK shall incur any cost, expense or liability (contingent or otherwise) in connection with the Unwind Transaction.

Section 4.05. **Matters relating to the Indenture.** The Reinsurer and Assured UK acknowledge and agree that the Ceding Company shall not be liable for any certification, undertaking or indemnity required by the Trustee in connection with the Trustee's performance of any transaction contemplated hereunder.

Section 4.06. **Further Actions.** Subject to the terms and conditions of this Agreement, the Parties shall use commercially reasonable efforts to execute and deliver such documents, certificates and other papers and shall take such further actions as may be reasonably required to carry out the Unwind Transaction, including the provisions of this Agreement and the Recapture Agreement in order to give effect to the transactions contemplated hereby and thereby.

ARTICLE V

CLOSING CONDITIONS

Section 5.01. **Conditions to Closing.** The obligation of each Party to effect the Unwind Transaction is subject to the satisfaction at or prior to the Closing Time of the following conditions:

- (a) receipt of the Chancery Court Approval; and
- (b) there shall be no Law, injunction or other final, nonappealable Order issued by any Governmental Authority of competent jurisdiction with valid enforcement authority restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by this Agreement or the Recapture Agreement in effect.

Section 5.02. **Additional Conditions for Assured UK.** The obligation of Assured UK to effect the Unwind Transaction is subject to the satisfaction, or waiver by Assured UK, at or prior to the Closing Time of the following conditions:

- (a) the Reinsurer shall have no liabilities, immediately after giving effect to the Unwind Transaction, other than liabilities of the types and in the amounts it had immediately prior to the Unwind Transaction (excluding those liabilities to be extinguished as a result of the Unwind Transaction); and
- (b) Assured UK and the Trustee shall have agreed (on terms reasonably satisfactory to Assured UK) to an indemnity (if any) required by the Trustee to consummate the transactions contemplated in this Agreement and apply the proceeds of the Unwind Transaction in accordance with Section 2.03(c) hereof.

ARTICLE VI

RELEASES

Section 6.01. **Mutual Releases.**

- (a) As of the Recapture Effective Time, the Receiver on behalf of the Ceding Company, hereby forever and irrevocably releases and discharges each of Assured UK and the Reinsurer and their respective Representatives from and against all actions, causes of action, suits, torts, damages, claims, demands, expenses, attorneys' fees, interest, costs of litigation, punitive

damages, loss of profit, and liabilities whatsoever of every kind and nature (including those that are derivative in nature), whether in personam or in rem, known, or unknown, asserted or unasserted, contingent or non-contingent, matured or not yet accrued, past, present or future, suspected or claimed, material or immaterial, which the Ceding Company ever had, now have, or hereafter can, shall, or may have, whether in Law, or equity, against Assured UK or the Reinsurer arising out of, in connection with or in any way related to the Transaction Documents, the Ballantyne Side Letter, any claims in Chancery Court, the Unwind Transaction or the Settlement.

(b) As of the Recapture Effective Time, Assured UK, on behalf of itself and its Representatives and its and their respective predecessors and assigns (the "**Assured UK Releasing Parties**"), hereby forever and irrevocably releases and discharges each of the Receiver, the Ceding Company and the Reinsurer and their respective Representatives from and against all actions, causes of action, suits, torts, damages, claims, demands, expenses, attorneys' fees, interest, costs of litigation, punitive damages, loss of profit, and liabilities whatsoever of every kind and nature (including those that are derivative in nature), whether in personam or in rem, known, or unknown, asserted or unasserted, contingent or non-contingent, matured or not yet accrued, past, present or future, suspected or claimed, material or immaterial, which the Assured UK Releasing Parties ever had, now have, or hereafter can, shall, or may have, whether in Law, or equity, against the Receiver, the Ceding Company or the Reinsurer or their respective Representatives arising out of, in connection with or in any way related to the Transaction Documents, the Unwind Transaction or the Settlement, including any claims in Chancery Court, any servicing-related liabilities incurred or accrued by the Ceding Company in connection with the Ceding Company's provision of services to the Reinsurer, or any claim by Assured UK against the Ceding Company or the Reinsurer or their respective Affiliates for reimbursement or indemnification of expenses, including attorneys' fees, under the Transaction Documents, the Ballantyne Side Letter or otherwise, relating to the litigations captioned under (x) *Assured Guaranty (UK) Ltd., in its own right and in the right of Orkney Re II plc vs. J.P. Morgan Investment Management Inc.* (Supreme Court of the State of New York, Index No. 603755/2008), and (y) *Ambac Assurance UK Limited, in the name of Ballantyne Re vs. J.P. Morgan Investment Management, Inc.* (Supreme Court of the State of New York, Index No. 650259/2009).

(c) As of the Recapture Effective Time, the Reinsurer, on behalf of itself and its Representatives ("**Reinsurer Releasing Parties**"), hereby forever and irrevocably releases and discharges the Receiver, the Ceding Company and their respective Representatives and the Assured UK Releasing Parties from and against all actions, causes of action, suits, torts, damages, claims, demands, expenses, attorneys' fees, interest, costs of litigation, punitive damages, loss of profit, and liabilities whatsoever of every kind and nature (including those that are derivative in nature), whether in personam or in rem, known, or unknown, asserted or unasserted, contingent or non-contingent, matured or not yet accrued, past, present or future, suspected or claimed, material or immaterial, which the Reinsurer Releasing Parties ever had, now have, or hereafter can, shall, or may have, whether in Law, or equity, against the Receiver, the Ceding Company or their respective Representatives or the Assured UK Releasing Parties arising out of, in connection with or in any way related to the Transaction Documents, the Ballantyne Side Letter, any claims in Chancery Court, the Unwind Transaction or the Settlement, including any servicing-related liabilities incurred or accrued by the Ceding Company in connection with the Ceding Company's provision of services to the Reinsurer.

(d) The Parties agree that the releases set forth in Section 6.01(a), Section 6.01(b) and Section 6.01(c) shall, upon the occurrence of the Closing, automatically become effective as of the Recapture Effective Time and are absolute, unconditional and irrevocable, regardless of any matter whatsoever, whether known or unknown, and the Parties hereto covenant with each other not to sue to set aside or to avoid such releases. Each Party shall refrain from, directly or indirectly, asserting any right, claim or demand or commencing, instituting, maintaining, facilitating, aiding or causing to be commenced, instituted or maintained, any legal or arbitral proceeding of any kind against any Person or entity released under this Section 6.01 based upon any matter released under this Section 6.01.

(e) Notwithstanding the foregoing, it is acknowledged and agreed that the releases under Section 6.01(a), Section 6.01(b) and Section 6.01(c) shall not release any claim for breach of this Agreement or the Recapture Agreement.

Section 6.02. Release of Unknown Claims. Each of the Parties acknowledges that it has been advised by its attorneys concerning, and is familiar with, California Civil Code Section 1542 and expressly waives any and all provisions, rights, and benefits conferred by any Law of any state or territory of the United States, or principle of common Law, which is similar, comparable, or equivalent to the provisions of the California Civil Code Section 1542, including that provision itself, which reads as follows:

"A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH, IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR."

Each Party acknowledges that inclusion of the provisions of this Section 6.02 to this Agreement was a material and separately bargained for element of this Agreement.

Section 6.03. Releases Valid Even if Additional or Different Facts. Each Party acknowledges that it may discover facts that are additional to, inconsistent with, or different from those which they now know or believe to be true regarding the transactions contemplated by this Agreement and the Recapture Agreement. Nonetheless, except as expressly set forth in this Agreement (including the conditions to the effectiveness of the releases set forth in Section 6.01(a), Section 6.01(b) and Section 6.01(c)), it is the intent of each Party to fully and finally compromise all claims that exist or may exist that are the subject of the releases set forth in Section 6.01(a), Section 6.01(b) and Section 6.01(c). To effectuate that intention, the releases and covenants in this Article VI shall remain full and complete releases and effective covenants, notwithstanding the discovery of any additional, inconsistent, or different facts by any Party.

ARTICLE VII TERMINATION

Section 7.01. Termination Events. This Agreement may be terminated at any time prior to the Closing:

(a) by any Party, if a Governmental Authority (including the Chancery Court) of competent jurisdiction issues a final and non-appealable Order that prohibits the consummation of the transactions contemplated by this Agreement or the Recapture Agreement; or

(b) by any Party, if the Chancery Court shall not have issued the Chancery Court Approval by September 30, 2024, due to a Party's failure to satisfy the obligations set forth in Section 4.03(b); provided, however, that the right to terminate this Agreement pursuant to this Section 7.01(b) shall not be available to a Party whose failure to perform any covenant or obligation under this Agreement has been the primary cause of the failure of the issuance of the Chancery Court Approval to occur on or before such date.

If this Agreement is terminated for any reason prior to the Closing, then the Recapture Agreement shall be terminated automatically without further action by any of the Parties and effective as of the time of termination of this Agreement.

Section 7.02. Termination Procedure. If written notice of termination of this Agreement pursuant to Section 7.01 is given by the applicable Party to the other Parties, then this Agreement and all Recapture Agreement shall terminate, without further action by any Party.

ARTICLE VIII GENERAL PROVISIONS

Section 8.01. Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand, sent by facsimile or email, or sent, postage prepaid, by U.S. registered, certified, or express mail, or reputable overnight courier service, and shall be deemed given, if delivered by hand, when so delivered, or if sent by facsimile or e-mail, when received, or if sent by mail, four (4) Business Days after mailing (two (2) Business Days in the case of express mail), or if sent by overnight courier service, one (1) Business Day after delivery to such service, as follows:

if to the Reinsurer, to:

Orkney Re II plc
c/o Aon Insurance Managers (Dublin) Limited
38/39 Fitzwilliam Square
Phone: +353-1-676-2911
Facsimile: +353-1-376-2744
Attention: Account Manager

if to Assured UK, to:

Assured Guaranty UK Limited
11th Floor
6 Bevis Marks
London EC3A 7BA
Email: generalcounsel@agltd.com
Attention: General Counsel

if to the Ceding Company, or to the Receiver, to:

Bayard, P.A.
600 North King Street
Suite 400
Wilmington, Delaware 19899
Facsimile: (302) 658-6395
Email: pladig@bayardlaw.com
gfinizio@bayardlaw.com
Attention: Peter B. Ladig
GianClaudio Finizio

and

Black & Gerngross, P.C.
1617 John F. Kennedy Boulevard
Suite 1575
Philadelphia, PA 19103
Email: jblack@blackgern.com
jmiceli@blackgern.com
Attention: James J. Black, III
Jeffrey B. Miceli

Any Party may change the address to which notices and other communications are to be delivered or sent by giving the other Parties notice in the manner herein set forth.

Section 8.02. Interpretation. When a reference is made in this Agreement to an Article, a Section, a clause, an Exhibit or an Appendix, that reference is to an Article, a Section or a clause of, or an Exhibit or an Appendix to, this Agreement unless otherwise indicated. The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement. Whenever the words "include," "includes" or "including" are used in this Agreement, they will be deemed to be followed by the words "without limitation," whether or not they are in fact followed by those words or words of like import. Whenever the singular is used herein, the same will include the plural, and whenever the plural is used herein, the same will include the singular, where appropriate. All Exhibits and Appendices annexed hereto or referred to herein are hereby incorporated in and made a part of this Agreement as if set forth in full herein. Any capitalized term used in any Exhibit or Appendix but not otherwise defined therein will have the meaning given to such term in this Agreement. Any reference to "days" means calendar days unless Business Days are expressly specified. If any action under this Agreement is required to be done or taken on a day that is not a Business Day, then such action shall be required to be done or taken not on such day but on the first succeeding Business Day thereafter. "Writing," "written" and comparable terms refer to printing, typing and other means of reproducing words (including electronic media) in a visible form. References from or through any date mean, unless otherwise specified, from and including or through and including, respectively. This Agreement is to be construed without regard to any presumption or rule requiring construction or interpretation against the Party drafting or causing any instrument to be drafted. References to

any statute, listing rule, rule, standard, regulation or other Law will be deemed to include a reference to the corresponding rules and regulations, if any, and each of them as amended, modified, supplemented, consolidated, replaced or rewritten from time to time. References to any section of any statute, listing rule, rule, standard, regulation or other Law will be deemed to include any successor to such section. References to "\$" or "dollars" are references to United States dollars.

Section 8.03. Entire Agreement; Third-Party Beneficiaries.

(a) The Parties acknowledge that this Agreement and the Recapture Agreement supersede any prior understandings or purported understandings (whether written or oral), and all prior agreements between the Parties with respect to the subject matter hereof and thereof, and constitutes a complete and exclusive statement of the terms of the agreement between the Parties with respect to the subject matter hereof and thereof. This Agreement and the Recapture Agreement, collectively, are the full and complete agreement between them with respect to the subject matter of this Agreement and that there are no oral, implied or prior written agreements or understandings except those specifically set forth herein.

(b) This Agreement is for the sole benefit of the Parties and their heirs, executors, administrators, successors and assigns and nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement; provided, however, that each of the Persons released pursuant to Section 6.01 shall be entitled to enforce the terms of Section 6.01 as intended third-party beneficiaries thereof to the extent the provisions of Section 6.01 inure to their benefit.

Section 8.04. Governing Law. This Agreement, and all claims or causes of action (whether in contract, tort or otherwise) that may be based upon, arise out of or relating to this Agreement or the negotiation, execution or performance of this Agreement (including any claim or cause of action based upon, arising out of or related to any representation or warranty made in or in connection with this Agreement) shall be governed by and construed in accordance with the Laws of the State of Delaware, without respect to its applicable principles of conflicts of laws that might require the application of the laws of another jurisdiction.

Section 8.05. Jurisdiction. Each of the Parties hereby irrevocably and unconditionally (i) submits, for itself and its property, to the exclusive jurisdiction and venue of the Chancery Court in any action arising out of or relating to this Agreement, including the negotiation, execution or performance of this Agreement and agrees that all claims in respect of any such action shall be heard and determined in the Chancery Court, (ii) waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any action arising out of or relating to this Agreement or the negotiation, execution or performance of this Agreement in the Chancery Court, including any objection based on its place of incorporation or domicile, (iii) waives, to the fullest extent permitted by Law, the defense of an inconvenient forum to the maintenance of such action in any such court and (iv) agrees that a final judgment in any such action shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by Law. Each of the Parties consents and agrees that service of process, summons, notice or document for any action permitted hereunder may be

delivered by registered mail addressed to it at the applicable address set forth in Section 8.01 or in any other manner permitted by applicable Law.

Section 8.06. Waiver of Jury Trial. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES AND, THEREFORE, EACH SUCH PARTY HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY ACTION OR LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, IN CONNECTION WITH OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT.

Section 8.07. Assignment. Neither this Agreement nor any Ancillary Agreement nor any of the rights, interests or obligations under this Agreement or any Ancillary Agreement shall be assigned, in whole or in part, by operation of Law or otherwise by any of the Parties without the prior written consent of the other Parties, and any such assignment that is not consented to shall be null and void. No assignment by any Party shall relieve such Party of any of its obligations hereunder or under such Ancillary Agreement. Subject to the foregoing, this Agreement and the Recapture Agreement shall be binding upon, inure to the benefit of, and be enforceable by, the applicable Parties and their respective heirs, executors, administrators, successors and assigns.

Section 8.08. Severability; Amendment and Waiver.

(a) Whenever possible, each provision or portion of any provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law, but if any provision or portion of any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or portion of any provision in such jurisdiction so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any Party. Upon such a determination, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

(b) This Agreement may be amended only by a written instrument signed by each of the Parties. The terms of this Agreement may be waived only by the Party waiving compliance.

(c) No delay on the part of any Party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any Party of any right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege.

Section 8.09. Survival of Certain Covenants. The covenants and agreements contained in this Agreement, including the releases set forth herein, shall survive indefinitely.

Section 8.10. Incontestability. In consideration of the mutual covenants and agreements contained herein, each Party agrees that this Agreement and the Recapture Agreement, and each

and every provision hereof and thereof, is and shall be enforceable by and between the Parties according to their terms, and each Party does hereby agree that it shall not contest the validity or enforceability hereof or thereof.

Section 8.11. **Publicity.** With the exception of any filings made in the Chancery Court, the Parties shall mutually agree upon the form and content of any public statement that may be made with respect to this Agreement or the transactions contemplated hereby and, except as required by Law, no such public statement shall be made unless mutually agreed upon by the Parties.

Section 8.12. **Counterparts.** This Agreement may be executed in one or more counterparts and when executed will be deemed to be an original but all of which taken together will constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or other means of electronic transmission shall be as effective as delivery of a manually executed counterpart of any such agreement.

[Remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed by their duly authorized officers or signatories, all as of the date first written above.

ORKNEY RE II PLC

By: _____
Name:
Title:

ASSURED GUARANTY UK LTD.

By: _____
Name:
Title:

SCOTTISH RE (U.S.), INC., IN LIQUIDATION

By: _____
Name: Michael Johnson
Title: Deputy Receiver for Scottish Re
(U.S.), Inc., in Liquidation

EXHIBIT A

RECAPTURE AGREEMENT

This Recapture Agreement ("Recapture Agreement"), dated as of [•], 2024 and effective 11:59:59 pm Eastern Standard Time on June 30, 2023 (the "Recapture Effective Time"), is entered into by and between Scottish Re (U.S.), Inc. in Liquidation (the "Ceding Company") and Orkney Re II plc (the "Reinsurer" and together with the Ceding Company each a "Party" and together the "Parties").

WHEREAS, the date hereof, the Parties and Assured Guaranty UK Limited ("Assured UK") entered into that certain Release and Settlement Agreement (the "Release and Settlement Agreement"), pursuant to which the Parties and Assured UK agreed, among other things, that the Ceding Company will recapture the Reinsured Business under the Reinsurance Agreement from the Reinsurer at the Closing in accordance with the terms set forth in Release and Settlement Agreement and this Recapture Agreement;

NOW, THEREFORE, in consideration of the mutual agreements and covenants contained in the Release and Settlement Agreement and in this Recapture Agreement, the Reinsurer and the Ceding Company hereby agree as follows:

1. Certain Defined Terms. Capitalized terms used in this Recapture Agreement but not defined herein have the meanings ascribed to such terms in the Release and Settlement Agreement.
2. Recaptured Business; Recapture Payment
 - a. In accordance with the terms of the Release and Settlement Agreement, the Ceding Company hereby recaptures from the Reinsurer 100% of the Reinsured Business effective as of the Recapture Effective Time.
 - b. In consideration for the Ceding Company's recapture of the Reinsured Business, the Ceding Company shall be entitled to receive the Recapture Amount in accordance with Section 2.03 of the Release and Settlement Agreement.
 - c. The recapture contemplated by this Recapture Agreement is notwithstanding anything to the contrary in the Reinsurance Agreement, including, without limitation with respect to notice of recapture or the calculation of the recapture payment.
3. Termination. The Parties agree that the Reinsurance Agreement is hereby terminated as of the Recapture Effective Time.
4. Certain Provisions Incorporated By Reference. The provisions of Article VIII of the Release and Settlement Agreement (other than the provisions of Section 8.09 thereof) are hereby incorporated into this Agreement *mutatis mutandis* as if set forth fully herein.

[REMAINDER OF PAGE LEFT BLANK; SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have caused this Recapture Agreement to be signed by their duly authorized officers or signatories, all as of the date first written above.

ORKNEY RE II PLC

By: _____
Name:
Title:

SCOTTISH RE (U.S.), INC., IN LIQUIDATION

By: _____
Name: Michael Johnson
Title: Deputy Receiver for Scottish Re
(U.S.), Inc., in Liquidation

EXHIBIT 2

EXHIBIT A

RECAPTURE AGREEMENT

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WHEREAS, the date hereof, the Parties and Assured Guaranty UK Limited ("Assured UK") entered into that certain Release and Settlement Agreement (the "Release and Settlement Agreement"), pursuant to which the Parties and Assured UK agreed, among other things, that the Ceding Company will recapture the Reinsured Business under the Reinsurance Agreement from the Reinsurer at the Closing in accordance with the terms set forth in Release and Settlement Agreement and this Recapture Agreement;

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1. Certain Defined Terms. Capitalized terms used in this Recapture Agreement but not defined herein have the meanings ascribed to such terms in the Release and Settlement Agreement.
2. Recaptured Business; Recapture Payment
 - a. In accordance with the terms of the Release and Settlement Agreement, the Ceding Company hereby recaptures from the Reinsurer 100% of the Reinsured Business effective as of the Recapture Effective Time.
 - b. In consideration for the Ceding Company's recapture of the Reinsured Business, the Ceding Company shall be entitled to receive the Recapture Amount in accordance with Section 2.03 of the Release and Settlement Agreement.
 - c. The recapture contemplated by this Recapture Agreement is notwithstanding anything to the contrary in the Reinsurance Agreement, including, without limitation with respect to notice of recapture or the calculation of the recapture payment.
3. Termination. The Parties agree that the Reinsurance Agreement is hereby terminated as of the Recapture Effective Time.
4. Certain Provisions Incorporated By Reference. The provisions of Article VIII of the Release and Settlement Agreement (other than the provisions of Section 8.09 thereof) are hereby incorporated into this Agreement *mutatis mutandis* as if set forth fully herein.

[REMAINDER OF PAGE LEFT BLANK; SIGNATURES ON FOLLOWING PAGE]

IN WITNESS WHEREOF, the Parties have caused this Recapture Agreement to be signed by their duly authorized officers or signatories, all as of the date first written above.

ORKNEY RE II PLC

By: _____
Name:
Title:

SCOTTISH RE (U.S.), INC., IN LIQUIDATION

By: _____
Name: Michael Johnson
Title: Deputy Receiver for Scottish Re
(U.S.), Inc., in Liquidation

EXHIBIT 3

Indemnity Reinsurance Agreement

between

ORKNEY RE II plc

Dublin, Ireland

(the "Reinsurer")

and

SCOTTISH RE (U.S.), INC.

Charlotte, North Carolina

(the "Ceding Insurer")

Treaty Number 8078

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ARTICLE 1

GENERAL PROVISIONS

- 1.1 **Parties to the Agreement.** This agreement (this "Agreement") is an agreement for indemnity reinsurance solely between Orkney Re II plc, a special purpose public limited company incorporated under the laws of Ireland, with offices in Dublin, Ireland (the "Reinsurer"), and Scottish Re (U.S.), Inc., a stock life insurance company organized under the laws of Delaware, with offices in Charlotte, North Carolina (the "Ceding Insurer"), collectively referred to as "the parties."
- 1.2 **Plan of Reinsurance.** Reinsurance under this Agreement is on a coinsurance basis.
- 1.3 **No Third-Party Beneficiaries.** The acceptance of risks under this Agreement will create no right or legal relation between the Reinsurer and any third party or person having an interest of any kind in policies or reinsurance agreements retroceded under this Agreement, except that the Ceding Insurer acknowledges and agrees that the Reinsurer has assigned to Assured Guaranty (UK) Ltd. (the "Bond Insurer") its right to compel performance by the Ceding Insurer hereunder or enforce any right of the Reinsurer hereunder (i) following the occurrence and during the continuance of a G&R Event of Default (as defined in the Guaranty and Reimbursement Deed, dated as of December 21, 2005, entered into by and among the Reinsurer, The Bank of New York, as indenture trustee, and the Bond Insurer (the "Deed")), or (ii) at any time the Reinsurer fails, following written notice from the Bond Insurer, to enforce any of the Reinsurer's rights hereunder.
- 1.4 **Governing Law and Construction.** This Agreement will be governed by and construed in accordance with the laws of the State of New York, except to the extent that the insurance laws and regulations of the State of Delaware are specifically applicable. This Agreement is a freely negotiated contract between the Ceding Insurer and the Reinsurer and will not be construed against either party because such party drafted this Agreement.
- 1.5 **Entire Agreement.** This Agreement and the Letter Agreement entered into by and between the Ceding Insurer and the Bond Insurer, dated as of December 21, 2005, together constitute the entire agreement between the Ceding Insurer and the Reinsurer with respect to the business reinsured hereunder. There are no understandings between the parties other than as expressed in this Agreement and such Letter Agreement.
- 1.6 **Severability.** If any provision of this Agreement is determined to be invalid or unenforceable, such determination will not affect or impair the validity or the enforceability of the remaining provisions of this Agreement; provided, however, that if by operation of this Section 1.6, the rights and obligations of either the

Ceding Insurer or the Reinsurer are materially altered, the parties will negotiate mutually acceptable replacement provisions to preserve the intent of the parties.

- 1.7 **Effective Time.** This Agreement shall be effective at 12:01 a.m., Eastern Standard Time on December 1, 2005 (the "Effective Time").

ARTICLE 2

AUTOMATIC REINSURANCE

On and after the Effective Time and subject to the terms and conditions set out in this Agreement, the Ceding Insurer will cede to the Reinsurer on an indemnity reinsurance basis, and the Reinsurer will accept and reinsure on an indemnity reinsurance basis, risks under those certain assumed reinsurance agreements specified in Schedule A (collectively, the "Underlying Reinsurance Agreements") pursuant to which the Ceding Insurer provides reinsurance of risks under term life insurance policies with guaranteed level premiums written by third party ceding insurers (the "Original Insurers"), which policies have been identified in accordance with Schedule A hereto, between 12:01 a.m. Eastern Standard Time on January 1, 2004 and 11:59 p.m. Eastern Standard Time on December 31, 2004 (the "Defined Block Business").

ARTICLE 3

LIABILITY

- 3.1 **Reinsurance.** The liability of the Reinsurer for risks reinsured under this Agreement will commence at the Effective Time.

ARTICLE 4

REINSURANCE BENEFITS; EXCLUDED LIABILITIES; EXPENSE ALLOWANCES

- 4.1 **Reinsurance Benefits.** The Reinsurer shall indemnify the Ceding Insurer for 100% (the "Reinsurer's Quota Share") of the gross liabilities of the Ceding Insurer under the Defined Block Business other than the Excluded Liabilities as defined in Section 4.2 of this Agreement (the "Covered Liabilities").
- 4.2 **Excluded Liabilities.** Notwithstanding anything in this Agreement to the contrary, in no event shall the Reinsurer be liable for any loss or liability described in this Section 4.2:
- 4.2.1. Liabilities relating to benefits other than life insurance death benefits, if any, including, without limitation, waiver of premium, accidental death benefits, term conversions or reduced paid-up insurance benefits arising under the term life insurance contracts reinsured under the Defined Block Business;
 - 4.2.2 Any loss or liability in excess of US\$500,000 per life included in the Defined Block Business;
 - 4.2.3 Any Catastrophic Loss in excess of US\$3,000,000. For purposes of this Agreement, "Catastrophic Loss" shall have the meaning specified in Schedule D to this Agreement;
 - 4.2.4 Any liabilities relating to payments in excess of the express term of any policy included in the Defined Block Business are not Covered Liabilities subject to reinsurance under this Agreement;
 - 4.2.5 Any liabilities arising as a result of any material change to any policy included in the Defined Block Business, unless such change has been consented to in writing by the Reinsurer or is required by an insurance regulatory authority having jurisdiction over an Original Insurer, it being agreed that, if such material change is required by such an insurance regulatory authority, the Ceding Insurer shall notify the Reinsurer of such change promptly following the date on which the Ceding Insurer becomes aware of such change;
 - 4.2.6 Any liabilities arising from deaths occurring or claims incurred prior to the Effective Time, whether or not claims in respect thereof are first reported to the Ceding Insurer on or after the Effective Time; and
 - 4.2.7 (i) Punitive, consequential, exemplary, compensatory, extra-contractual or similar damages that are awarded against an Original Insurer or against the Ceding Insurer as a result of an act, omission, or course of conduct committed by the Original Insurer or by the Ceding Insurer in connection

with claims covered under any Underlying Reinsurance Agreement and (ii) statutory penalties, are not Covered Liabilities.

4.2.7.1 For purposes of this Article the following definitions will apply:

"punitive damages" are those damages awarded as a penalty, the amount of which is neither governed nor fixed by statute;

"compensatory damages" are those amounts awarded to compensate for the actual damages sustained, and are not awarded as a penalty, nor fixed in amount by statute; and

"statutory penalties" are those amounts awarded as a penalty, but are fixed in amount by statute.

- 4.3 **Expense Allowances.** The Reinsurer will reimburse the Ceding Insurer for the Reinsurer's Quota Share of expense allowances payable by the Ceding Insurer pursuant to the Underlying Reinsurance Agreements in respect of the Defined Block Business ("Expense Allowances"). The parties hereto agree that the Expense Allowances are as set forth in Underlying Reinsurance Agreements as of the Effective Time and not subject to upward revision during the term of this Agreement, and any such upward adjustment in Expense Allowances following the Effective Time shall not apply to this Agreement.
- 4.4 **Payments.** All payments of amounts due under this Article 4 are payable quarterly in accordance with the settlement procedures set forth in Schedule B.

ARTICLE 5

PREMIUMS

5.1 Premiums.

5.1.1 On December 21, 2005, the Reinsurer shall be entitled to receive an amount equal to the Reinsurer's Quota Share of the Economic Reserves as of the Effective Time. For purposes of this Agreement, the "Economic Reserves" means (i) during the period prior to the end of the level term period, gross premium reserves for the Defined Block Business calculated as the present value of future death benefits, plus the present value of future Expense Allowances, less the present value of future gross premiums, and (ii) during the period after the level term period, one-half the annual cost of mortality on a U.S. statutory basis. All present values are calculated over the level premium period only. The "level term period" is defined as the greater of: a) ten policy durations from issue of the policy, and b) the period over which the initial premium rate is expected, but not guaranteed, to remain level for each such policy. The assumptions as to the mortality, persistency, discount rate used to calculate present value, and interest rates, all of which assumptions are set forth on Schedule 5.1.1 (the "Assumptions"), are deemed to be locked in as of the Effective Time and not subject to revision during the term of this Agreement.

5.1.2 The Ceding Insurer will pay to the Reinsurer the Reinsurer's Quota Share of the gross annual premiums received by the Ceding Insurer after the Effective Time, net of premium refunds owed by the Ceding Insurer, with respect to the Defined Block Business.

5.2 **Payment of Premiums.** Reinsurance premiums are payable quarterly in accordance with the settlement procedures set forth in Schedule B.

5.3 Failure to Pay Premiums.

5.3.1 The payment of reinsurance premiums is a condition precedent to the liability of the Reinsurer under this Agreement. If the Ceding Insurer fails to pay all reinsurance premiums due on any required remit date, the Reinsurer will have the right to terminate this Agreement and the reinsurance provided hereunder.

5.3.2 If the Reinsurer elects to exercise its right of termination, it shall give the Ceding Insurer thirty (30) days' prior notice, sent by certified mail, of the Reinsurer's intention to terminate the reinsurance provided hereunder, effective as of the effective time set forth in such notice (such time, the "Termination Effective Time"). If all reinsurance premiums in arrears (together with interest thereon accrued at the applicable rate set forth in Section 11.2), including any which may become in arrears during the

period through the Termination Effective Time (together with interest thereon accrued at the applicable rate set forth in Section 11.2), are not paid before the Termination Effective Time, the Reinsurer will be relieved of all liability under this Agreement upon return by the Reinsurer of the Economic Reserves as of the Termination Effective Time, less the sum of (i) an amount equal to any reinsurance premiums (together with interest thereon accrued at the applicable rate set forth in Section 11.2) due to the Reinsurer hereunder but unpaid, plus (ii) the Recapture Fee (as defined in Section 10.9 hereof) attributable to the Defined Block Business to be terminated, plus (iii) any other amounts due to the Reinsurer hereunder but unpaid; provided however, that, if the sum of the amounts calculated pursuant to clauses (i) through (iii) of this sentence exceeds the Economic Reserves as of the Termination Effective Time, the amount of such excess shall be payable by the Ceding Insurer to the Reinsurer as of the Termination Effective Time. For avoidance of doubt, if all such reinsurance premiums, interest and such other amounts owed are paid prior to the Termination Effective Time, the Reinsurer shall not be relieved of its liabilities hereunder and this Agreement shall remain in full force and effect in accordance with its terms.

- 5.3.3 Terminated reinsurance may be reinstated within thirty (30) days following the Termination Effective Time upon payment by the Ceding Insurer of all reinsurance premiums in arrears, including any interest accrued thereon (such interest to be calculated in accordance with Section 11.2) and upon transfer by the Ceding Insurer to the Reinsurer of the Economic Reserves (together with interest thereon accrued at the applicable rate set forth in Section 11.2, and subject to appropriate adjustments based on the net amount transferred to or by the Ceding Insurer pursuant to this Section 5.3) returned to the Ceding Insurer by the Reinsurer (less the portion of such reserves used by the Ceding Insurer in the ordinary course to pay claims not covered hereunder pursuant to the following sentence or plus any increase in such Economic Reserves, as the case may be); provided, however, that the Ceding Insurer shall not be entitled to reinstate such terminated reinsurance if and to the extent that the Redundant Reserves released as a result of the termination have already been applied to redeem the Notes in accordance with the terms thereof. For purposes of this Agreement, "Notes" means the following series of notes issued by the Reinsurer: (i) Series A-1 Floating Rate Guaranteed Notes due December 21, 2035, (ii) Series A-2 Floating Rate Notes due December 21, 2035 (together with the Series A-1 Floating Rate Insured Notes, the "Series A Notes"), and (iii) Series B Floating Rate Notes due December 21, 2035. For purposes of this Agreement, "Redundant Reserves" means, as of any date of determination, an amount (which shall not be less than zero) equal to the lesser of (x) the difference between Statutory Reserves and the Economic Reserves, and (y) \$425,000,000.

5.3.4 If the Ceding Insurer receives any premiums from an Original Insurer on a date that is at least 180 days following the date on which such premiums were required to be paid to the Ceding Insurer in accordance with the terms of the applicable Underlying Reinsurance Agreement, the Ceding Insurer shall remit such premiums to the Reinsurer on the required remit date hereunder, together with interest thereon with respect to the period beginning on such 180th day and ending on the date of remittance of such premiums to the Reinsurer, such interest to be calculated at a rate of 100 basis points (1.0%) above the LIBOR Rate} (as defined in Section 11.2 hereof); provided, however, that, if an Original Insurer shall have failed to pay to the Ceding Insurer any amount of premium within 360 days following the date on which such premiums were required to be paid to the Ceding Insurer in accordance with the terms of the applicable Underlying Reinsurance Agreement, either party to this Agreement shall be entitled to terminate this Agreement (solely as to that portion of the Defined Block Business attributable to the Underlying Reinsurance Agreement in respect of which the Original Insurer shall have failed to pay premiums) upon 30 days prior written notice to the other party hereto; provided, further, that, if (a) the Original Insurer's failure to pay premium within such 360-day period was caused by a conversion or modification of the reinsurance administration system utilized by the Original Insurer, (b) such Original Insurer shall have provided reasonable assurances to the Ceding Insurer that such premiums in arrears will be paid promptly upon completion of such conversion or modification, and (c) the overdue premium represents less than ten percent (10%) of the total premiums payable to the Ceding Insurer on the Defined Block Business, then neither party shall be entitled to terminate this Agreement unless such overdue premium shall remain unpaid for 540 days following the date on which such premiums were required to be paid to the Ceding Insurer in accordance with the terms of the applicable Underlying Reinsurance Agreement, and party hereto electing to terminate shall have provided 30 days prior written notice to the other party hereto. Any such termination shall apply solely as to that portion of the Defined Block Business that is attributable to the Underlying Reinsurance Agreement in respect of which the Original Insurer shall have failed to pay premiums and shall be effective upon return to the Ceding Insurer of the Economic Reserves as of the date of termination attributable to the Defined Block Business to be so terminated, less the sum of an amount equal to the interest calculated pursuant to the immediately preceding sentence plus an amount equal to the Recapture Fee.

5.3.5 The Reinsurer will have no liability for any claims incurred between the Termination Effective Time and the effective time of reinstatement of the reinsurance.

ARTICLE 6

CREDIT FOR REINSURANCE

- 6.1 **Reinsurance Trust Agreement.** In order to provide the Ceding Insurer with credit for reinsurance on its statutory financial statements filed with the Insurance Department of the State of Delaware and in all states in which the Ceding Insurer must file its statutory financial statements, the Reinsurer, as grantor, shall create an account with a trustee approved by the Ceding Insurer (the "Reinsurance Trust Account"), naming the Ceding Insurer as sole beneficiary thereof, for the purpose of securing the Reinsurer's obligations to the Ceding Insurer pursuant to this Agreement. On the Effective Time the Reinsurer shall deposit in the Reinsurance Trust Account Eligible Assets (as defined below) with a fair market value equal to the Reinsurer's Quota Share of the Statutory Reserves, and the trustee shall hold assets in the Reinsurance Trust Account for the benefit of the Ceding Insurer pursuant to the terms of a trust agreement (the "Reinsurance Trust Agreement") governing the Reinsurance Trust Account. The Reinsurance Trust Account shall be established and maintained in compliance with all requirements of Delaware Insurance Regulation 1003 § 10 or any successor provision and all other applicable laws governing the Ceding Insurer's right to take financial statement credit for reinsurance under this Agreement. For purposes of this Agreement: (i) the term "Statutory Reserves" shall mean the gross reserves (including deficiency reserves) in respect of the Covered Liabilities reinsured hereunder as determined in accordance with the methodologies set forth in Schedule E hereto for calculating such amounts; (ii) the "Required Balance", as of any date of determination, shall be an amount equal to the least of (a), (b) and (c), where (a) equals the Reinsurer's Quota Share of the Statutory Reserves, (b) equals the excess, if any, of (x) over (y), where (x) equals the fair market value of the Reinsurer's total assets (including the funds held in the Reinsurance Trust Account), and (y) equals the greater of (1) 125% of the Authorized Control Level Risk Based Capital (as calculated pursuant to the risk-based capital formula set forth on Schedule F hereto (the "RBC Formula") and (2) 100% of the reserves and solvency margin required to be maintained by the Reinsurer in accordance with all applicable laws and regulations in force in Ireland from time to time or as may be required by the Irish Financial Services Regulatory Authority (the "Financial Regulator") or its successor (the "Solvency Margin") and (c) equals the sum of Economic Reserves plus \$425,000,000. The Ceding Insurer shall calculate the Required Balance in accordance with the worksheet set forth on Schedule F hereto.
- 6.2 **Investment of Trust Assets.** The assets held in the Reinsurance Trust Account shall be valued at their fair market value as of the date as of which such assets are required to be valued under Section 6.4. The assets that may be held in the Reinsurance Trust Account (the "Eligible Assets") shall consist of cash, certificates of deposit issued by a U.S. bank and payable in U.S. dollars and investments of the type permitted by Delaware Insurance Regulation 1003 § 9; provided, that (i) each such investment that is a security is issued by an

institution that is not the parent, subsidiary or affiliate of either the Reinsurer or the Ceding Insurer, (ii) such investments are described in Section 1404(a)(1), (2), (3), (8) and (10) of the New York Insurance Law, (iii) such investments constitute "Eligible Securities" as defined in the Reinsurance Trust Agreement, and (iv) such investments shall be managed in accordance with the investment guidelines attached to the Reinsurance Trust Agreement (the "Investment Guidelines").

6.3 **Deposit of Assets.** Prior to depositing assets in the Reinsurance Trust Account, the Reinsurer will execute assignments or endorsements in blank, or transfer legal title to the trustee of all shares, obligations or any other assets requiring assignments, in order that the Ceding Insurer, or the trustee upon the direction of the Ceding Insurer, may whenever necessary negotiate these assets without the consent or signature from the Reinsurer or any other entity.

6.4 **Adjustment of Security and Withdrawals.** The Reinsurer shall maintain Eligible Assets in the Reinsurance Trust Account with an aggregate fair market value at least equal to the Required Balance. The amount of security provided by the Reinsurer shall be adjusted following the end of each calendar quarter in accordance with the Quarterly Reinsurance Report provided pursuant to the terms of Schedule B.

6.4.1 If the aggregate fair market value of the Eligible Assets held in the Reinsurance Trust Account at the end of any calendar quarter is less than (a) the Required Balance minus (b) the fair market value of any assets withdrawn by the Ceding Insurer during such quarter pursuant to Section 6.4.3 and not applied in accordance with Section 6.4.3.1 or Section 6.4.3.2 (such fair market value, with respect to this clause (b), to be calculated as of the end of such calendar quarter), the Reinsurer shall, no later than fifteen (15) calendar days following delivery of the Quarterly Reinsurance Report provided pursuant to the terms of Schedule B, transfer additional assets to the Reinsurance Trust Account so that the aggregate fair market value of the Eligible Assets held in the Reinsurance Trust Account is not less than the Required Balance minus the fair market value of any assets withdrawn by the Ceding Insurer during such quarter pursuant to Section 6.4.3 and not applied in accordance with Section 6.4.3.1, Section 6.4.3.2 or Section 6.4.3.4.

6.4.2 If (a) the aggregate fair market value of the Eligible Assets in the Reinsurance Trust Account, plus (b) the fair market value of the assets withdrawn by the Ceding Insurer during the applicable quarter pursuant to Section 6.4.3 and not applied in accordance with Section 6.4.3.1 or Section 6.4.3.2 (such fair market value, with respect to this clause (b), to be calculated as of the end of such calendar quarter) exceeds 102% of the Required Balance, calculated based on the most recent Quarterly Reinsurance Report, then such Quarterly Reinsurance Report shall be deemed to constitute the Reinsurer's request for the Ceding Insurer's

approval (which shall not be unreasonably or arbitrarily withheld) to withdraw the excess. If the Ceding Insurer approves the release of such excess amount in accordance with the immediately preceding sentence, it shall promptly deliver a Notice of Withdrawal (as defined in the Reinsurance Trust Agreement) to the trustee of the Reinsurance Trust Account to withdraw such excess amount therefrom and instruct the trustee to deliver such excess amount to the Reinsurer.

- 6.4.3 The Ceding Insurer may withdraw the assets held in the Reinsurance Trust Account at any time and from time to time, notwithstanding any other provisions of this Agreement, and assets withdrawn from such Reinsurance Trust Account shall be utilized and applied by the Ceding Insurer (or any successor by operation of law of the Ceding Insurer, including, but not limited to, any liquidator, rehabilitator, receiver or conservator of the Ceding Insurer), without diminution because of insolvency on the part of the Ceding Insurer or the Reinsurer; provided however, that the Ceding Insurer (or any successor by operation of law of the Ceding Insurer, including, but not limited to, any liquidator, rehabilitator, receiver or conservator of the Ceding Insurer) may only withdraw such assets for one or more of the following purposes:
- 6.4.3.1 to pay, or reimburse the Ceding Insurer for payment of, the Reinsurer's Quota Share of premiums received by Reinsurer hereunder which are to be returned to policyholders because of cancellations of policies included in the Defined Block Business;
 - 6.4.3.2 to pay, or reimburse the Ceding Insurer for payment of, the Reinsurer's Quota Share of surrenders, benefits, losses or other amounts payable pursuant to the provisions of the policies included in the Defined Block Business;
 - 6.4.3.3 to fund a segregated account with the Ceding Insurer in an amount no less than the deduction, for reinsurance ceded, from the Ceding Insurer's liabilities for the Reinsurer's Quota Share of the Statutory Reserve to be maintained with respect to the Defined Block Business (it being understood that in the event of any partial withdrawal of the trust corpus, such amount shall be appropriately pro-rated and held in a manner that does not interfere with the Reinsurer's security, as contemplated by Section 6.4.4);
 - 6.4.3.4 to pay any other amounts the Ceding Insurer claims are legally and properly due hereunder.
- 6.4.4 Any assets deposited into a segregated account of the Ceding Insurer pursuant to Section 6.4.3.3, or withdrawn by the Ceding Insurer (or any successor by operation of law of the Ceding Insurer, including, but not

limited to, any liquidator, rehabilitator, receiver or conservator of the Ceding Insurer) pursuant to Section 6.4.3.4 and any interest or other earnings thereon shall be held by the Ceding Insurer (or any successor by operation of law of the Ceding Insurer, including, but not limited to, any liquidator, rehabilitator, receiver or conservator of the Ceding Insurer) in trust for the benefit of the Reinsurer, subject to the Ceding Insurer's right to apply such assets to amounts due and payable by the Reinsurer to the Ceding Insurer under this Agreement, and shall at all times be maintained, separate and apart from any assets of the Ceding Insurer, for the sole purpose of funding the payments and reimbursements described in Sections 6.4.3.1 through 6.4.3.4, inclusive, of this Article 6. The Ceding Insurer shall promptly deliver to the Reinsurer all dividends, interest and other income actually received by the Ceding Insurer relating to such assets. The Ceding Insurer (or any successor by operation of law of the Ceding Insurer, including, but not limited to, any liquidator, rehabilitator, receiver or conservator of the Ceding Insurer) shall ensure that any assets held in trust pursuant to this Agreement comply with the provisions of Section 6.2 hereof in accordance with its fiduciary obligations as trustee with respect to such amounts. All assets maintained in such segregated account shall be managed in accordance with the Investment Guidelines pursuant to the terms of the Investment Management Agreement (if the Reinsurer shall have assigned the Investment Management Agreement to the Ceding Insurer) or an investment management agreement the terms of which shall be substantially similar to the terms of the Investment Management Agreement.

- 6.4.5 The Ceding Insurer shall return to the Reinsurer amounts withdrawn under Sections 6.4.3.1 through 6.4.3.4 in excess of actual amounts required under Sections 6.4.3.1 through 6.4.3.3, and in excess of the amounts subsequently determined to be due under Section 6.4.3.4 (the date of such determination, the "Determination Date"), plus interest at the rate of 200 basis points (2.00%) above the LIBOR Rate (as defined in Section 11.2 hereof) but not to exceed the prime rate, no later than ninety (90) days following the Determination Date.
- 6.4.6 The cost of the Reinsurance Trust Account shall be borne by the Reinsurer; provided, however, that the Ceding Insurer agrees to reimburse the Reinsurer for any such costs to the extent those costs exceed the expected costs therefor as set forth in the Assumptions. The cost of the segregated account maintained pursuant to Section 6.4.4 shall be borne by the Ceding Insurer.
- 6.4.7 In withdrawing assets from the Reinsurance Trust Account, the Ceding Insurer shall use commercially reasonable efforts to select assets to be so withdrawn such that, immediately following such withdrawal, the assets remaining in the Economic Reserve sub-account satisfy the requirements of clauses (i) and (ii) of Section 10.7 hereof.

ARTICLE 7

REDUCTIONS, TERMINATIONS AND CHANGES

- 7.1 **Reductions and Terminations.** In the event of the reduction or termination of a policy included in the Defined Block Business, the Ceding Insurer, in accordance with the terms of the applicable Underlying Reinsurance Agreement, will reduce or terminate reinsurance on that life, effective on the same date. The Reinsurer will refund (subject to Section 11.3) any unearned reinsurance premiums with respect to such reduction or termination. If, as a result of a cancellation of a policy included in the Defined Block Business, an Original Insurer returns to the Ceding Insurer a portion of the expense allowance paid by the Ceding Insurer to such Original Insurer in respect of such policy, the Reinsurer shall be entitled to receive its Quota Share of such returned expense allowance.
- 7.2 **Terminations of and Recaptures under Underlying Reinsurance Agreements.** If an Underlying Reinsurance Agreement is terminated or recaptured strictly in accordance with its terms and without the consent of the Ceding Insurer, the Ceding Insurer shall, upon no less than 30 days prior written notice to the Reinsurer, terminate or recapture (as the case may be) the liabilities ceded to the Reinsurer hereunder that are attributable to such Underlying Reinsurance Agreement, in which event the Reinsurer shall refund to the Ceding Insurer (subject to Section 11.3) the sum of (i) Economic Reserves attributable thereto less (ii) any recapture charge collected from an Original Insurer and less (iii) an amount equal to the Recapture Fee; provided however, that, if the sum of clauses (ii) and (iii) exceeds the amount of Economic Reserves to be refunded, the Ceding Insurer shall pay to the Reinsurer the amount of such excess.
- 7.3 **Increases.** If the amount of insurance under a policy included in the Defined Block Business is increased as a result of a change in law or regulation, the increase will be subject to reinsurance under this Agreement to the extent that the Ceding Insurer is required to reinsure such change. Any such change that is not required by law or regulation will not be subject to reinsurance hereunder.
- 7.4 **Reinstatement.** If a lapsed policy that is included in the Defined Block Business is reinstated in accordance with its terms, the Reinsurer will reinstate the reinsurance coverage to the extent that the Ceding Insurer is required to reinstate insurance coverage. Upon reinstatement of the reinsurance coverage, the Ceding Insurer will pay the Reinsurer the reinsurance premiums that would have accrued had the policy not lapsed.
- 7.5 **Late Reporting.** In the event of late reporting of any policies included in the Defined Block Business, the Ceding Insurer shall pay to the Reinsurer any additional premiums relating to such policies pursuant to Section 5.1 to the extent not previously paid. In the event that late reported policies exceed 400 in number, then the Ceding Insurer shall either (a) promptly recapture a Pro Rata Amount of the Defined Block Business or (b) promptly arrange for additional

capital from the proceeds of the issuance by the Reinsurer of securities that are subordinated to the Notes in an amount equal to the Pro Rata Amount of the capital and surplus of the Reinsurer (less amounts thereof for the prefunding of expenses and interest) as of the Effective Time. In the event of a recapture pursuant to clause (a) above, the Reinsurer shall pay to the Ceding Insurer, and the Ceding Insurer shall only be entitled to receive, an amount equal to the Economic Reserves with respect to the Defined Block Business to be recaptured (less any unpaid premium at such time of recapture). For purposes hereof, "Pro Rata Amount" shall mean a fraction, the numerator of which is the number of late reported policies and the denominator of which is the total number of policies underlying the Defined Block Business as of the Effective Time.

ARTICLE 8

REPLACEMENTS

- 8.1 **Replacements.** The Reinsurer will continue to reinsure policies resulting from replacements of policies included in the Defined Block Business to the extent the Ceding Insurer is required to continue reinsurance of such policies in accordance with the terms of the applicable Underlying Reinsurance Agreements.

ARTICLE 9

CLAIMS

- 9.1 **Notice.** The Ceding Insurer will provide the Reinsurer with a summary of claims received under the Defined Block Business no less than quarterly using the reporting format set forth in Schedule C.
- 9.2 **Liability.** Claims covered under this Agreement include only death claims, payable as a result of the death of an insured on a policy included in the Defined Block Business. The Reinsurer will accept the decision of the Ceding Insurer on payment of a claim on a policy reinsured under this Agreement. The Ceding Insurer's contractual liability for claims on policies reinsured under this Agreement is binding on the Reinsurer.
- 9.3 **Settlement.** Following receipt by the Reinsurer of notice of the Ceding Insurer's payment of any Covered Liabilities, the Reinsurer shall make payment of the Reinsurer's Quota Share of such Covered Liabilities in accordance with the settlement procedures set forth in Schedule B hereto; provided, however, that, if the Covered Liabilities paid by the Ceding Insurer since the most recent quarterly settlement date exceed by US\$250,000 or more the Projected Covered Liabilities Amount (as defined below), the Reinsurer may consent to make payment (a "Special Payment") of the Reinsurer's Quota Share of any Covered Liability during any quarter in excess (cumulatively with all such other payments during such quarter) of the Projected Covered Liability Amount, which payment shall be made promptly upon receipt of such notice from the Ceding Insurer. The Ceding Insurer acknowledges that the Reinsurer (i) shall not consent to a Special Payment if the Reinsurer believes that such consent could reasonably be expected to have a material adverse effect on (x) the business or operations of the Reinsurer, (y) the ability of the Reinsurer to fulfill its obligations to its creditors when due; and (ii) shall otherwise have full and complete discretion to decline to consent to a Special Payment. For purposes of this Agreement, "Projected Covered Liability Amount" means the aggregate amount projected to be paid since the prior quarterly settlement date pursuant to the quarterly calculations of Economic Reserves prepared by the Ceding Insurer in accordance with Schedule 5.1.1 hereof.
- 9.4 **Contested Claims.** The Reinsurer will reimburse the Ceding Insurer for the Reinsurer's Quota Share of the Ceding Insurer's out-of-pocket expenses of any contest or compromise of a claim, and will share in the reduction of liability in the same proportion. The Reinsurer will participate in unusual expenses, defined as all out-of-pocket expenditures assumed by the Ceding Insurer in connection with the disposition of claims, including allocated investigation, adjustment and legal expenses, court costs and accrued interest. If the Reinsurer so elects, it may discharge its liability by payment of the Reinsurer's Quota Share of claims as originally presented by the Original Insurer to the Ceding Insurer.

- 9.5 **Claim Expenses.** The Reinsurer will pay the Reinsurer's Quota Share of reasonable out-of-pocket claim investigation and legal expenses incurred as a result of the litigation or settlement of contractual liability claims unless the Reinsurer has discharged its liability in accordance with Section 9.4 of this Agreement. If the Reinsurer has so discharged its liability, the Reinsurer will not participate in any expenses incurred thereafter.
- 9.6 **Misrepresentation or Suicide.** If the Ceding Insurer returns premium to an Original Insurer as a result of misrepresentation or suicide of the insured, the Reinsurer will refund to the Ceding Insurer all reinsurance premiums received by the Reinsurer on that policy in lieu of any other form of reinsurance benefit payable under this Agreement.
- 9.7 **Misstatement.** In the event of a change in the amount of the Ceding Insurer's liability on a reinsured policy due to a misstatement of age or sex, the Reinsurer's liability will change proportionately. Reinsurance premiums will be adjusted from the inception of the policy.
- 9.8 **Recoveries.** If the Ceding Insurer obtains any recoveries in respect of a claim paid by it in accordance with the terms of an Underlying Reinsurance Agreement, the Reinsurer shall be entitled to receive its Quota Share of such recoveries.

ARTICLE 10

RECAPTURE

- 10.1 **Recapture.** The Ceding Insurer may in its sole discretion, in accordance with this Article 10, recapture all or a pro rata portion of all, liabilities under the Defined Block Business arising under policies that are included in the Defined Block Business by providing to the Reinsurer written notice thereof, indicating the effective time of recapture (the "Recapture Notice").
- 10.2 **Notice of Recapture.** The Ceding Insurer shall provide to the Reinsurer notice of recapture as set forth below:
- a. other than in the case of a recapture effected pursuant to clause (b) below, the Ceding Insurer will give the Reinsurer the Recapture Notice, no less than sixty (60) days in advance of the effective time of recapture, of its intention to recapture business reinsured under this Agreement;
 - b. the Ceding Insurer will give the Reinsurer the Recapture Notice, no less than thirty (30) days in advance of the effective time of recapture, of its intention to recapture business reinsured hereunder in the following circumstances; (i) the Reinsurer becomes subject to an order of conservation, supervision, court appointed examination, rehabilitation or liquidation; (ii) the Reinsurer fails to take steps sufficient to assure the Ceding Insurer of financial statement credit within thirty (30) calendar days of Reinsurer's receipt of notice from the Ceding Insurer that the Ceding Insurer has been advised that a U.S. or non-U.S. federal, state or other governmental insurance regulatory authority, or insurance regulatory commission, self-regulatory organization or board or body (a "Governmental Authority") having jurisdiction over the Ceding Insurer will deny or has denied the Ceding Insurer statutory financial statement credit for the reinsurance ceded hereunder on any financial statement filed by the Ceding Insurer with such Governmental Authority; or (iii) the Reinsurer is in material breach of any other representation, warranty or covenant under this Agreement; and
 - c. the Recapture Notice shall (i) indicate the portion of the Defined Block Business to be recaptured hereunder; (ii) set forth the applicable calculation required by Section 10.5 or 10.6 (as the case may be); and (iii) include a statement that, immediately following the recapture, the assets remaining in the Economic Reserve sub-account of the Reinsurance Trust Agreement will satisfy the requirements of Section 10.7 hereof.

- 10.3 **Recapture Liability.** Except in the case of a recapture pursuant to Section 7.2 hereof, a recapture pursuant to this Article 10 shall apply to all, or a pro rata portion of all, policies included in the Defined Block Business reinsured hereunder.
- 10.4 **Limitation on Recapture.** The Ceding Insurer shall not be permitted to recapture the business reinsured hereunder prior to February 11, 2007, except in the following circumstances: (i) the recapture is effected pursuant to and in accordance with Sections 7.2 or 7.5 hereof; (ii) as a result of a change (a "Reserve Methodology Change") in the methodology used for calculating the amount of Statutory Reserves required to be held pursuant to law or regulation applicable to the Ceding Insurer, the Redundant Reserves immediately following the Reserve Methodology Change are at least twenty percent (20%) less than the Redundant Reserves immediately prior to the Reserve Methodology Change; (iii) the Ceding Insurer is unable to obtain full statutory financial statement credit for the reinsurance ceded to the Reinsurer hereunder for any reason; or (iv) a Pro Rata Recapture (as defined in Section 10.8 hereof).
- 10.5 **Payment on Recapture Prior to the End of the Level Term Period.** In the event of a recapture pursuant to this Article 10 (and not effected pursuant to or in accordance with Section 7.2 hereof) prior to the end of the level term period, when the Economic Reserve less the Present Value of Embedded Economic Profits is positive, the Reinsurer shall pay the Ceding Insurer, and the Ceding Insurer shall only be entitled to receive, an amount equal to the sum of (i) the Economic Reserves less the Present Value of Embedded Economic Profits with respect to Defined Block Business recaptured hereunder, calculated as of the date on which the Ceding Insurer submits notice of recapture to the Reinsurer, less (ii) the Recapture Fee; provided however, that, if the Recapture Fee exceeds the amount calculated pursuant to clause (i) of this sentence, the Ceding Insurer shall pay to the Reinsurer the amount of such excess. In the event of a recapture pursuant to this Article 10 (and not effected pursuant to or in accordance with Section 7.2 hereof) prior to the end of the level term period, when the Economic Reserve is positive and the Economic Reserve less the Present Value of Embedded Economic Profits is negative, the Ceding Insurer shall pay the Reinsurer, and the Reinsurer shall only be entitled to receive, an amount equal to the sum of (i) the Present Value of Embedded Economic Profits less the Economic Reserve with respect to Defined Block Business recaptured hereunder, calculated as of the date on which the Ceding Insurer submits notice of recapture to the Reinsurer, plus (ii) an amount equal to the Recapture Fee. In the event of a recapture pursuant to this Article 10 (and not effected pursuant to or in accordance with Section 7.2 hereof) prior to the end of the level term period, when the Economic Reserve is negative, the Ceding Insurer shall pay the Reinsurer, and the Reinsurer shall only be entitled to receive, an amount equal to the sum of (i) the absolute value of the Economic Reserves, plus the Present Value of Embedded Economic Profits with respect to Defined Block Business recaptured hereunder, calculated as of the date on which the Ceding Insurer submits notice of recapture to the Reinsurer, plus (ii) an amount equal to the

Recapture Fee. After payment is made of the amount described in this Section 10.5 with respect to the recaptured Defined Block Business, plus or minus other amounts due under this Agreement, the Reinsurer shall have no further liability to the Ceding Insurer hereunder with respect to the recaptured Defined Block Business. The selection of the assets to be transferred to the Ceding Insurer pursuant to this paragraph shall be subject to the requirement that, after giving effect to such transfer, the Reinsurer shall be in compliance with Section 10.7. For purposes of this Agreement, "Present Value of Embedded Economic Profits" means an amount equal to the Embedded Expected Profits (as defined in Section 10.6 hereof) immediately following the end of the level term period, discounted to the effective time of recapture for mortality, lapses, shock lapse and interest as defined in the Assumptions.

10.6 **Payment on Recapture Following End of Level Term Period.** In the event of a recapture pursuant to this Article 10 (and not effected pursuant to or in accordance with Section 7.2) following the end of the level term period, when Embedded Expected Profits (as defined below) of the Defined Block Business reinsured hereunder as of the effective date of recapture are negative, the Reinsurer shall pay to the Ceding Insurer assets the book value of which is equal to the sum of (i) the absolute value of the Embedded Expected Profits as of the effective date of recapture, less (ii) an amount equal to the Recapture Fee; provided however, that, if the Recapture Fee exceeds the amount resulting from the calculation set forth in clause (i), the Ceding Insurer shall pay to the Reinsurer the amount of such excess. In the event of a recapture pursuant to this Article 10 (and not effected pursuant to or in accordance with Section 7.2) following the end of the level term period, when the Embedded Expected Profits as of the effective date of recapture are positive, the Ceding Insurer shall pay to the Reinsurer an amount equal to the sum of (i) the Embedded Expected Profits as of the effective date of recapture, plus (ii) an amount equal to the Recapture Fee. For purposes of this Agreement, "Embedded Expected Profits" means the present value of future gross premiums less the present value of the sum of (a) future death benefits, and (b) future Expense Allowances, all in accordance with the Assumptions. After payment is made of the amount described in this Section 10.6 with respect to the recaptured Defined Block Business, plus or minus other amounts due under this Agreement, the Reinsurer shall have no further liability to the Ceding Insurer hereunder with respect to the recaptured Defined Block Business. The selection of the assets to be transferred to the Ceding Insurer pursuant to this paragraph shall be subject to the requirement that, after giving effect to such transfer, the Reinsurer shall be in compliance with Section 10.7.

10.7 **Compliance with Eligible Asset Guidelines following Recapture Payment.** The assets of the Reinsurer held in the Economic Reserve sub-account of the Reinsurance Trust Account (the "Economic Reserve Sub-Account Assets") immediately following a recapture payment by the Reinsurer pursuant to Section 7.2 hereof and this Article 10 (such assets, the "Remaining Assets") shall meet the following requirements: (i) the weighted average rating factor, calculated in accordance with the Investment Guidelines ("WARF"), of the Remaining Assets

(a) shall be no less than the WARF of the Economic Reserve Sub-Account Assets immediately prior to the recapture payment and (b) shall comply with the WARF guidelines set forth in the Investment Guidelines; and (ii) the average duration to maturity of the Remaining Assets (a) shall be no greater than the average duration to maturity of the Economic Reserve Sub-Account Assets immediately prior to the recapture payment and (b) shall comply with the duration guidelines set forth in the Investment Guidelines.

10.8 Pro Rata Recapture. In the event of a Pro Rata Recapture, the Reinsurer shall pay the Ceding Insurer, and the Ceding Insurer shall only be entitled to receive, an amount equal to the Economic Reserves with respect to Defined Block Business recaptured hereunder, calculated as of the date on which the Ceding Insurer submits notice of recapture to the Reinsurer. Notwithstanding anything to the contrary set forth in Section 10.5 or 10.6 hereof, the Reinsurer acknowledges and agrees that a Pro Rata Recapture shall not be subject to a Recapture Fee. For purposes of this Agreement, a "Pro Rata Recapture" means a recapture of a pro rata portion of the Defined Block Business in an amount sufficient to cause the Reinsurer's Quota Share of the Statutory Reserves to be less than or equal to the sum of Economic Reserves plus \$425,000,000.

10.9 Recapture Fee.

10.9.1 The Ceding Insurer acknowledges that, if:

(a) the Reinsurer elects to terminate all or the applicable portion of this Agreement in accordance with Sections 5.3.2 or 5.3.4 hereof,

(b) the Ceding Insurer recaptures or terminates all or the applicable portion of the Defined Block Business pursuant to or in accordance with Section 7.2 hereof,

(c) the Ceding Insurer elects to recapture all or the applicable portion of the Defined Block Business in accordance with clauses (ii) or (iii) of Section 10.4 hereof or Sections 10.5 or 10.6 hereof (other than in the case of a Pro Rata Recapture), or

(d) this Agreement is terminated in accordance with Section 20.2 hereof,

the Reinsurer may be required to pay (i) to the holders of the Notes (if (a), (b), (c) or (d) above occurs prior to February 11, 2018) a redemption premium in respect of the Notes required to be redeemed as a result of such a termination or recapture and (ii) to the Bond Insurer a fee pursuant to the makewhole provision of the fee letter set forth at Exhibit B to the Deed (clauses (i) and (ii) together, the "Redemption Expenses").

10.9.2 For purposes of this Agreement, the "Recapture Fee" means, and shall be calculated as, the actual amount of Redemption Expenses payable by the

Reinsurer as a result of the related recapture or termination of this Agreement.

10.9.3 If a Recapture Fee is payable hereunder, the Reinsurer shall deliver to the Ceding Insurer a Notice of Recapture Fee Calculation in the form set forth on Schedule G hereto. Such notice shall be delivered no later than the first Assessment Date (as defined below) that occurs following (i) the Termination Effective Time (in the case of a termination pursuant to Section 5.3.2 hereof), (ii) the effective date of termination as determined in accordance with Section 20.2 hereof or (iii) the date on which the Ceding Insurer delivers its notice of recapture or termination (as the case may be) to the Reinsurer pursuant to Sections 7.2 and 10.2 hereof. For the purposes of the foregoing, "Assessment Date" means the date which is six (6) Business Days prior to the 11th day of each February, May, August and November. Unless the Ceding Insurer reasonably disputes the amount of the Recapture Fee set forth on the Notice of Recapture Fee Calculation, the amount set forth thereon shall be used to determine the net amount payable pursuant to the formulas set forth in Sections 5.3.2, 5.3.4, 7.2, 10.5, 10.6 and 20.2 hereof. For the purposes of this Section 10.9.3, "Business Day" means a day which is not a Saturday, a Sunday or any other day, including public holidays, on which banks in The City of New York, London, England or Dublin, Ireland are authorized or required by law or executive order to close.

ARTICLE 11

MISCELLANEOUS

- 11.1 **Currency.** All payments under this Agreement will be made in United States currency. All amounts expressed in this Agreement and in any reports produced by either the Ceding Insurer or the Reinsurer will be expressed in United States currency.
- 11.2 **Delayed Payment.** All amounts due and payable by the Ceding Insurer or the Reinsurer under this Agreement shall be paid in accordance with the settlement procedures set forth in Schedule B. Net reinsurance premiums or net death benefits that remain unpaid for more than ten (10) days from the remit date set forth in Schedule B will incur interest from the end of the reporting period. Interest shall be calculated at the rate of 200 basis points (2.00%) above the rate for deposits in U.S. dollars having a term of three months, commencing on such tenth (10th) day, which rate (the "LIBOR Rate") appears on Page 3750 on Bridge Telerate Inc. or any successor page at approximately 11:00 a.m., London time; provided, however, that, if the Ceding Insurer's failure to remit any amount payable by the Ceding Insurer hereunder when due arises out of the failure of an Original Insurer to remit premiums to the Ceding Insurer when due in accordance with the terms of an Underlying Reinsurance Agreement, the rate of interest on the overdue amount (other than in the case of interest payable pursuant to Section 5.3.4 hereof) shall be calculated at the same rate of interest, if any, chargeable by the Ceding Insurer under the Underlying Reinsurance Agreement in respect of overdue premiums payable to it by the Original Insurer.
- 11.3 **Offset and Recoupment.** Each party hereto shall have, and may exercise at any time and from time to time, the right to offset or recoup any balance or balances, whether on account of premiums or on account of losses or otherwise, due from such party to the other party hereto under this Agreement, and may offset or recoup the same against any balance or balances due to the former from the latter under this Agreement.
- 11.4 **Inspection of Records.** The Reinsurer and the Ceding Insurer, or their respective duly authorized representatives, designees or assigns, have the right at any reasonable time to inspect, at the office of the other, all records and documents relating to the business reinsured under this Agreement.
- 11.5 **Amendment.** Any change or modification to this Agreement will be null and void unless made by amendment to this Agreement and signed by both parties.
- 11.6 **Notices.** Any notice and other communication required or permitted hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission (and immediately after transmission confirmed by telephone), e-mail, or sent by certified, registered or express mail, postage prepaid; provided, however, that any party delivering a communication by facsimile transmission

shall retain the electronically generated confirmation of delivery, showing the telephone number to which the transmission was sent and the date and time of the transmission. Any such notice shall be deemed given when so delivered personally or sent by facsimile transmission (and immediately after transmission confirmed by telephone), e-mailed or, if mailed, on the date shown on the receipt therefore, as follows:

if to the Ceding Insurer:

Scottish Re (U.S.), Inc.
13840 Ballantyne Corporate Place
Suite 500
Charlotte, North Carolina 28277
Attention: General Counsel
Phone: 704-943-2344
Facsimile: 704-752-7736

with a copy to:

LeBoeuf, Lamb, Greene & MacRae LLP
125 West 55th Street
New York, New York 10019-5389
Attention: Stephen G. Rooney
Facsimile: 212-424-8500

if to the Reinsurer:

Orkney Re II plc
c/o Aon Insurance Managers (Dublin) Limited
38/39 Fitzwilliam Square
Dublin 2, Ireland
Attention: Account Manager
Phone: + 353-1-676-2911
Facsimile: + 353-1-676-2744

and:

Assured Guaranty (UK) Ltd.
Hamilwood House
60 Bishopsgate
EC2N 4AJ
London, United Kingdom
Facsimile: +44-207-502-1901

and, if to either the Ceding Insurer or the Reinsurer,
with a copy to each of:

Standard & Poor's Ratings Service
55 Water Street
41st Floor
New York, NY 10041
Attention: Asset Back Surveillance Department
Insurance Ratings
Facsimile: 212-438-2662

and

Moody's Investors Service
Attention: Life Insurance Group
99 Church Street
New York, NY 10007
Facsimile: 212-553-4805

Either party hereto may change the names or addresses where notice is to be given by providing notice to the other party of such change in accordance with this Section 11.6.

- 11.7 **Consent to Jurisdiction.** Subject to the terms and conditions of Article 18, the Reinsurer agrees that in the event of the failure of either party hereto to perform its obligations under the terms of this Agreement, the party hereto so failing to perform, at the request of the other party hereto, shall submit to the jurisdiction of any court of competent jurisdiction in the State of New York and shall comply with all requirements necessary to give such court jurisdiction, and shall abide by the final decision of such court or of any appellate court in the event of an appeal.
- 11.8 **Service of Process.** The Reinsurer hereby designates CT Corporation System, New York, New York, as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Ceding Insurer. The Ceding Insurer hereby designates the Delaware Insurance Commissioner as its true and lawful attorney upon whom may be served any lawful process in any action, suit or proceeding instituted by or on behalf of the Reinsurer.
- 11.9 **Captions.** The captions contained in this Agreement are for reference only and are not part of the Agreement.
- 11.10 **Regulatory Notices.** The Ceding Insurer and the Reinsurer shall provide to the Bond Insurer, Standard & Poor's Ratings Service and Moody's Investors Service copies of all notices relating to this Agreement received by the Ceding Insurer or the Reinsurer (as the case may be) from the Financial Regulator or the Delaware Insurance Department.

11.11 **Counterparts.** This Agreement may be executed in one or more counterparts, all of which taken together shall constitute one and the same instrument, and either of the parties hereto may execute this Agreement by signing such counterpart.

11.12 **No Petitions.** The Ceding Insurer hereby covenants to the fullest extent permitted by law that it will not at any time prior to the date that is one year and one day after the payment in full of all Notes (or, if longer, the applicable preference period then in effect), institute against the Reinsurer, or join in any institution against the Reinsurer of, any bankruptcy, reorganization, arrangement, insolvency, rehabilitation, conservation, examination or liquidation proceedings, or any other proceedings under any United States federal or state, Irish, or any other, bankruptcy, insolvency, examination or similar law in connection with any obligations relating to this Agreement, the Notes, or any agreement relating hereto or thereto.

ARTICLE 12

TAXES

- 12.1 **State Premium Taxes.** The Ceding Insurer shall be liable for all taxes on premiums paid to it with respect to the business reinsured pursuant to the Agreement. In consideration of the terms and conditions under which this Agreement is issued, the Ceding Insurer undertakes not to claim any deduction of the premium hereon when making premium tax returns to any state or territory in the United States or to the District of Columbia.
- 12.2 **U.S. Federal Insurance Excise Tax.** The Ceding Insurer shall be liable for the U.S. federal insurance excise tax ("FET") imposed on premiums paid to the Reinsurer under this Agreement, to the extent such premium is subject to the FET pursuant to section 4371 of the Internal Revenue Code of 1986, as amended.

ARTICLE 13

ERRORS AND OMISSIONS

- 13.1 **Remedy.** If through good faith unintentional error, oversight, or misunderstanding, the Reinsurer or the Ceding Insurer fails to comply with the terms of this Agreement (an "Error"), and if, upon discovery of the Error by either party, the other is promptly notified, each will act to cause the other to be restored to the position that it would have occupied if the Error had not occurred, including the effect of the time value of money. If it is not possible to restore each party to the position that it would have occupied absent such Error, the parties will endeavor in good faith to resolve the situation in a manner that is fair and reasonable and most closely approximates the intent of this Agreement. For the avoidance of doubt, the term "Error" shall include without limitation any unintentional failure by the Ceding Insurer to reflect accurately in the Factual Information (as defined below) the information it has received from the Original Insurers.

ARTICLE 14

CONFIDENTIALITY

14.1 Confidentiality.

14.1.1 The Ceding Insurer and the Reinsurer agree to treat Customer Information and Proprietary Information with confidentiality in handling and transmission of such information to the extent permitted under applicable law and regulations. For purposes of this Agreement, "Customer Information" includes and is limited to medical, financial and other non-public personal information about proposed, current, and former policyowners, insureds, applicants, and beneficiaries of policies issued by the Original Insurer, and "Proprietary Information" includes without limitation underwriting manuals and guidelines, contract forms, and premium rates and allowances of the Reinsurer and the Ceding Insurer. The Reinsurer is expressly permitted to make available to the Bond Insurer the Customer Information and Proprietary Information (except that the Customer Information shall be available for inspection, but not for copying, by the Bond Insurer), provided that the Bond Insurer agrees to be bound by and subject to the confidentiality obligations of this Article 14 and has provided reasonable assurances to the Reinsurer that the Bond Insurer has implemented appropriate procedures to safeguard the Customer Information.

14.1.2 Each party to this Agreement, and each of their employees, representatives and other agents (including the Bond Insurer), are hereby expressly authorized to disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions contemplated by this Agreement and all materials of any kind (including opinions or other tax analyses) that are provided to any persons relating to such tax treatment and tax structure. This authorization of tax disclosure is retroactively effective to the commencement of the first discussions between the parties to this Agreement regarding the transactions contemplated herein; provided, however, that such disclosure may not be made until the earliest of (x) the date of the public announcement of discussions relating to this Agreement, (y) the date of the public announcement of this Agreement, or (z) the date of the execution of this Agreement. The preceding sentence is intended to cause this Agreement to be treated as not having been offered under conditions of confidentiality for purposes of Section 1.6011-4(b)(3) (or any successor provision) of the Treasury Regulations promulgated under Section 6011 of the Code, and shall be construed in a manner consistent with such purpose. Subject to the proviso with respect to disclosure in the first sentence of this Section 14.1.2, each party hereto acknowledges that it has no proprietary or exclusive rights to the federal tax structure of this Agreement or any federal tax matter or federal tax idea related to this Agreement.

ARTICLE 15

ASSIGNMENT OF REINSURANCE

- 15.1 **Assignment.** This Agreement may not be assigned by either party without the written consent of the other. This Agreement is binding on the parties and their respective successors and permitted assignees.

ARTICLE 16

INSOLVENCY

- 16.1 **Insolvency of the Ceding Insurer.** In the event of the insolvency of the Ceding Insurer, all payments due the Ceding Insurer by the Reinsurer will be payable directly to the liquidator, rehabilitator, receiver, or statutory successor of the Ceding Insurer, without diminution because of the insolvency, for those claims payments allowed against the Ceding Insurer by any court of competent jurisdiction or by the liquidator, rehabilitator, receiver or statutory successor having authority to allow such claims.

In the event of the insolvency of the Ceding Insurer, the liquidator, rehabilitator, receiver, or statutory successor will give written notice to the Reinsurer of a pending claim against the Ceding Insurer on any policy reinsured hereunder within a reasonable time after such claim is filed in the insolvency proceeding. During the pendency of a claim, the Reinsurer may investigate the claim and, in a proceeding where the claim is to be adjudicated, the Reinsurer may, at its own expense, interpose in the proceedings any defense or defenses that it may deem available to the Ceding Insurer or its liquidator, rehabilitator, receiver, or statutory successor. Subject to court approval, the expense incurred by the Reinsurer will be chargeable against the Ceding Insurer as part of the expense of liquidation to the extent of the proportionate share of the benefit that may accrue to the Ceding Insurer solely as a result of the defense undertaken by the Reinsurer. Where two or more reinsurers are participating in the same claim and a majority in interest elects to interpose a defense or defenses to such claim, the expense will be apportioned in accordance with the terms of the reinsurance agreements as though such expense had been incurred by the Ceding Insurer.

- 16.2 **Definition of Insolvency.** A party to this Agreement will be deemed insolvent if:
- a. It applies for or consents to the appointment of a receiver, rehabilitator, examiner, conservator, liquidator or statutory successor or any analogous officer under the laws of any jurisdiction whatsoever; or
 - b. A court order has been issued voluntarily or involuntarily placing it into receivership, rehabilitation, conservatorship, examinership, or liquidation, or appointing a receiver, rehabilitator, examiner, conservator or liquidator, or any analogous officer under the laws of any jurisdiction whatsoever; or
 - c. It files or consents to the filing of a petition in bankruptcy, seeks reorganization or an arrangement with creditors or takes advantage of any bankruptcy, dissolution, liquidation or similar law or statute.

ARTICLE 17

NEGOTIATION

- 17.1 **Process.** Within fifteen (15) days after the Reinsurer or the Ceding Insurer has given the other party written notification of a specific dispute, each party will appoint a designated officer of its company to attempt to resolve the dispute. The officers will meet at a mutually agreeable location as soon as possible and as often as necessary in order to gather and furnish the other with all appropriate and relevant information concerning the dispute. The officers will discuss the problem and will negotiate in good faith without the necessity of formal arbitration proceedings. During the negotiation process, all reasonable requests made by one officer to the other for information will be honored. The specific format for such discussions will be decided by the designated officers.
- 17.2 **Decision.** If the officers cannot resolve the dispute within thirty (30) days of their first meeting, the dispute will be submitted to formal arbitration, unless the parties agree in writing to extend the negotiation period for an additional thirty (30) days.

ARTICLE 18

ARBITRATION

- 18.1 **Intention.** It is the intention of the Reinsurer and the Ceding Insurer that the customs and practices of the insurance and reinsurance industry will be given full effect in the operation and interpretation of this Agreement. The parties agree to act in all matters with the highest good faith. However, if the Reinsurer and the Ceding Insurer cannot mutually resolve a dispute that arises out of or relates to this Agreement, including, without limitation, the validity of this Agreement, and the dispute cannot be resolved through the negotiation process, the dispute will be decided through arbitration.
- 18.2 **Process.** To initiate arbitration, either the Ceding Insurer or the Reinsurer will notify the other party by certified mail of its desire to arbitrate, stating the nature of the dispute and the remedy sought. The party to which the notice is sent will respond to the notification in writing within ten (10) days of its receipt.
- 18.3 **Arbitrators.** There will be three arbitrators who will be current or former officers of life insurance or life reinsurance companies other than the parties to this Agreement, their affiliates or subsidiaries, or other professionals with experience in life insurance or reinsurance, provided that such professionals shall not have performed services for either party within the previous five (5) years. Each of the parties will appoint one of the arbitrators and these two will select the third. If either party refuses or neglects to appoint an arbitrator within sixty (60) days after the other party has given written notice to the other of its arbitrator appointment, the party that has given notice may appoint the second arbitrator. If the two arbitrators do not agree on a third arbitrator within thirty (30) days of the appointment of the second arbitrator, then the Ceding Insurer and the Reinsurer will each name three candidates to serve as the third arbitrator. Beginning with the party that did not initiate arbitration, each party will eliminate one candidate from the six until one remains. If this candidate declines to serve as the arbitrator, then the candidate last eliminated will be approached to serve. This process will be repeated until a candidate has agreed to serve as the third arbitrator. It is agreed that each of the three arbitrators should be impartial regarding the dispute.
- 18.4 **Arbitration Hearing.** The arbitration hearing will be held on the date set by the arbitrators at a mutually agreed upon by the Ceding Insurer and the Reinsurer. In no event will this date be later than 6 months after the appointment of the third arbitrator. As soon as possible, the arbitrators will establish arbitration procedures as warranted by the facts and issues of the particular case, consistent with the rules of ARIAS-US, or, if no such rules apply, the US Federal Arbitration Act. At least fifteen (15) days prior to the arbitration hearing, each party will provide the other party and the arbitrators with a detailed statement of the facts and arguments it will present at the arbitration hearing. The arbitrators will have the power to decide all substantive and procedural rules of the

arbitration including but not limited to inspection of documents, examination of witnesses and any other matter relating to the conduct of the arbitration.

18.5 **Decision.** The arbitrators will base their decision on the terms and conditions of this Agreement and the customs and practices of the insurance and reinsurance industries rather than on strict interpretation of the law. The decision of the arbitrators will be made by majority rule, submitted in writing, and will be final and binding on both parties. There will be no appeal from the decision. The parties agree that the Federal courts in the State of New York, or the state courts of such state have jurisdiction to hear any matter relating to compelling arbitration or enforcing the judgment of an arbitral panel, and the parties hereby consent to such jurisdiction. The parties hereby waive, to the fullest extent permitted by law, any objection it may now or hereafter have to the laying of such venue, or any claim that a proceeding has been brought in an inconvenient forum. **THE REINSURER AND THE CEDING INSURER HEREBY WAIVE ANY AND ALL RIGHTS TO TRIAL BY JURY IN ANY MATTER ARISING OUT OF OR RELATING TO THIS AGREEMENT.**

18.6 **Costs of Arbitration.** Unless the arbitrators decide otherwise, each party will bear the expense of its own arbitration activities, including its appointed arbitrator and any outside attorney and witness fees. The parties will jointly bear the expense of the third arbitrator.

ARTICLE 19

REPRESENTATIONS, WARRANTIES AND COVENANTS

19.1 Representations, Warranties and Covenants of the Ceding Insurer.

19.1.1 Organization, Standing and Authority of the Ceding Insurer. The Ceding Insurer is a life insurance company duly organized, validly existing and in good standing under the laws of the State of Delaware, and has all requisite corporate power and authority to carry on the operations of its business as they are now being conducted. The Ceding Insurer has obtained all authorizations and approvals required under Applicable Law to enter into and perform the obligations contemplated of the Ceding Insurer under this Agreement. For purposes of this Agreement, "Applicable Law" means any domestic or foreign, federal, state or local statute, law, ordinance or code, or any written rules, regulations or administrative interpretations issued by any Governmental Authority pursuant to any of the foregoing, in each case applicable to any party hereto, and any order, writ, injunction, directive, judgment or decree of a court of competent jurisdiction applicable to the parties hereto.

19.1.2 Authorization. The Ceding Insurer has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery by the Ceding Insurer of this Agreement, and the performance by the Ceding Insurer of its obligations under this Agreement, have been duly authorized by all necessary corporate action. This Agreement, when duly executed and delivered by the Ceding Insurer, subject to the due execution and delivery by the Reinsurer, will be a valid and binding obligation of the Ceding Insurer, enforceable against the Ceding Insurer in accordance with its terms.

19.1.3 No Conflict or Violation. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby in accordance with the respective terms and conditions hereof will not (a) violate any provision of the Certificate of Incorporation or Bylaws of the Ceding Insurer, (b) violate any order, judgment, injunction, award or decree of any court, arbitrator or Governmental Authority against, or binding upon, or any agreement with, or condition imposed by, any Governmental Authority, foreign or domestic, binding upon the Ceding Insurer, except when any such violation would not have a material adverse effect, or (c) violate or create a default under any loan, indenture, note, agreement or other instrument to which the Ceding Insurer is a party or by which it is bound.

19.1.4 Investigations. The Ceding Insurer will notify the Reinsurer immediately, in writing, of any and all investigations of the Ceding Insurer or its directors, principal officers or shareholders conducted by any Federal,

state or local Governmental Authority other than routine state insurance department examinations.

19.1.5 Documents True and Complete. All documents and financial statements (including all projections and assumptions) provided or made available to the Reinsurer prior to the Effective Time, reflecting the financial condition of the Ceding Insurer and its affiliated companies (x) are true and complete in all material respects, (y) other than with respect to projections and assumptions, fairly present in all material respects the financial condition of the Ceding Insurer and its affiliated companies as of the respective dates thereof, and (z) were prepared in all material respects in accordance with the accounting methodologies described therein.

19.1.6 Underwriting, Administration and Claims Practices. In the underwriting, administration and claims practices relating to the Defined Block Business, the Ceding Insurer shall act in good faith, in accordance with all insurance laws and regulations applicable to the Ceding Insurer in all material respects, and in accordance and consistent with its existing underwriting, administrative and claims practices in effect at the Effective Time (each, an "Existing Practice"), except that, to the extent the Ceding Insurer, on its sole initiative, modifies an Existing Practice from time to time following the Effective Time (an Existing Practice, as modified from time to time, a "Then Current Practice"), the Ceding Insurer shall act in accordance and consistent with the Then Current Practice; provided, that, if a Then Current Practice adversely affects in any manner whatsoever the rights, remedies and position of the Reinsurer with respect to the transactions contemplated hereby, the Ceding Insurer shall obtain the consent of the Reinsurer (which consent shall not be unreasonably delayed) prior to applying the Then Current Practice to the Defined Block Business. The Ceding Insurer shall apply the Existing Practices (or, if applicable, a Then Current Practice) to the Defined Block Business in accordance with standards that are at least equal in all material respects to the standards pursuant to which the Ceding Insurer applies the Existing Practices (or, if applicable, a Then Current Practice) to its other businesses. In accordance with Existing Practices, the Ceding Insurer shall use commercially reasonable efforts to enforce its rights and remedies under the Underlying Reinsurance Agreements in the event of a material breach thereunder caused by the failure of an Original Insurer to provide complete or accurate Factual Information to the Ceding Insurer.

19.1.7 Delivery of Reports. The Ceding Insurer shall prepare and deliver in good faith all reports required to be delivered by it pursuant to Schedule B no later than the last date on which the Ceding Insurer is permitted to deliver such reports as set forth on Schedule B.

19.1.8 Factual Information relating to the Defined Block Business.

- 19.1.8.1 To the best of the Ceding Insurer's knowledge, the information supplied to Milliman U.S.A. identified on Schedule H hereto (the "Factual Information") was complete and accurate in all material respects as of the date the document containing such Factual Information was provided to Milliman U.S.A. by the Ceding Insurer.
- 19.1.8.2 The Factual Information was compiled in a commercially reasonable manner.
- 19.1.8.3 To the best of Ceding Insurer's knowledge, there are no material omissions, errors, changes or discrepancies with respect to the Factual Information.

19.2 Representations, Warranties and Covenants of the Reinsurer.

- 19.2.1 Organization, Standing and Authority of the Reinsurer. The Reinsurer is a special purpose public limited company duly incorporated under the laws of the Republic of Ireland and has all requisite corporate power and authority to own, lease and operate its properties and assets and to carry on the operations of its business as they are now being conducted. The Reinsurer has filed all necessary notifications required under Applicable Law and, under Irish law, is entitled to enter into and perform the obligations contemplated of the Reinsurer under this Agreement. The Reinsurer shall, throughout the term of this Agreement, continue to remain entitled under Irish law to perform the obligations of the Reinsurer hereunder.
- 19.2.2 Authorization. The Reinsurer has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution and delivery by the Reinsurer of this Agreement, and the performance by the Reinsurer of its obligations under this Agreement, have been duly authorized by all necessary corporate action. This Agreement, when duly executed and delivered by the Reinsurer, subject to the due execution and delivery by the Ceding Insurer, will be a valid and binding obligation of the Reinsurer, enforceable against the Reinsurer in accordance with its terms.
- 19.2.3 No Conflict or Violation. The execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby will not (a) violate any provision of the Memorandum or Articles of Association, Bylaws or other charter or organizational document of the Reinsurer, or (b) violate any order, judgment, injunction, award or decree of any court, arbitrator or Governmental Authority against, or binding upon, or any agreement with, or condition imposed by, any Governmental Authority, foreign or domestic, binding upon the Reinsurer, except when any such violation would not have a material adverse effect.

19.2.4 Investigations. The Reinsurer will notify the Company immediately, in writing, of any and all investigations of the Reinsurer or its directors, principal officers or shareholders conducted by any Irish federal, state or local Governmental Authority other than routine state insurance department examinations.

19.2.5 Good and Marketable Title to Eligible Assets. The Reinsurer will have good and marketable title, free and clear of all liens, to all Eligible Assets immediately prior to the deposit thereof in the Reinsurance Trust Account.

19.3 **Indemnification**. The Ceding Insurer agrees to indemnify and hold harmless the Reinsurer and its directors, officers, employees, agents, representatives, successors, permitted assigns and affiliates from and against all losses, liabilities, claims, expenses (including reasonable attorneys' fees and expenses) and damages reasonably and actually incurred by the Reinsurer to the extent arising from any breach of the representations, warranties and covenants of the Ceding Insurer contained in this agreement. The Reinsurer agrees to indemnify and hold harmless the Ceding Insurer and its directors, officers, employees, agents, representatives, successors, permitted assigns and affiliates from and against all losses, liabilities, claims, expenses (including reasonable attorneys' fees and expenses) and damages reasonably and actually incurred by the Ceding Insurer to the extent arising from any breach of the representations, warranties and covenants of the Reinsurer contained in this agreement, except to the extent that such losses, liabilities, claims, expenses (including reasonable attorneys' fees and expenses) and damages are attributable to acts or omissions of a person who is a director, officer, employee, agent, representative, successor, or permitted assign of the Ceding Insurer or any of its affiliates.

ARTICLE 20

DURATION OF AGREEMENT

20.1 **Duration.** Subject to Sections 5.3 and 20.2 hereof, this Agreement is unlimited in duration. The liability of the Reinsurer under this Agreement shall terminate at such time as all Defined Block Business has been recaptured or the liability of the Ceding Insurer under all such reinsurance included in the Defined Block Business shall have terminated, and all amounts due to the parties hereunder have been settled.

20.2 **Special Termination.**

20.2.1 Restructuring. If:

- (a) the Reinsurer is determined to be engaged in the conduct of a trade or business in the United States for U.S. tax purposes (a "Tax Event"), or
- (b) the Financial Regulator increases the Solvency Margin to an amount in excess of 150% Company Action Level Risk Based Capital, as calculated pursuant to the RBC Formula (a "Regulatory Event"),

the Ceding Insurer and the Reinsurer (or their respective designees) shall promptly discuss in good faith the manner in which the transactions contemplated by this Agreement may be restructured so that the negative effect of either of the foregoing events may be avoided and the parties hereto may continue to enjoy the benefits of such transactions (a "Restructuring"). If the parties hereto, acting in good faith, are unable to agree upon a mutually acceptable Restructuring within sixty (60) days following the commencement of such discussions, then this Agreement shall terminate on the date that is sixty (60) days after the date on which the Reinsurer delivers written notice of termination to the Ceding Insurer unless, prior to such date of termination, the Reinsurer receives capital from the proceeds of securities that are subordinated to the Notes in an amount equal to (a) in the case of a Tax Event, the value of all current and future anticipated U.S. income taxes through the maturity date of the Notes, or (b) in the case of a Regulatory Event, the amount by which the Solvency Margin exceeds 150% Company Action Level Risk Based Capital, as calculated pursuant to the RBC Formula. On any such date of termination, the termination shall not be effective until the Reinsurer shall return the Economic Reserves, less the sum of (i) the Recapture Fee plus (ii) any other amounts due to the Reinsurer hereunder but unpaid; provided however, that, if the sum of the amounts calculated pursuant to clauses (i) and (ii) of this sentence exceeds the Economic Reserves as of

the effective date of termination, the amount of such excess shall be payable by the Ceding Insurer to the Reinsurer as of such date.

20.2.2 Failure to Pay Arbitration Award. If, pursuant to an arbitration proceeding conducted in accordance with Article 18 hereof:

- (a) a majority of the arbitrators in such proceeding renders a final written decision (the "Final Decision") determining that the Reinsurer is entitled to receive from the Ceding Insurer an amount equal to at least \$3,000,000 (after deducting the amount, if any, that such arbitrators determine that the Ceding Insurer is entitled to receive from Reinsurer) (the "Award"), and
- (b) the arbitrators determine that the Award was based on the Ceding Insurer's failure to pay when due (and following expiration of any applicable notice and cure period) amounts owed to the Reinsurer pursuant to Article 5, Section 6.4.2, the second sentence of Section 6.4.4, or Sections 6.4.5, 6.4.6, 7.1, 7.2, 7.4, the first sentence of Section 7.5, and Sections 9.7, 9.8, 11.2 or 19.3 hereof, and
- (c) the Ceding Insurer shall have failed to remit to the Reinsurer an amount equal to the Award within thirty (30) calendar days following the date of the Final Decision (the "Award Due Date"),

the parties hereto agree that this Agreement shall terminate upon written notice of the Reinsurer to the Ceding Insurer, and the Reinsurer shall be relieved of all liability hereunder, effective as of the Award Due Date; provided, however, that the applicable party hereto shall nevertheless be entitled to receive the net amount payable in accordance with the applicable formula set forth in Section 10.5 (if the Award Due Date occurs prior to the end of the level term period) or Section 10.6 (if the Award Due Date occurs following the end of the level term period) as if the Ceding Insurer had recaptured 100% of the Defined Block Business reinsured as of the Award Due Date, plus or minus (as the case may be) the Award and any other amounts payable to the parties hereto as of the Award Due Date.

20.3 **Survival.** Notwithstanding the other provision of this Article, the terms and conditions of Articles 1, 11, 12, 13, 14, 17, 18 and 19.3 shall remain in full force and effect after the termination of this Agreement.

ARTICLE 21

EXECUTION

In witness whereof, the parties to this Agreement have executed this Agreement in duplicate.

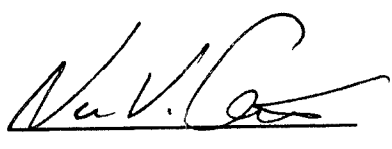
Treaty Number _____

Scottish Re (U.S.) Inc

By: 

Title: President and CEO

Date: December 21, 2005

Attest: 

Title: SVP, Chief Legal Counsel

Date: December 21, 2005

Orkney Re II plc

By: _____

Title: _____

Date: _____

Attest: _____

Title: _____

Date: _____

ARTICLE 21

EXECUTION

In witness whereof, the parties to this Agreement have executed this Agreement in duplicate

Treaty Number _____

Scottish Re (U.S.), Inc.

By: _____

Attest: _____

Title: _____

Title: _____

Date: _____

Date: _____

Orkney Re II plc

By: 

Attest: 

Title: DIRECTOR

Title: Solicitor

Date: December 21, 2005

Date: December 21, 2005

SCHEDULE A

PLANS AND RETENTION LIMITS

1. BUSINESS REINSURED

Term life insurance with premium guarantees for five (5) to thirty (30) years written on lives of residents of the United States by domestic life insurance companies and ceded to Scottish Re (US) under the reinsurance agreements listed in the chart below. The Ceding Insurer has delivered to the Reinsurer as of the Effective Time an electronic file containing policy information relating to the policies included in the Defined Block Business as of the Effective Time, subject to late reporting and other administrative adjustments made in the normal course of business.

Ceding Insurer	Description of Business	Treaty Number
Federal Kemper Life Assurance Co	Super-T 5/10/15/20 Yr	1002
Zurich Life Ins Co of America	Super-T 5/10/15/20 Yr	1004
First Penn-Pacific Life Ins Co (First Excess)	5GTO 10/15/20/25/30 Yr &	1005
First Penn-Pacific Life Ins Co (Second Excess)	Trailblazer 20	1014
Fidelity Life Association	Exec Term 10/15/20/30	1015
Lincoln Life & Annuity Co of NY (First Excess)	5GNY 10/15/20 & 5SNY 5/15/20 Yr	1019
Lincoln Life & Annuity Co of NY (Second Excess)	5GNY 10/15/20 & 5SNY 5/15/20 Yr	1020
John Hancock Life Ins Co	Signature Term 10/15/20/25/30 &	1021
Fidelity & Guaranty Life Ins Co	Saver Select Term	1023
Zurich Life Ins Co of NY	New York Super-T & Certain-T	1028
Union Central Life Ins Co	10/15/20 Yr Term	1037
John Hancock Variable Life Ins Co	Signature Term 10/15/20/25/30 &	1044
Lincoln National Life Ins Co (First Excess)	7LGTO 10/15/20/25/30 Yr	1045
Lincoln National Life Ins Co (Second Excess)	7LGTO 10/15/20/25/30 Yr	1046
American Fidelity Life Ins Co	10/15/20/25 & 30 Yr Term	1052
Phoenix Life Ins Co	PES-20	1068
Phoenix Life Ins Co	PTC-20	1070
PHL Variable Ins Co	PTC-20	1071
Transamerica Occidental Life Ins Co	2002 Trendsetter 15 Yr Term	1074
Berkshire Life Insurance Company of America	5/10/15/20/25/30 Year Term	1077
Manufacturers Life Ins Co of NY	Term 2002	1079
Kansas City Life Ins Co	10/20 Year Level Term	1080
Sunset Life Ins Co of America	10/20 Year Level Term	1082
Transamerica Occidental Life Ins Co	2002 Trendsetter 20 Yr Term	1083
Presidential Life Ins Co	10/15/20 Yr Term	1084
Pacific Life Ins Co (Cincinnati Life)	10/15/20/25/30 Yr Term	1086
Pacific Life Ins Co (General American)	GLT 10/20	1091
Pacific Life Ins Co (CNA)	15/20/30 Yr Term	1097
Great American Life Ins Co	10/15/20/30 Yr Term	1107
Empire General Life Ins Corp	10/15/20 Yr Term	1109
Manufacturers Life Ins Co (U.S.A.)	Term 2003	1112
Pacific Life Ins Co	Term Portfolio	1113
American Fidelity Life Ins Co	Ameriterm 20/30 Year	1114
Phoenix Life Ins Co	PPT-10	1117
PHL Variable Ins Co	PPT-10	1118
Phoenix Life Ins Co	PVT-20	1124

Ceding Insurer	Description of Business	Treaty Number
PHL Variable Ins Co	PVT-20	1125
Phoenix Life Ins Co	PPT-30	1126
PHL Variable Ins Co	PPT-30	1127
North American Co for Life and Health Ins	Impact Series	1133
North American Co for Life and Health Ins of NY	Impact Series	1134
Midland National [fka Clarica Life Ins Co (NACOLAH)]	Impact Series	1143
Pacific Life & Annuity Co	Term Portfolio	1144
Fidelity & Guaranty Life Ins Co	Value Select Term	1149
Americom Life & Annuity Ins Co	Patriot Select Term	1150
Midland National Life Ins Co	Exec & Premier Term 10/15/20/30	1166
United of Omaha Life Ins Co	Level Term 10/15/20	1172
Companion Life Ins Co	Level Term 10/15/20	1174
Pacific Life Ins Co (Travlers Lf & Ann) (Admin # in #1093)	5,6,7..10,11..15,16..20 & 30 Yr Term	1176
MONY Life Ins Co	10/15 Year Term	1201
Americo Financial Life and Annuity Ins Co	Secure Term 1/10/15/20	1207
Great Southern Life Ins Co	Secure Term 1/10/15/20	1208
MONY Life of America	Term 10/15	1215
John Hancock Life Ins Co	Sig Term & Marktplc Term 10/15/20/25/30	1229
John Hancock Variable Life Ins Co	admin # for JHLIC Treaty #1229	1230
Ameritas Life Ins Corp	10/20 Yr LL Term	1231
North American Co for Life and Health Ins	Impact Plus 10/15/20/30	1249

2. RETENTION

0% of the Defined Block Business.

3. REINSURER'S QUOTA SHARE

100%

SCHEDULE B

SELF-ADMINISTERED REPORTING

Premium Accounting and Payment.

On December 21, 2005, the Reinsurer shall be entitled to receive an amount equal to US\$22,300,000.

Periodic reinsurance premiums are payable quarterly in arrears. For each calendar quarter, the Ceding Insurer will calculate the amount of reinsurance premium due and death benefit claims payable. Within forty-five (45) days after the end of each calendar quarter, the Ceding Insurer will send the Reinsurer a statement (the "Quarterly Reinsurance Report") that contains the information shown in this Schedule B, including net reinsurance premiums or net death benefits due for that period, and Expense Allowances. In addition, the Quarterly Reinsurance Report will show changes in the Ceding Insurer's Statutory Reserve for the calendar quarter.

If net reinsurance premiums are due the Reinsurer, the Ceding Insurer will remit that amount, together with the Quarterly Reinsurance Report, no later than the forty-fifth (45th) day after the end of each quarter. Subject to Section 9.3 of this Agreement, the remit date for net death benefits, if any, due from the Reinsurer to the Ceding Insurer is the 30th day after the Reinsurer's receipt of the Quarterly Reinsurance Report.

A. Contents of Quarterly Reinsurance Report. The Ceding Insurer shall include the following detail in the Quarterly Reinsurance Report:

Report	Frequency	Due Date
Premium Accounting Statement	Quarterly	45 days after end of quarter
Policy Exhibit	Quarterly	45 days after end of quarter
Inforce Report	Quarterly	45 days after end of quarter
Quarterly Valuation Report	Quarterly	45 days after end of quarter
Change in Statutory Reserve	Quarterly	45 days after end of quarter

B. Other Quarterly Reports. The Ceding Insurer shall provide or make available (as specified below) to the Reinsurer, in addition to the Quarterly Reinsurance Report, the following information on a quarterly basis:

Report	Frequency	Due Date
<p>List or electronic file of risks reinsured by Underlying Reinsurance Agreement (such seriatim data available 1 quarter in arrears), including at a minimum: (i) Policy identifier; (ii) Name of insured; (iii) Sex; (iv) Date of birth; (v) Attained age; (vi) Policy date; (vii) Cedant's plan code (including details of term of plan); (viii) Current premium; and (ix) Current face amount at risk; <u>provided, however</u>, that the Reinsurer shall not make available or furnish the foregoing information to any person or entity other than (i) the trustee under the Indenture, dated as of December 21, 2005, among the Reinsurer, as issuer, The Bank of New York, as trustee, and the Bond Insurer, and (ii) pursuant to an on-site inspection, subject to the confidentiality requirements set forth below.</p>	Quarterly	60 days after end of quarter
<p>Reporting of premiums received or receivable and Expense Allowances paid or due under each Underlying Reinsurance Agreement, and interest received (if applicable)</p>	Quarterly	60 days after end of quarter
<p>Calculation of Economic Reserves in accordance with Assumptions</p>	Quarterly	60 days after end of quarter
<p>Calculation of Statutory Reserves pursuant to Delaware</p>	Quarterly	60 days after end of quarter

and Irish SAP		
Covered Liabilities showing count and volume by Underlying Reinsurance Agreement, number of policies and face amount in force, and a reconciliation of changes from the previous quarter	Quarterly	60 days after end of quarter
List of companies within the pool the Ceding Insurer has audited over the previous quarter, and type of audit	Quarterly	60 days after end of quarter
Reporting of any recapture payments under Underlying Reinsurance Agreements	Quarterly	60 days after end of quarter
Quarterly statutory financial statements of the Ceding Insurer	Quarterly	Within 10 business days of filing with the Ceding Insurer's state of domicile.

C. Monthly Reports. The Ceding Insurer shall provide or make available (as specified below) to the Reinsurer the following information within twenty (20) calendar days of the end of each calendar month, or within such other time period as set forth below:

1. Available for on-site review, subject to the confidentiality requirements set forth below: the results of any finalized reinsurance audit by or on behalf of the Ceding Insurer on any cedant under an Underlying Reinsurance Agreement pertaining to the Defined Block Business.
2. Provide written notice of the receipt of an audit on the Ceding Insurer prepared by the Ceding Insurer's reinsurers. Available for on-site review, subject to the confidentiality requirements set forth below: the results of any audit reports on the Ceding Insurer prepared by the Ceding Insurer's reinsurers that have been provided to the Ceding Insurer.
3. Provide details by cedant of each of the following:
 - (a) A list of cedants in material premium arrears, including ageing if more than 90 days past due.
 - (b) Underlying Reinsurance Agreements recaptured by cedants from the Ceding Insurer

4. Provide written notice of cedants that are known to be insolvent or in non-compliance with statutory regulations.
5. Provide written notice of any material changes in administration arrangements with regard to the Defined Block Business.
6. Promptly upon preparation thereof, provide all other monthly accounting and other claims reports, if any, prepared in the ordinary course (or otherwise) relating to the Defined Block Business reinsured hereunder.
7. Promptly upon production or receipt thereof by the Ceding Insurer, provide all reports produced or received by the Ceding Insurer or its affiliates relating to the Defined Block Business.

D. Annual Report. the Ceding Insurer shall provide a copy of its statutory annual financial statement to the Reinsurer within ten (10) Business Days of the filing thereof with the Ceding Insurer's domiciliary insurance regulator.

E. Confidentiality.

1. The term "Confidential Information" refers, subject to paragraph 2 below, to the reports listed on this Schedule B and on Schedule C hereof; provided however, that notwithstanding the foregoing, "Confidential Information" does not include such items to the extent such information and reports (i) are properly in the possession of the recipient at the time of disclosure without any obligation of confidence attaching thereto, (ii) are or become available to the public without breach of this Agreement; (iii) are disclosed to the recipient by another source without breach of any agreement with the disclosing party; or (iv) are independently developed by the recipient without use of the Confidential Information.

2. The Confidential Information shall be used solely for purposes contemplated under this Agreement and shall not be disclosed to or used in connection with any third party without the prior written consent of the disclosing party, except to a recipient's own employees, agents, affiliates and advisors including, without limitation, attorneys, accountants, actuaries, consultants and the Bond Insurer; provided however that such employees, agents, affiliates and advisors shall be made aware of the requirements of this provision. Notwithstanding anything contained in this Agreement to the contrary, the Confidential Information may be disclosed (i) if required by any court of competent jurisdiction or in pursuance of any procedure for discovery of documents in any proceeding before such court, (ii) pursuant to any requests or requirements of any banking, insurance or other regulatory or examining authority or if required under any applicable law, regulation, circular letter, bulletin, directive or similar requirement, (iii) to any rating agency that assigns a rating to a recipient, or (iv) with the Ceding Insurer's consent, which shall not be unreasonably withheld.

3. The Reinsurer agrees that it shall protect the Confidential Information with at least as protective of a standard as it protects its own information. The Reinsurer

further agrees that it shall notify the Ceding Insurer of any known unauthorized use of the Confidential Information.

4. Notwithstanding anything in this Agreement to the contrary, the sole remedy of the parties for breach of this Section will be specific performance. The Reinsurer acknowledges that money damages would not be a sufficient remedy for any breach of this Agreement and that the Ceding Insurer shall be entitled (without posting a bond) to injunctive relief as a remedy for any breach or threatened breach and that the Reinsurer shall not oppose the granting of such equitable relief.

SCHEDULE C

CLAIMS REPORTING FORMAT

Reporting of Claims reported or paid under each Underlying Reinsurance Agreement, by number and amount, with breakout for death benefits, and return of premium (if applicable)	Quarterly	60 days after end of quarter
Pending Claims (and paid Claims if available monthly, otherwise quarterly) under each Underlying Reinsurance Agreement, by number and amount, with breakout for death benefits (and return of premium, if available).	Monthly or Quarterly (as applicable)	20 days after end of month or 60 days after end of quarter (as applicable):
Reporting of any pending Catastrophic Loss (or paid if applicable)	Monthly	20 days after end of month

SCHEDULE D

CATASTROPHIC LOSS

"Catastrophic Loss" means any liability or obligation of the Ceding Insurer arising out of the Defined Block Business that is a direct consequence of one catastrophe; provided that the duration and extent of any "Catastrophic Loss" will be limited to:

- (i) a loss occurrence resulting in the death from accident or injury from accident of an insured person.
- (ii) 72 consecutive hours and within a 100 mile radius for any "loss occurrence" hereunder, and no individual loss, which occurs outside such period will be included in that "loss event."

The Ceding Insurer may choose the date and time when such period of consecutive hours commences and also the specific 100 mile radius determining a "loss occurrence." If any event is of greater duration than the above period, the Ceding Insurer may divide that event into two or more "loss occurrences," provided no two periods overlap and provided further that no period commences earlier than the date and time of the first recorded individual loss to the Ceding Insurer in the event.

The term "death from accident" as used herein will be understood to mean any death resulting from accidental drowning, asphyxiation or poisoning or bodily injuries sustained solely through external violent and accidental means directly and independently of all other causes within twelve months from the date of the accident causing such injury, or such other definition of accidental death incorporated in the policy wording of the policies issued by the Original Insurers in respect of the Defined Block Business.

The term "injury from accident" as used herein will be understood to mean bodily injury sustained solely through external violent and accidental means directly and independently of all other causes, or such other definition of injury or disability incorporated in the appropriate provisions of the policy wording of the policies issued by the Original Insurers in respect of the Defined Block Business.

SCHEDULE 5.1.1

Assumptions as to Mortality, Persistency, Administrative Expenses, Discount Rate used
to Calculate Present Value, and Interest Rates

[Attached hereto]

SCHEDULE E
STATUTORY RESERVE METHODOLOGY

[Attached hereto]

SCHEDULE F

REQUIRED BALANCE CALCULATION WORKSHEET

The RBC Formula is calculated as follows (Use end of calendar values):

a.	Economic Reserves Account Value	
b.	Excess Reserves Account Value	
c.	Additional Funding Account Value	
d.	Surplus Account Value	
e.	Factor applied to Surplus Account	0.70
f.	A or better rated Assets (a + b + c + (d multiplied by e))	
g.	B rated Assets (d multiplied by (One minus e)	
h.	Average Size of Bond Investment	2.5
i.	Number of Assets in portfolio (f + g) divided by h	
j.	First asset tranche	50,000,000
k.	Second asset tranche	100,000,000
l.	Third asset tranche	400,000,000
m.	Factor for first asset tranche	2.5
n.	Factor for second asset tranche	1.3
o.	Factor for third asset tranche	1.0
p.	Factor for final asset tranche	0.9
q.	First asset tranche value (Maximum (0, Minimum (i, j)) multiplied by m	
r.	Second asset tranche value (Maximum (0, Minimum (i - j, k - j)) multiplied by n	
s.	Third asset tranche value (Maximum (0, Minimum (i - k, l - k)) multiplied by o	
t.	Final asset tranche value (Maximum (0, i - l) multiplied by p	
u.	Size factor (q + r + s + t) divided by i	
v.	Factor applied to A or better rated securities	0.00295
w.	Factor applied to BBB rated securities	0.0095875
x.	C1 Factor ((v multiplied by f) + (w multiplied by g) multiplied by u	
y.	Net Amount at Risk	
z.	First Risk tranche	500,000,000
aa.	Second Risk tranche	5,000,000,000
ab.	Third Risk tranche	25,000,000,000
ac.	Factor for first risk tranche	0.001495
ad.	Factor for second risk tranche	0.000975
ae.	Factor for third risk tranche	0.00078
af.	Factor for fourth risk tranche	0.000585
ag.	First risk tranche value (Maximum (0, Minimum (y, z) multiplied by ac	

ah.	Second risk tranche value (Maximum (0, Minimum (y - z, aa - z) multiplied by ad	
ai.	Third risk tranche value (Maximum (0, Minimum (y - aa, ab - aa) multiplied by ae	
aj.	Fourth risk tranche value (Maximum (0, y - ab) multiplied by af	
ak.	C2 Factor (ag + ah + ai + aj)	
al.	Statutory Reserves	
am.	Statutory Reserve Factor	0.00501
an.	C3 Factor (al multiplied by am)	
ao.	RBC (square root of (((x + an) squared) + (ak squared))	

The Required Balance is calculated as follows:

A.	Quota Share of Statutory Reserves	
B.	Fair Market Value of Total Assets	
C.	Risk Based Capital (from ao above)	
D.	Factor applied to RBC	1.25
E.	Solvency Margin	
F.	Calculation for Test 2 Maximum (0, (B - Maximum (C multiplied by D, E)))	
G.	Economic Reserves	
H.	Original Series A Notes	
I.	Required Balance (Minimum of A, F, G - H)	

SCHEDULE G

FORM OF NOTICE OF RECAPTURE FEE CALCULATION

[Letterhead of Orkney Re II plc]

Scottish Re (U.S.), Inc.
 13840 Ballantyne Corporate Place
 Suite 500
 Charlotte, North Carolina 28277
 Attention: General Counsel

[Date]

Pursuant to Section 10.9.3 of the Reinsurance Agreement between Orkney Re II plc (the "Company") and Scottish Re (U.S.), Inc. ("Scottish Re") dated as of December 21, 2005 (the "Reinsurance Agreement"), provided below is the detailed calculation of the amount of the Recapture Fee (as defined in the Reinsurance Agreement) to be paid in connection with the currently contemplated recapture and/or termination of all or a portion of the Defined Block Business (as defined in the Reinsurance Agreement).

The Recapture Fee is equal to the sum of certain additional amounts payable by the Company to (i) to the holders of the notes issued by the Company pursuant to the Indenture among the Company, the Bond Insurer and The Bank of New York, as Trustee and Securities Intermediary, dated as of December 21, 2005 (the "Indenture") and (ii) the Bond Insurer (as defined in the Reinsurance Agreement) pursuant to the makewhole provision of the Fee Letter (as defined in the Reinsurance Agreement), in each case in connection with the currently contemplated recapture and/or termination. The calculation of the Recapture Fee is as follows:

Calculation of premium payable to holders of notes pursuant to the Indenture (all capitalized terms below not otherwise defined have the meanings assigned to them in the Indenture, and all section references are references to the Indenture):		
1. Funds available for distribution on the applicable Scheduled Payment Date:		
(a) Balance of Surplus Account as of Assessment Date relating to the applicable Scheduled Payment Date (including any funds released from reserves into the Surplus Account on or before the applicable Scheduled Payment Date, resulting from the contemplated recapture and/or termination, or otherwise).....	\$	

(b) Surplus Account Minimum Balance (or zero if recapture or termination relates to entire remaining Defined Block Business).....	\$	
(c) Funds available on the applicable Scheduled Payment Date [(a) minus (b)].....		\$
2. Maximum principal amount of Notes that are eligible to be redeemed.		
(d) (i) the Excess Reserve determined as of the calendar quarter end immediately prior to the calendar quarter end immediately preceding the applicable Scheduled Payment Date (or the date of issuance of the Notes, if later) minus (ii) the Excess Reserve determined as of the calendar quarter end immediately preceding the applicable Scheduled Payment Date, in each case giving effect to the contemplated recapture and/or termination.....	\$	
(e) (i) the Excess Reserve determined as of the calendar quarter end immediately prior to the calendar quarter end immediately preceding the applicable Scheduled Payment Date (or the date of issuance of the Notes, if later) minus (ii) the Excess Reserve determined as of the calendar quarter end immediately preceding the applicable Scheduled Payment Date, in each case without giving effect to the contemplated recapture and/or termination.....	\$	
(f) Reduction in required Excess Reserve of the Company as a result of the contemplated recapture and/or termination [(d) minus (e)]	\$	
(g) Principal amount of Series A Notes Outstanding.....	\$	
(h) Maximum principal amount of Series A Notes eligible to be redeemed [lesser of (f) and (g)].....		\$
(i) Amount available for redemption of Series B Notes [(f) minus (h)].....	\$	
(j) Principal amount of Series B Notes Outstanding.....	\$	
(k) Maximum principal amount of Series B Notes eligible to be redeemed [lesser of (i) and (j)].....		\$
3. Application of waterfall provision to available funds. Calculation should be stopped when calculation of funds available drops to zero or below.		
(l) Funds available on the applicable Scheduled Payment Date [from (c) above].....	\$	
(m) Amount to be paid by the Company pursuant to Sections 4.04(1)(a) – (l) on the applicable Scheduled Payment Date.....	\$	

(n) Amount available for Series A redemptions (including applicable premium) pursuant to Section 4.04(1)(m) [(l) minus (m)].....	\$	
(o) Applicable Redemption Price for Series A Notes from Exhibit E to the Indenture.....	%	
(p) Maximum potential principal amount of Series A Notes that could be redeemed [(n) divided by (o)].....	\$	
(q) Principal amount of Series A Notes to be redeemed pursuant to Section 4.04(1)(m) [lesser (h) and (p)].....	\$	
(r) Premium to be paid in connection with redemption of Series A Notes [(o) minus 1.00) multiplied by (q)].....		\$
(s) Amount available for Accelerated Principal Repayments on Series A Notes [(n) minus (q) minus (r)].....	\$	
(t) Accelerated Principal Repayments to holders of Series A Notes pursuant to Section 4.04(1)(n) [if prior to [], 2014, 0; otherwise, lesser of (s) and ((g) minus (q))].	\$	
(u) Amount available for Series B redemptions (including applicable premium) pursuant to Section 4.04(1)(p) [(s) minus (t)].....	\$	
(v) Applicable Redemption Price for Series B Notes from Exhibit E to the Indenture.....	%	
(w) Maximum potential principal amount of Series B Notes that could be redeemed [(u) divided by (v)].....	\$	
(x) Principal amount of Series B Notes to be redeemed pursuant to Section 4.04(1)(p) [lesser (k) and (w)].....	\$	
(y) Premium to be paid in connection with redemption of Series B Notes [(v) minus 1.00) multiplied by (x)].....		\$
(z) Total premium to be paid in connection with redemption of Series A Notes and Series B Notes [(r) plus (y)].....		\$
Calculation of makewhole payment due to the Bond Insurer pursuant to the Fee Letter (all capitalized terms below not otherwise defined have the meanings assigned to them in the Fee Letter):		
(aa) Aggregate Financial Guarantee Fee payments made to Bond Insurer as the applicable Scheduled Payment Date, including payments scheduled to be paid thereon.....	\$	

	(bb) Unpaid minimum Financial Guarantee Fee [\$[minimum fee] minus (aa), but not less than zero].....		\$
Total Recapture Fee [(z) plus (bb)]			\$

ORKNEY RE II PLC

By: _____
 Name:
 Title:

]

SCHEDULE H

FACTUAL INFORMATION PROVIDED TO MILLIMAN U.S.A.

- Inventories of term insurance policies in force as of December 31, 2004 including computer files and other listings of these records. For three treaties, the Company provided in force files as of September 30, 2004 and new business model cells for business written in the fourth quarter of 2004.
- Volume of business in force as of June 30, 2005 used to develop gross-up factors to apply to in force files. For three treaties, the Company provided the volume of business as of March 31, 2005 and for two other treaties, the Company provided the volume of business as of December 31, 2004.
- Listing of Scottish treaties that will be retroceded to Orkney II
- Actual values for the defined block of in force business including policy counts, face amounts, and statutory reserves
- Product characteristics including schedules of current and guaranteed premium rates on a direct basis
- Expense allowances for the in force business that Scottish pays to the direct writers
- Average pro-rata policy fees by series and treaty on business ceded to Orkney II
- Pricing mortality assumptions
- Memorandum "Development of Scottish Re 2000 Pricing Mortality", Cliff Wagner, Feb 2, 2001
- Pricing lapse assumptions
- Specification related to the sensitivity tests required for the business as provided by Scottish
- "Traditional Solutions Pricing Process" by Lonny Meewes and Mary Fernald, September 9, 2003
- Untitled Report - Comparison of Scottish Life Re Mortality to SOA Study
- Scottish Re Mortality Study Calendar Years 2000-2004, dated July 25, 2005
- Specified methodologies and assumptions for statutory reserves of Orkney II including X factors
- Scottish Re Lapse Study Calendar Years 2000- 2004, dated September 22, 2005
- Reserve methodology and assumptions for purposes of calculating reserves to be used as the basis for estimating Irish taxable income for Orkney II

AMENDMENT NO. 1 TO INDEMNITY REINSURANCE AGREEMENT

THIS AMENDMENT NO. 1 (this "Amendment") to the Indemnity Reinsurance Agreement (the "Agreement"), effective as of December 1, 2005, by and between Scottish Re (U.S.), Inc. of Charlotte, North Carolina (the "Ceding Insurer") and Orkney Re II plc of Dublin, Ireland (the "Reinsurer"), is made and entered into as of May 9, 2008 by and between the Ceding Insurer and the Reinsurer.

WHEREAS, pursuant to Section 11.5 of the Agreement, the Ceding Insurer and the Reinsurer may mutually agree to amend the Agreement;

WHEREAS, the Ceding Insurer and the Reinsurer desire to amend the Agreement in the manner set forth in this Amendment; and

WHEREAS, the Ceding Insurer and the Reinsurer intend that this Amendment shall be of no force or effect unless and until the Delaware Insurance Commissioner shall have approved or not disapproved this Amendment.

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, the Ceding Insurer and the Reinsurer hereby agree as follows:

ARTICLE I DEFINITIONS AND USAGE

- 1.01 Definitions.** Capitalized terms used but not defined herein shall have the meaning set forth in the Agreement.
- 1.02 Headings.** The headings contained in this Amendment are for reference purposes only and shall not affect the meaning or interpretation of this Amendment.

ARTICLE II AMENDMENT

- 2.01 Terminations of and Recaptures under Underlying Reinsurance Agreements.**

Section 7.2 of the Agreement is hereby amended and restated in its entirety to read as follows:

- 7.2 Terminations of and Recaptures under Underlying Reinsurance Agreements.** If an Underlying Reinsurance Agreement is terminated or recaptured, the Ceding Insurer shall, upon no less than 30 days prior written notice to the Reinsurer, terminate or recapture (as the case may be) the liabilities ceded to the Reinsurer hereunder that are attributable to such Underlying Reinsurance Agreement, in which event the Reinsurer shall refund to the Ceding Insurer (subject to Section 11.3) the sum of (i) Economic Reserves attributable thereto less (ii) any recapture charge collected from an Original Insurer and less (iii) an amount equal to the Recapture Fee; provided however, that, if the sum of clauses (ii) and (iii)

exceeds the amount of Economic Reserves to be refunded, the Ceding Insurer shall pay to the Reinsurer the amount of such excess.

2.02 Recapture. Article 10 of the Agreement is hereby amended and restated in its entirety to read as follows:

ARTICLE 10

RECAPTURE

10.1 Recapture. The Ceding Insurer may in its sole discretion, in accordance with this Article 10, recapture all or a pro rata portion of all, liabilities under the Defined Block Business arising under policies that are included in the Defined Block Business by providing to the Reinsurer written notice thereof, indicating the effective time of recapture (the "Recapture Notice").

10.2 Notice of Recapture. The Ceding Insurer shall provide to the Reinsurer notice of recapture as set forth below:

- a. other than in the case of a recapture effected pursuant to clause (b) below, the Ceding Insurer will give the Reinsurer the Recapture Notice, no less than sixty (60) days in advance of the effective time of recapture, of its intention to recapture business reinsured under this Agreement;
- b. the Ceding Insurer will give the Reinsurer the Recapture Notice, no less than thirty (30) days in advance of the effective time of recapture, of its intention to recapture business reinsured hereunder in the following circumstances; (i) the Reinsurer becomes subject to an order of conservation, supervision, court appointed examination, rehabilitation or liquidation; (ii) the Reinsurer fails to take steps sufficient to assure the Ceding Insurer of financial statement credit within thirty (30) calendar days of Reinsurer's receipt of notice from the Ceding Insurer that the Ceding Insurer has been advised that a U.S. or non-U.S. federal, state or other governmental insurance regulatory authority, or insurance regulatory commission, self-regulatory organization or board or body (a "Governmental Authority") having jurisdiction over the Ceding Insurer will deny or has denied the Ceding Insurer statutory financial statement credit for the reinsurance ceded hereunder on any financial statement filed by the Ceding Insurer with such Governmental Authority; or (iii) the Reinsurer is in material breach of any other representation, warranty or covenant under this Agreement; and

- c. the Recapture Notice shall (i) indicate the portion of the Defined Block Business to be recaptured hereunder; (ii) set forth the applicable calculation required by Section 10.5; and (iii) include a statement that, immediately following the recapture, the assets remaining in the Economic Reserve sub-account of the Reinsurance Trust Agreement will satisfy the requirements of Section 10.7 hereof.

10.3 Recapture Liability. Except in the case of a recapture pursuant to Section 7.2 hereof, a recapture pursuant to this Article 10 shall apply to all, or a pro rata portion of all, policies included in the Defined Block Business reinsured hereunder.

10.4 Reserved.

10.5 Payment on Recapture. In the event of a recapture pursuant to this Article 10 (other than in the case of (a) a Pro Rata Recapture (as defined in Section 10.8 hereof) and (b) a recapture effected pursuant to or in accordance with Section 7.2 hereof), the Reinsurer shall pay the Ceding Insurer, and the Ceding Insurer shall only be entitled to receive (i) eighty percent (80%) of the Economic Reserves attributable to the Defined Block of Business to be recaptured (except that if, after giving effect to the recapture, the Security Balance would exceed 102% of the Required Balance, then, solely with respect to the portion of the Defined Block Business to be recaptured that would cause such excess to occur (such portion of the Defined Block Business to be so recaptured being the "Excess Recapture Portion"), the Ceding Insurer shall be entitled to receive an amount equal to (A) the Economic Reserves attributable to the Excess Recapture Portion minus (B) if the recapture occurs before the end of the level term period, the Present Value of Embedded Economic Profits attributable to the Excess Recapture Portion or, if the recapture occurs after the end of the level term period, the Embedded Economic Profits attributable to the Excess Recapture Portion)), *minus* (ii) the Recapture Fee; provided, however, that, if the Recapture Fee exceeds the amount calculated pursuant to clause (i) of this sentence, the Ceding Insurer shall pay to the Reinsurer the amount of such excess. The selection of the assets to be transferred to the Ceding Insurer pursuant to this paragraph shall be subject to the requirement that, after giving effect to such transfer, the Reinsurer shall be in compliance with Section 10.7.

10.5.1 "Security Balance" means the aggregate fair market value of the Eligible Assets in the Reinsurance Trust Account, plus (b) the fair market value of the assets withdrawn by the Ceding Insurer during the applicable quarter pursuant to Section 6.4.3 of this Agreement and not applied in accordance with Sections 6.4.3.1 or Section 6.4.3.2 of this Agreement (such fair market value, with respect to this clause (b), to be calculated as of the end of such calendar quarter).

- 10.5.2 "Present Value of Embedded Economic Profits" means an amount equal to the Embedded Expected Profits (as defined below) immediately following the end of the level term period, discounted to the effective time of recapture for mortality, lapses, shock lapse and interest as defined in the Assumptions.
- 10.5.3 "Embedded Expected Profits" means the present value of future gross premiums less the present value of the sum of (a) future death benefits, and (b) future Expense Allowances, all in accordance with the Assumptions.

10.6. Reserved.

10.7 Compliance with Eligible Asset Guidelines following Recapture Payment.

The assets of the Reinsurer held in the Economic Reserve sub-account of the Reinsurance Trust Account (the "Economic Reserve Sub-Account Assets") immediately following a recapture payment by the Reinsurer pursuant to Section 7.2 hereof and this Article 10 (such assets, the "Remaining Assets") shall meet the following requirements: (i) the weighted average rating factor, calculated in accordance with the Investment Guidelines ("WARF"), of the Remaining Assets (a) shall be no less than the WARF of the Economic Reserve Sub-Account Assets immediately prior to the recapture payment and (b) shall comply with the WARF guidelines set forth in the Investment Guidelines; and (ii) the average duration to maturity of the Remaining Assets (a) shall be no greater than the average duration to maturity of the Economic Reserve Sub-Account Assets immediately prior to the recapture payment and (b) shall comply with the duration guidelines set forth in the Investment Guidelines.

10.8 Pro Rata Recapture. In the event of a Pro Rata Recapture, the Reinsurer shall pay the Ceding Insurer, and the Ceding Insurer shall only be entitled to receive, an amount equal to the Economic Reserves with respect to Defined Block Business recaptured hereunder, calculated as of the effective time of recapture set forth in the Recapture Notice. Notwithstanding anything to the contrary set forth in Section 10.5 hereof, the Reinsurer acknowledges and agrees that a Pro Rata Recapture shall not be subject to a Recapture Fee. For purposes of this Agreement, a "Pro Rata Recapture" means a recapture of a pro rata portion of the Defined Block Business in an amount sufficient to cause the Reinsurer's Quota Share of the Statutory Reserves to be less than or equal to the sum of Economic Reserves plus \$425,000,000.

10.9 Recapture Fee.

10.9.1 The Ceding Insurer acknowledges that, if:

(a) the Reinsurer elects to terminate all or the applicable portion of this Agreement in accordance with Sections 5.3.2 or 5.3.4 hereof,

(b) the Ceding Insurer recaptures or terminates all or the applicable portion of the Defined Block Business pursuant to or in accordance with Section 7.2 hereof,

(c) the Ceding Insurer elects to recapture all or the applicable portion of the Defined Block Business in accordance with Section 10.5 hereof (other than in the case of a Pro Rata Recapture), or

(d) this Agreement is terminated in accordance with Section 20.2 hereof,

the Reinsurer may be required to pay (i) to the holders of the Notes (if (a), (b), (c) or (d) above occurs prior to February 11, 2018) a redemption premium in respect of the Notes required to be redeemed as a result of such a termination or recapture and (ii) to the Bond Insurer a fee pursuant to the makewhole provision of the fee letter set forth at Exhibit B to the Deed (clauses (i) and (ii) together, the "Redemption Expenses").

10.9.2 For purposes of this Agreement, the "Recapture Fee" means, and shall be calculated as, the actual amount of Redemption Expenses payable by the Reinsurer as a result of the related recapture or termination of this Agreement.

10.9.3 If a Recapture Fee is payable hereunder, the Reinsurer shall deliver to the Ceding Insurer a Notice of Recapture Fee Calculation in the form set forth on Schedule G hereto. Such notice shall be delivered no later than the first Assessment Date (as defined below) that occurs following (i) the Termination Effective Time (in the case of a termination pursuant to Section 5.3.2 hereof), (ii) the effective date of termination as determined in accordance with Section 20.2 hereof or (iii) the date on which the

Ceding Insurer delivers its notice of recapture or termination (as the case may be) to the Reinsurer pursuant to Sections 7.2 and 10.2 hereof. For the purposes of the foregoing, "Assessment Date" means the date which is six (6) Business Days prior to the 11th day of each February, May, August and November. Unless the Ceding Insurer reasonably disputes the amount of the Recapture Fee set forth on the Notice of Recapture Fee Calculation, the amount set forth thereon shall be used to determine the net amount payable pursuant to the formulas set forth in Sections 5.3.2, 5.3.4, 7.2, 10.5 and 20.2 hereof. For the purposes of this Section 10.9.3, "Business Day" means a day which is not a Saturday, a Sunday or any other day, including public holidays, on which banks in The City of New York, London, England or Dublin, Ireland are authorized or required by law or executive order to close.

- 2.03 **Failure to Pay Arbitration Award.** The ending paragraph of Section 20.2 is hereby amended and restated in its entirety to read as follows:

the parties hereto agree that this Agreement shall terminate upon written notice of the Reinsurer to the Ceding Insurer, and the Reinsurer shall be relieved of all liability hereunder, effective as of the Award Due Date; provided, however, that the applicable party hereto shall nevertheless be entitled to receive the net amount payable in accordance with the formula set forth in Section 10.5 as if the Ceding Insurer had recaptured 100% of the Defined Block Business reinsured as of the Award Due Date, plus or minus (as the case may be) the Award and any other amounts payable to the parties hereto as of the Award Due Date.

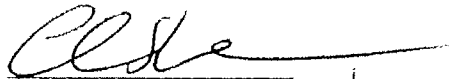
ARTICLE III EFFECTIVENESS; MISCELLANEOUS

- 3.01 **Effectiveness.** The Ceding Insurer and the Reinsurer hereby agree that this Amendment shall be of no force or effect unless and until the Delaware Insurance Commissioner shall have approved or not disapproved this Amendment, whereupon this Amendment shall immediately become effective without further action on the part of the parties hereto.
- 3.02. **Confirmation of the Agreement.** Except as amended by this Amendment, the Agreement remains in full force and effect, without modification or amendment.
- ° 3.02 **Governing Law.** This Amendment shall be governed by the laws of the State of New York, without giving effect to its conflict of laws principles.
- 3.03 **Counterparts.** This Amendment may be executed in one or more counterparts, and such counterparts together shall constitute one and the same agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the parties hereto, by their respective duly authorized officers, have executed this Amendment, in duplicate, as of the dates recorded below:

Scottish Re (U.S.), Inc.

By: 
Name: Chris Shanahan
Title: President + COO
Date: May 9, 2008

Orkney Re II plc

By: _____
Name:
Title:
Date:

ACCEPTED AND AGREED in accordance with (i) Sections 2.2.2(xxviii) and 2.2.3(ii) of the Guarantee and Reimbursement Deed, dated as of December 21, 2005, by and among Assured Guaranty (UK) Ltd. ("Assured") and the Reinsurer and (ii) Section 19 of the Letter Agreement, dated as of December 21, 2005, by and among the Ceding Insurer and Assured:

Assured Guaranty (UK) Ltd.

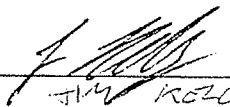
By: _____
Name:
Title:
Date:

IN WITNESS WHEREOF the parties hereto, by their respective duly authorized officers, have executed this Amendment, in duplicate, in duplicate, as of the dates recorded below:

Scottish Re (U.S.), Inc.

By: _____
Name:
Title:
Date:

Orkney Re II plc

By: 
Name: JIM KELLY
Title: DIRECTOR
Date: May 9, 2008

ACCEPTED AND AGREED in accordance with (i) Sections 2.2.2(xxviii) and 2.2.3(ii) of the Guarantee and Reimbursement Deed, dated as of December 21, 2005, by and among Assured Guaranty (UK) Ltd. ("Assured") and the Reinsurer and (ii) Section 19 of the Letter Agreement, dated as of December 21, 2005, by and among the Ceding Insurer and Assured:

Assured Guaranty (UK) Ltd.

By: _____
Name:
Title:
Date:

IN WITNESS WHEREOF the parties hereto, by their respective duly authorized officers, have executed this Amendment, in duplicate, as of the dates recorded below:

Scottish Re (U.S.), Inc.

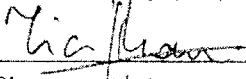
By: _____
Name:
Title:
Date:

Orkney Re II plc

By: _____
Name:
Title:
Date:

ACCEPTED AND AGREED in accordance with (i) Sections 2.2.2(xxviii) and 2.2.3(ii) of the Guarantee and Reimbursement Deed, dated as of December 21, 2005, by and among Assured Guaranty (UK) Ltd. ("Assured") and the Reinsurer and (ii) Section 19 of the Letter Agreement, dated as of December 21, 2005, by and among the Ceding Insurer and Assured:

Assured Guaranty (UK) Ltd.

By: 
Name: NICHOLAS ROAD
Title: MANAGING DIRECTOR
Date: 30th APRIL '08

Counsel for SRUS and the Parent Co's, and Vice President, Legal Counsel for SRUS.

3. Before joining SRUS, I was associated with Cadwalader, Wickersham & Taft LLP and Kutak Rock, LLP, where my legal practice focused primarily on securitizations and other capital markets transactions, and general corporate matters. I also served as in-house counsel to the investment division of Great-West Life & Annuity Insurance Company, and as a prosecutor for the State of Colorado. I hold a B.A. degree in Political Science from Nazareth University and a J.D. from the University of Denver, College of Law.

4. In connection with my duties at SRUS, I am familiar with and have knowledge of the Company's historical insurance financing transactions, including the Orkney II Transaction (as defined herein). I also am familiar with and have knowledge of certain of the historical audited (i) public financial statements of SRGL, and (ii) statutory statements of SRUS, including in each case the historical descriptions of the Orkney II Transaction contained therein.

5. On December 21, 2005, Orkney Re II plc ("Orkney Re II"), whose issued ordinary shares are held by a share trustee and its nominees in trust for charitable purposes, issued, in a private offering, \$450.0 million of debt primarily to external investors. The debt, which was issued pursuant to the indenture, dated December 21, 2005, among Orkney Re II, as issuer, Assured Guaranty UK Limited

(as successor to Assured Guaranty (Europe) plc (formerly known as Assured Guaranty (UK) plc and Assured Guaranty (UK) Ltd.)) (“Assured”), as the financial guarantor, and The Bank of New York, as trustee (as supplemented, amended, or otherwise modified from time to time, the “Orkney Re II Indenture”), consisted of \$382.5 million of Series A-1 Floating Rate Guaranteed Notes (the “Series A-1 Notes”), \$42.5 million of Series A-2 Floating Rate Notes, and \$25.0 million of Series B Floating Rate Notes, all due December 31, 2035 (collectively, the “Orkney Re II Notes”) and is non-recourse to SRUS. The Orkney Re II Notes are listed on the Irish Stock Exchange.

6. Proceeds from this private offering were used to fund the reserve requirements associated with the Valuation of Life Insurance Policies Model Regulation, known as “Regulation XXX”, for a defined block of level premium term life insurance policies written by certain US cedents between January 1, 2004 and December 31, 2004 and reinsured on a coinsurance basis to SRUS which, in turn, reinsured portions of such liabilities to Orkney Re II on a coinsurance basis pursuant to an Indemnity Reinsurance Agreement, dated December 21, 2005, by and between SRUS and Orkney Re II (as amended, the “Reinsurance Agreement”). Proceeds from the Orkney Re II Notes were deposited into a series of accounts that collateralized the Orkney Re II Notes and the reserve obligations of SRUS. The

foregoing, collectively, is generally referred to herein as the “Orkney II Transaction”.

7. In connection with and as part of the Orkney II Transaction, Assured issued a Financial Guarantee, dated December 21, 2005, pursuant to which Assured guarantees the timely payment of periodic scheduled interest, and principal at maturity, of the Series A-1 Notes.

8. Orkney II’s payment obligations to SRUS under the Reinsurance Agreement were secured by a reinsurance trust agreement, dated December 21, 2005, among Orkney, SRUS and the Bank of New York, as trustee (the “Orkney II Reinsurance Trust Agreement”), entered into as part of the Orkney II Transaction and pursuant to which Orkney II established a reserve credit trust for the benefit of SRUS (the “Orkney II Reinsurance Trust”). Pursuant to the terms of the Reinsurance Agreement and the Orkney II Reinsurance Trust Agreement, SRUS has the contractual right at all times to withdraw all assets from the reserve credit trust established by Orkney Re II for the benefit of SRUS. To the extent this right is exercised, SRUS is required to hold the withdrawn assets separate and apart from its other assets, for the benefit of Orkney Re II, use such assets only for the permitted purposes set forth in the Reinsurance Agreement, and ultimately return to Orkney Re II any amounts not used to satisfy any such obligations of Orkney Re II to SRUS under the Reinsurance Agreement.

9. On the scheduled interest payment date of May 11, 2009, Orkney Re II was unable to make scheduled interest payments on the Series A-1 Notes. Failure to make such payments constituted an event of default under the Orkney Re II Indenture (“Orkney Re II EOD”) and triggered Assured’s obligation, as financial guarantor of the Series A-1 Notes, to make guarantee payments on the Series A-1 Notes.

10. As a result of the Orkney Re II EOD, Assured obtained, and continues to have, certain enhanced contractual rights under the transaction documents, including (a) the right to instruct the trustee to declare the principal of and the interest on all the Orkney Re II Notes to be due and payable immediately and (b) the right to foreclose upon the Orkney Re II Collateral (as defined in the Orkney Re II Indenture). The Orkney Re II Collateral does not include the Orkney II Reinsurance Trust.

11. On June 1, 2009, Assured instructed the trustee to accelerate the Orkney Re II Notes and the trustee delivered a notice of acceleration to Orkney Re II on June 18, 2009. On June 19, 2009, Assured notified Orkney Re II and the trustee that it was electing to foreclose upon the Orkney Re II Collateral.


12. Following these actions, on June 26, 2009, SRUS exercised its contractual right under its agreements with Orkney Re II to withdraw all assets from the Orkney II Reinsurance Trust established by Orkney Re II for the benefit

of SRUS. The withdrawn assets were deposited into segregated accounts at SRUS (the “Orkney II Segregated Accounts”) pursuant to the terms of the Reinsurance Agreement where they are held in order to further secure Orkney Re II’s obligations to SRUS under the Reinsurance Agreement, including (prior to the liquidation of SRUS) providing reserve credit to SRUS for the reinsurance liabilities ceded to Orkney Re II and for certain other permissible uses under the Reinsurance Agreement. Since June 26, 2009, all amounts owing under the Reinsurance Agreement (i) from Orkney Re II to SRUS have been withdrawn by SRUS from, and (ii) from SRUS to Orkney Re II have been deposited by SRUS to, one or more of the Orkney II Segregated Accounts. As of September 30, 2024, the market value of the assets remaining in the Segregated Accounts (as reported by New England Asset Management, the third-party asset manager) is \$425,704,751.

13. On all scheduled quarterly interest payment dates since May 11, 2009, Orkney Re II was unable to make scheduled interest payments on the Series A-1 Notes, and, as a result, Assured has continued to make guarantee payments on the Series A-1 Notes on each such scheduled interest payment date.

14. Pursuant to the terms of the Reinsurance Agreement, upon the termination of the underlying assumed business reinsured by SRUS to Orkney Re II, the related reinsurance will be terminated by SRUS. In this event, the Reinsurance Agreement requires a payment from Orkney Re II to SRUS of a

formulaic amount determined as of the effective date of the termination, using certain methods and assumptions set forth in the Reinsurance Agreement. There is a known ambiguity among the parties to the Orkney II Transaction regarding whether the formulaic amount is intended to include certain amounts not specifically set forth therein. As a result, there is uncertainty regarding the amount SRUS is entitled to receive upon a termination of the business reinsured to Orkney Re II.



Gregg L. Klingenberg
Senior Executive for the Liquidation Estate
Scottish Re (U.S.), Inc., In Liquidation

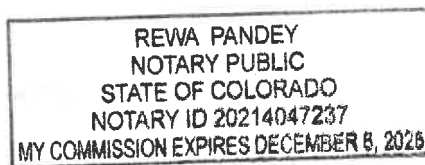
STATE OF COLORADO
COUNTY OF JEFFERSON

Signed and sworn to before me on December 23, 2024 by Gregg L. Klingenberg.



Signature of notarial officer

Stamp



(NOTARY PUBLIC (Title of office))

My commission expires: 12/06/2025



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE :
LIQUIDATION OF : C.A. No. 2019-0175-JTL
SCOTTISH RE (U.S.), INC. :

AFFIDAVIT OF RYAN FUHS

I, RYAN FUHS, being duly sworn, according to law, depose and state that:

1. I am the Senior Actuarial Executive for the Liquidation Estate of Scottish Re (U.S.), Inc., in Liquidation ("SRUS" or the "Company"). Prior to that, I served as Sr. Vice President, Chief Actuary of SRUS since May 2021. I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I am authorized to make this Affidavit on behalf of SRUS. I make this Affidavit in support of the Receiver's Motion to Approve Settlement.

2. Prior to serving as Chief Actuary of SRUS, I held the positions of Appointed Actuary – Leader of Actuarial Projections, and Director & Actuary – Life & Annuity Financial Projections at Brighthouse Financial, Inc. from 2017-2021.

3. Prior to my roles at Brighthouse Financial, Inc., I held the positions of Vice President – Modeling Actuary and Assistant Vice President – Valuation & Modeling Actuary at SRUS from 2014-2017.

4. Prior to that, I held the positions of Director & Actuary – Life Asset-Liability Management ("ALM") Modeling Research & Development, Senior Associate Actuary – Life ALM, and Actuarial Analyst – Life Valuation & Financial Reporting at Lincoln Financial Group from 2008-2014.

5. As Senior Actuarial Executive for the Liquidation Estate and Chief Actuary, my duties include the review and analysis of the Company's actuarial reserves. I am familiar with the data produced by the Company's actuarial processes and models, and how the actuarial data is used in the Company's financial statements.

6. I am familiar with the Company's insurance transactions. They include transactions that finance the capital required to support the higher reserve requirements set forth in the revised Valuation of Life Insurance Policies Model Regulation, known as "Regulation XXX". Regulation XXX was adopted by the National Association of Insurance Commissioners ("NAIC") in 1999 with respect to level premium term life insurance.¹

7. To address the higher asset requirements associated with Regulation XXX, insurers and reinsurers, including SRUS, entered into transactions to finance the capital required to support these higher reserve requirements.

¹ Life (re)insurance companies operating in the United States, determine policy reserves based upon methods and assumptions set by the laws of the state of the insurer's domicile (such as prescribed reserves, the statutory reserves). States attempt to standardize these laws by incorporating to varying degrees the recommendations and guidance of the NAIC. The laws and regulations for setting statutory policy reserves differ from and are generally greater than the amounts economically needed to be set aside by the (re)insurance company to pay future claims. The amounts economically needed to pay claims are generally determined by a process referred to as a gross premium valuation ("GPV"). The assumptions for measuring a GPV are made by the actuary performing the valuation using his/her professional judgement based on the experience of the block of business or a similar block of business and following standards of practice as prescribed by the American Academy of Actuaries. The GPV determined by different actuaries will vary but typically within a reasonable range. After the NAIC adopted Regulation XXX, individual states adopted versions of the model regulation (Delaware enacted its version of the model regulation in 2002). The regulation revised the requirements for establishing reserves for level premium term life insurance such that the statutory reserves for future issues of level premium term life insurance increased significantly, far in excess of reserves otherwise needed to satisfy claims from an economic perspective. Thus, insurance companies issuing (or reinsuring) level premium term life insurance were required to maintain a higher level of assets to remain solvent under statutory accounting.

8. One such SRUS transaction involves the retrocession of a defined block of life reinsurance business to Orkney Re II plc, an Irish special purpose vehicle ("Orkney II") and the issuance of notes to the capital markets to fund certain obligations of Orkney II arising from the transaction ("Orkney II Transaction").

9. In connection with the Orkney II Transaction, the Company entered into a retrocession agreement with Orkney II, dated December 21, 2005 (the "Reinsurance Agreement").

10. I assisted the Deputy Receiver and the Liquidation Team in these negotiations with Orkney II and Assured Guaranty UK Limited by providing financial analysis under the recapture calculation methodology under the Reinsurance Agreement.

11. I also determined the amount that SRUS would be expected to receive over time if no settlement occurred and the finally determined claims in the Proof of Claims process are submitted to Orkney II for a termination payment under the Reinsurance Agreement when finalized. My analysis recognizes alternate calculations that arise from potential ambiguities in the methodology regarding whether pending and incurred but not reported ("IBNR") claims are included in the calculation.

12. Ultimately, SRUS, Orkney II, and Assured Guaranty UK Limited (as the financial guarantor of certain of the Orkney II Notes) have agreed to settle all disputes, rights, duties, obligations, and liabilities between and among them. As part of the settlement, the parties have agreed that SRUS will receive a "Recapture Amount" of "\$93,593,551.16 *minus* any amounts (other than the Q2 Cash Settlement Amount) withdrawn from the Funds Withheld Account by the Ceding Company after the

Recapture Effective Date (June 30, 2023).” The amount to be subtracted from \$93,593,551.16 is \$7,382,941.60 (representing amounts withdrawn by SRUS after September 30, 2023, from the funds withheld account for Orkney II’s benefit).

13. Accordingly, under the Settlement Agreement, the Recapture Payment to SRUS is \$86,210,609.56 (\$93,593,551.16 - \$7,382,941.60) based on a recapture date of June 30, 2023.

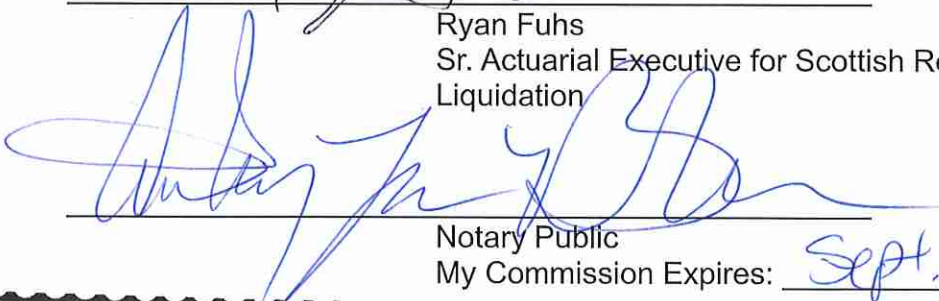
14. If no settlement occurs, I calculated that, if pending claims and IBNR are included (the most favorable contract interpretation and economic outcome for SRUS), the termination payment amount would be \$86.0M based upon a September 30, 2023 termination date.

15. If IBNR and pending claims had not been included in the termination payment calculation then the amount would be reduced to approximately \$57.1 million based upon a September 30, 2023 termination date instead of the agreed Recapture Payment of \$86.2 million.

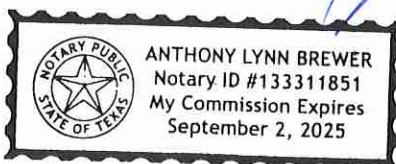
SWORN TO AND SUBSCRIBED before me this 23 day of December 2024.



Ryan Fuhs
Sr. Actuarial Executive for Scottish Re (U.S.), Inc., In
Liquidation



Notary Public
My Commission Expires: Sept. 2, 2025





IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE :
LIQUIDATION OF : C.A. No. 2019-0175-JTL
OF SCOTTISH RE (U.S.), INC. :

AFFIDAVIT OF MICHAEL J. JOHNSON

I, MICHAEL J. JOHNSON, being duly sworn, according to law, depose and state that:

1. I am the Deputy Receiver of Scottish Re (U.S.), Inc., in Liquidation (“SRUS”). I was first appointed Deputy Receiver on March 6, 2019, by the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware after the Court entered an order placing SRUS into rehabilitation and appointed Commissioner Navarro as the Receiver. I make this Affidavit in Support of the Receiver’s Verified Motion to Approve A Release and Settlement Agreement among SRUS, Orkney Re II plc (“Orkney II”) and Assured Guaranty UK Limited (“Assured”), and the Related Recapture Agreement (the “Motion”).

2. I have approximately 50 years of experience in the insurance industry during which time I have held varied senior management positions for several insurance companies with direct reporting obligations to the Chief Executive Officer, including Chief Financial Officer.

3. I also have over 20 years of experience serving as the Deputy

Receiver in the seizure, rehabilitation, and liquidation of financially troubled insurance companies or companies that are being operated in a condition that is hazardous to policyholders or the public. I have served the Insurance Commissioners of North Carolina, Vermont, Pennsylvania, and Delaware.

4. My duties as Deputy Receiver include, but are not limited to, marshalling and preserving the assets of the troubled insurer (the “estate”), making day-to-day operating decisions for the estate, and interacting with individual state guaranty funds, policyholders, and other creditors of the estate.

5. To assist me in discharging my duties as the Deputy Receiver of SRUS, I assembled a team consisting of SRUS executive management, including, but not limited to its Senior Executive for the Liquidation Estate, Gregg L. Klingenberg and Senior Actuarial Executive, Ryan Fuhs, and retained outside financial and actuarial consultants and legal counsel (collectively the “Liquidation Team”).

6. The Liquidation Team has conducted internal analysis and has participated in discussions about resolving all disputes and terminating all business relationships among SRUS, Orkney II, and Assured. These business relationships arise under a certain: (a) Indemnity Reinsurance Agreement dated December 21, 2005 (“Reinsurance Agreement”); (b) a Reinsurance Trust Agreement dated December 21, 2005 (“Reinsurance Trust Agreement” and collectively with the

Reinsurance Agreement “Reinsurance Agreements”) and (c) Assured’s financial guaranty of certain obligations of Orkney II to the holders of certain Series B Notes issued by Orkney II that funded, and secured certain Regulation XXX reserve requirements for a defined block of level premium term life insurance policies issued between January 1 and December 31, 2004. These level premium term life insurance policies were reinsured by SRUS and retroceded to Orkney.

7. In 2009, due to Orkney’s default under its Reinsurance Agreements with SRUS, SRUS withdraw the assets from the reinsurance trust and held them in a segregated account at SRUS for the purpose of paying Orkney’s obligations under the Reinsurance Agreement (“Funds Withheld Account”). As of September 30, 2024, the total market value of the assets in the segregated account was \$425,704,751.

8. In addition, SRUS and Assured have a dispute regarding Assured’s claim against SRUS for the reimbursement of legal expenses. This claim arises under a Guarantee and Reimbursement Deed for reimbursement of legal expenses. Assured contends that it incurred legal expenses of approximately \$20M (the “Litigation Reimbursement Claim”) in litigation that it brought against J.P. Morgan Investment Management, Inc. in New York state court under the name and style *Assured Guaranty (UK) Ltd., in its own right and in the right of Orkney Re II*

plc vs. J.P. Morgan Investment Management, Inc. (Supreme Court of the State of New York, Index No. 603755/2008).

9. To resolve the termination of the business relationships and claims between and among SRUS, Orkney II, and Assured, including the Litigation Reimbursement Claim, on terms and conditions that provide an accretive benefit to the estate of SRUS, I negotiated a Release and Settlement Agreement (“Settlement Agreement”) and a Related Recapture Agreement (“Recapture Agreement”) on behalf of the SRUS Estate.

10. The terms and conditions of the Settlement Agreement are referenced in paragraphs 19 and 20 of the Motion. A complete copy of the Settlement Agreement is attached as Exhibit 1 to the Motion and a complete copy of the Recapture Agreement is attached as Exhibit A to the Settlement Agreement.

11. Briefly summarized, the Receiver and Orkney have agreed to terminate the Reinsurance Agreement, subject to approval of the Court of Chancery, in which the Orkney II Transaction will be unwound and, as of June 30, 2023, SRUS recaptures the liabilities associated with the Reinsurance Agreement in exchange for a payment of \$86,210,609.56 and a release of all other claims between and among the parties (SRUS, Orkney II, and Assured).

12. In addition, SRUS and Assured have each agreed to pay fifty percent (50%) of the expenses associated with the unwind of the Orkney II transaction to

Orkney II with such expenses to be capped at \$250,000 each (one half of a total of \$500,000). The payments made by SRUS are paid as administrative expenses of the Estate (Class I). I have also been provided with and reviewed the Affidavits of Gregg L. Klingenberg and Ryan Fuchs, FSA, MAAA who are former employees of SRUS, currently serve as executives of the Estate in Liquidation, and are part of the Liquidation Team. The information contained in these Affidavits is consistent with information previously supplied to me regarding the subject matter of the Affidavits and information that I considered in making the determinations referenced in this Affidavit.

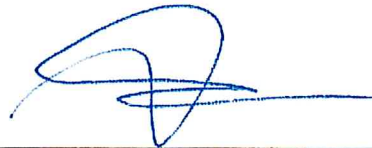
13. Based upon my experience in the insurance industry, insurance insolvencies, my independent knowledge of the facts and issues in the liquidation proceedings of SRUS from my participation noted above, and in consultation with my advisors, including experienced legal counsel, I have made the following determinations:

- a. The Settlement Amount of \$86,210,609.56 paid to the Receiver includes pending claims and IBNR which is the most favorable contractual interpretation and economic outcome for SRUS. This amount is fair and reasonable to the Estate of SRUS as it timely increases the general assets of the Estate by \$86,210,609.56 that will ultimately be available for distribution to the creditors of SRUS through the Estate administration and the Proof of Claims Process;

- b. The release of all other claims, including the \$20M Litigation Reimbursement Claim of Assured against SRUS, is also fair and reasonable as it is indirectly accretive to the general assets of SRUS because this aspect of the Settlement eliminates litigation expenses that would be incurred by the Estate associated with the litigation of such claim and brings certainty to the Estate on this claim at the most favorable litigation outcome to SRUS; and
- c. The terms of the Settlement Agreements are commercially reasonable provisions commonly found in litigation settlements and provide certainty and finality to the claims between SRUS and Orkney II and Assured.


14. Accordingly, it is my determination that the Settlement is fair and reasonable and in the best interests of the SRUS Estate and the creditors of SRUS. I recommend that the Court grant the Motion and approve the Settlement.

SWORN TO AND SUBSCRIBED before me this 30 day of December, 2024.



MICHAEL J. JOHNSON, Deputy Receiver
Scottish Re (U.S.), Inc., in Liquidation

Commonwealth of Pennsylvania - Notary Seal
HOLLY A. DIGIACOMO, Notary Public
Philadelphia County
My Commission Expires April 20, 2026
Commission Number 1039961



Notary Public

My Commission Expires: 4/20/26



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

IN THE MATTER OF THE LIQUIDATION :
OF SCOTTISH RE (U.S.), INC. : C.A. 2019-0175-JTL
: _____
:

**ORDER GRANTING THE RECEIVER’S MOTION TO APPROVE RELEASE
AND SETTLEMENT AGREEMENT WITH ORKNEY RE II PLC AND
ASSURED GUARANTY UK LIMITED**

WHEREAS, the Honorable Trinidad Navarro, Insurance Commissioner of the State of Delaware (the “Commissioner”) in his capacity as the Receiver (“Receiver”) of Scottish Re (U.S.), Inc., in Liquidation (“SRUS”), has moved (the “Motion”) this Honorable Court pursuant to 18 *Del. C.* § 5902, for an Order Approving the settlement with Orkney Re II plc (“Orkney II”) and Assured Guaranty UK Limited (as successor to Assured Guaranty (Europe) plc formerly known as Assured Guaranty (UK) plc and Assured Guaranty (UK) Ltd.) (“Assured”) that ends the business relationship and resolves all issues between and among them (the “Settlement”), as reflected in the terms and conditions of the Settlement and Release Agreement attached to the Motion to Approve as Exhibit “1” (the “Settlement Agreement”);

WHEREAS, SRUS, prior to liquidation, was a Delaware domiciled insurance company licensed by the Delaware Department of Insurance as a stock life and health reinsurance company;

WHEREAS, on March 6, 2019, this Honorable Court entered the Rehabilitation and Injunction Order in this matter (the “Rehabilitation Order”), placing SRUS into receivership;

WHEREAS, on July 18, 2023, SRUS was determined to be insolvent and placed into liquidation by a Liquidation and Injunction Order (the “Liquidation Order”);

WHEREAS, Orkney II is a currently non-affiliated special purpose reinsurance company initially created by SRUS to obtain capital through the issuance of bonds and preference shares;

WHEREAS, SRUS and Orkney II are parties to that certain Indemnity Reinsurance Agreement, dated December 21, 2005, as amended (the “Reinsurance Agreement”) pursuant to which SRUS retrocedes to Orkney certain liabilities under certain reinsurance contracts ceded to SRUS;

WHEREAS, Orkney II’s payment obligations to SRUS under the Reinsurance Agreement are secured by a certain reinsurance trust agreement dated December 21, 2005, among Orkney II, SRUS and the Bank of New York, as trustee (“Orkney II Reinsurance Trust Agreement”);

WHEREAS, the Orkney II Reinsurance Trust Agreement established a reserve credit trust for the benefit of SRUS to meet the higher reserve requirements associated with Regulation XXX (“Orkney II Reinsurance Trust”) which was funded by a private offering to outside investors involving several series of notes (“Orkney II Notes), the largest being the Series A-1 Notes as described in

greater detail in the Motion to Approve Settlement and related exhibits. Proceeds from the Orkney II Notes were deposited into a series of accounts that collateralized the notes and met the reserve obligations of SRUS;

WHEREAS, Orkney II has been unable to make scheduled quarterly interest payments on the Series A-1 Notes since May 11, 2009, and, as a result, Assured, as financial guarantor of the notes, has made guarantee payments on the Series A-1 Notes on each such scheduled interest payment date;

WHEREAS, after Orkney II's failure to make payment, SRUS exercised its contractual right under the Reinsurance Agreement and Orkney II Reinsurance Trust Agreement to withdraw all assets from the Orkney II Reinsurance Trust (which trust does not form part of the Orkney Re II Collateral). The withdrawn assets were deposited into SRUS segregated accounts pursuant to the terms of the Reinsurance Agreement where they are held to further secure Orkney II's obligations to SRUS under the Reinsurance Agreement, including (prior to the liquidation of SRUS) providing reserve credit to SRUS for the reinsurance liabilities ceded to Orkney II and for certain other permissible uses under the Reinsurance Agreement;

WHEREAS, SRUS, Orkney II and Assured desire to terminate their obligations or relating to the Reinsurance Agreement and to resolve certain other existing disputes set forth in the Settlement Agreement;

WHEREAS, SRUS, Orkney II, and Assured have reached a Settlement regarding the termination of these business relationships and resolution of these

disputes the terms and conditions of which are contained in the Settlement Agreement (attached hereto as Exhibit 1);

WHEREAS, the Receiver's Motion seeks this Court's approval of the Settlement Agreement;

WHEREAS, this Court issued an Order to Show Cause to interested parties for such parties to file their objections, if any, to the Settlement Agreement and the Motion for Approval thereof;

WHEREAS, the interested parties did not object to the Settlement Agreement or the Motion, or their objections were overruled after a hearing on such objections; and

WHEREAS, this Court finds that sufficient cause exists to support the conclusion that the terms and conditions of the Settlement set forth in the Settlement Agreement are in the best interests of the SRUS estate, the creditors, and the public.

NOW, THEREFORE, IT IS HEREBY ORDERED as of the date this Order is entered on the docket of the above-captioned matter that:

1. The Receiver's Motion, including the exhibits thereto, contain sufficient evidence to support the conclusion that the terms and conditions of the Settlement set forth in the Settlement Agreement are in the best interests of the SRUS Estate, the creditors, and the public.

2. The Receiver's Motion is hereby GRANTED.

3. The settlements set forth in the Settlement Agreement attached as Exhibit "1" to the Receiver's Motion are hereby APPROVED and the Receiver is hereby AUTHORIZED and ORDERED to implement the terms thereof, subject to the provisions of such agreements and to execute any documents necessary for their implementation.

4. This Court shall retain jurisdiction over any matters relating to the implementation of this Order.

IT IS SO ORDERED.

J. Travis Laster, Vice Chancellor

Dated: