

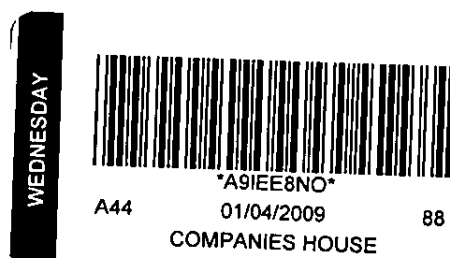
DIRECTORS' REPORT AND FINANCIAL STATEMENTS

OSLO REINSURANCE COMPANY (UK) LIMITED

FOR THE YEAR ENDED 31 December 2008

Registered Number: 1038441

Incorporated in Great Britain and regulated in England & Wales



OSLO REINSURANCE COMPANY (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2008

The directors of Oslo Reinsurance Company (UK) Limited have pleasure in submitting their report together with the financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

On 24 November 1994, the directors of Oslo Reinsurance Company (UK) Limited announced that the Company would cease to write new and renewal business with immediate effect. Prior to this decision Oslo Reinsurance Company (UK) Limited wrote non-life insurance and reinsurance business in the London Market.

Claims continue to be paid in full and the directors intend to continue the operations of the Company in order to achieve an orderly run-off of its insurance operations.

The directors decided in 1996, with Department of Trade and Industry agreement, to transfer the day-to-day operations of the company to Oslo Reinsurance Company ASA (in Oslo, Norway). The transfer of Non-Agency activities was completed 30 June 1997. The Company has retained the services of a UK-director to ensure the timely processing and settlement of all claims.

The Company's parent company was in 1999 purchased by Storebrand Skadeforsikring AS, the general insurance Company in the Norwegian Storebrand Group, and regulatory approval was given on 20 December 1999. The Company was from that date on included in the Storebrand Group.

The Directors reported in 2007 that the High Court on the 17 April 2007 and 17th September 2007 sanctioned the two Oslo Re UK closure schemes covering much of the Non WFUM Underwriting Pools and all of the WFUM participation. It was expected that the two schemes would close in 2009 and 2010. The combined schemes will reduce the remaining risk exposure of the company by 70% of the Gross Account and 92% of the Net Account. The Directors are pleased to report that the Non WFUM scheme has been successfully implemented and that "Certificate of Completion" was issued by the Scheme Manager dated 10 December 2008, the WFUM Pool scheme remains to be closed as expected in 2010.

FINANCIAL RISK

The company is exposed to financial risk, mainly through its technical provisions and the financial assets supporting those provisions. The most significant risk to the remaining technical provisions arise out of participations in Underwriting Agencies and/or Underwriting Pools during the 1970's - 1980's, which combined represent in excess of 90% of the total estimated liabilities and the long tail nature of some of those liabilities, the largest of which is the participation in the Willis Faber Underwriting Management Pool (WFUM). These are discussed in detail in notes 16 and 17. The key financial risk is that proceeds from financial assets are not sufficient to fund claims as they fall due.

The company manages these risks by:

- regular reviews of the technical provisions by both external and internal actuaries;
- regular review of credit worthiness of reinsurers and any required provisions;
- investment in only high grade bonds and/or cash deposits, matching foreign currency liabilities to minimise the impact of exchange rate movements; and
- active participation and representation within the WFUM Scheme Closure Project together with other Pool run-off evaluation projects.

RESULTS AND DIVIDENDS

The results are shown on pages 5 and 6. No dividends were paid or proposed in the current or prior year.

DIRECTORS

The directors, who served throughout the year, unless indicated otherwise, were:

J.C.H. Endresen	Norwegian	Chairman
B.M. Skordal	Norwegian	
R.K. Papworth	British	Managing Director

No director has any disclosable interest in the shares of this Company or any other group company.

OSLO REINSURANCE COMPANY (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 December 2008 (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under the law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

GOING CONCERN

Having regard to the net asset position of the company, the Directors have reviewed in detail the adequacy of the gross and net insurance funds in total and consider them to be adequate. Should any future adjustments to the insurance fund be required this would reduce the free assets of the company. Significant uncertainties facing the company are discussed in notes 16 and 17; however following full review of the risks of a free asset reduction under mid point and worst case scenarios, the directors consider the company would still continue to operate as a going concern.

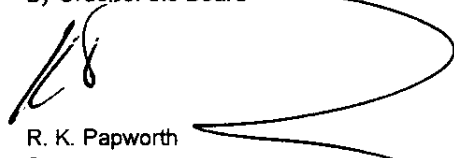
AUDITORS

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far each of the directors is aware, there is no relevant audit information (as defined in s.234ZA of the Companies Act 1985) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he / she ought to have taken as a director to make himself / herself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

A resolution to re-appoint Deloitte LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



R. K. Papworth
Secretary
London

27 March 2009

OSLO REINSURANCE COMPANY (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OSLO REINSURANCE COMPANY (UK) LIMITED

We have audited the financial statements of Oslo Reinsurance Company (UK) Limited for the year ended 31 December 2008 which comprise profit and loss account, statement of total recognised gains and losses, balance sheet and related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statement are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OSLO REINSURANCE COMPANY (UK) LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF OSLO REINSURANCE COMPANY (UK) LIMITED

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter – technical provisions and material uncertainties

Without qualifying our opinion, we draw attention to the disclosures made in notes 16 and 17 concerning the amounts provided in respect of liabilities arising from asbestos claims and claims arising from business written on behalf of the company by Willis Faber Underwriting Management Limited, and the related recoveries from reinsurers. As explained in notes 16 and 17 the company's ultimate net liability may vary as a result of subsequent information and events and may result in material, but presently unquantifiable, adjustments to the amounts provided. Adjustments to the amounts of the provisions are reflected in the financial statements for the period in which the adjustments are made.

Deloitte LLP
Deloitte LLP

Chartered Accountants and Registered Auditors
London

27 March 2009

OSLO REINSURANCE COMPANY (UK) LIMITED

PROFIT AND LOSS ACCOUNT: Technical account - general business for the year ended 31 December 2008

Discontinued Operations

	Note	2008	2007
		£	£
Earned premiums, net of reinsurance			
Gross premiums written		4,818	7,148
Outwards reinsurance premiums		<u>(4,250)</u>	<u>(139)</u>
		568	7,009
Allocated investment return transferred from the non-technical account		326,387	519,285
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(5,622,249)	(2,985,338)
Reinsurers' share		<u>1,540,397</u>	<u>477,579</u>
		<u>(4,081,852)</u>	<u>(2,507,759)</u>
Change in the provision for claims			
Gross amount		10,396,549	2,155,325
Reinsurers' share		<u>(4,952,056)</u>	<u>(18,771)</u>
		<u>5,444,493</u>	<u>2,136,554</u>
Claims incurred, net of reinsurance		1,362,641	(371,205)
Net operating expenses	5	(303)	(41)
Sub-total (balance on the technical account for general business)		<u>1,689,293</u>	<u>155,048</u>

The notes on pages 10 to 18 form part of these financial statements.

OSLO REINSURANCE COMPANY (UK) LIMITED

PROFIT AND LOSS ACCOUNT: Non-Technical account for the year ended 31 December 2008

	Note	£	2008 £	£	2007 £
Balance on the general business technical account			1,689,293		155,048
Investment income	6	849,861		1,535,723	
Unrealised gains on investments		111,358		693,242	
Investment expenses and charges	7	(60,316)		(69,407)	
Losses on the realisation of investments	7	(63,828)		(911,666)	
		<u>837,075</u>		<u>1,247,892</u>	
Allocated investment return transferred to the general business technical account		<u>(326,387)</u>		<u>(519,285)</u>	
			<u>510,688</u>		<u>728,607</u>
Profit on ordinary activities before taxation			2,199,981		883,655
Tax on profit on ordinary activities	10		<u>-</u>		<u>-</u>
Profit for the financial year			<u>2,199,981</u>		<u>883,655</u>

The above results relate to discontinued activities.

The notes on pages 10 to 18 form part of these financial statements.

OSLO REINSURANCE COMPANY (UK) LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2008

	2008 £	2007 £
Profit for the financial year	2,199,981	883,655
Currency translation differences on foreign currency net investments	137,286	(62,392)
Total recognised gains and losses relating to the year	<u>2,337,267</u>	<u>821,263</u>

The notes on pages 10 to 18 form part of these financial statements.

OSLO REINSURANCE COMPANY (UK) LIMITED

BALANCE SHEET for the year ended 31 December 2008

	Note	£	2008 £	£	2007 £
ASSETS					
INVESTMENTS					
Other financial investments	11	17,836,434		18,590,060	
Deposits with ceding undertakings		<u>7,914</u>		<u>10,267</u>	
			17,844,348		18,600,327
REINSURERS SHARE OF TECHNICAL PROVISIONS					
Claims outstanding - Reinsurance amount	16		5,317,762		7,711,710
DEBTORS					
Debtors arising out of reinsurance operations		827,741		1,658,975	
Other debtors	12	<u>106,351</u>		<u>52,783</u>	
			934,092		1,711,758
OTHER ASSETS					
Cash at bank and in hand			7,467,087		6,123,655
PREPAYMENTS AND ACCRUED INCOME					
Accrued interest			238,002		312,214
TOTAL ASSETS			<u>31,801,291</u>		<u>34,459,664</u>

The notes on pages 10 to 18 form part of these financial statements.

OSLO REINSURANCE COMPANY (UK) LIMITED

BALANCE SHEET for the year ended 31 December 2008

	Note	£	2008 £	£	2007 £
LIABILITIES					
CAPITAL AND RESERVES					
Called up share capital	13	26,000,000		26,000,000	
Profit and loss account	14	<u>(9,573,956)</u>		<u>(11,911,223)</u>	
Equity shareholder's funds	15		16,426,044		14,088,777
TECHNICAL PROVISIONS					
Claims outstanding - Gross amount	16		13,413,309		18,110,781
DEPOSITS RECEIVED FROM REINSURERS					
			72,009		86,138
CREDITORS					
Creditors arising out of direct insurance operations		964,314		1,152,730	
Creditors arising out of reinsurance operations		<u>391,000</u>		<u>188,000</u>	
			1,355,314		1,340,730
ACCRUALS AND DEFERRED INCOME					
			534,615		833,238
TOTAL LIABILITIES					
			<u>31,801,291</u>		<u>34,459,664</u>

These financial statements were approved by the Board of Directors and authorised for issue on 27th March 2009 and were signed on its behalf by:

Ray K. Papworth
Managing Director

The notes on pages 10 to 18 form part of these financial statements.

OSLO REINSURANCE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008

1 Basis of preparation

The financial statements have been prepared in accordance with the provisions of section 255 of, and Schedule 9A to, the Companies Act 1985. The financial statements comply with accounting standards and with the revised Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers, "the ABI SORP", as amended in December 2006. The financial statements have also been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of investments.

Having regard to the net asset position of the company, the Directors have reviewed in detail the adequacy of the gross and net insurance funds in total and with particular reference to the matters referred to in notes 16 and 17, and consider them to be adequate. Should any future adjustments to liabilities and assets arising from the significant uncertainties described in notes 16 and 17 be substantial, adjustments to the insurance fund could reduce the free assets of the company. Following full review of the risks of a possible free asset reduction under mid point and worst case scenarios the directors consider the company would still continue to operate as a going concern.

On 24 November 1994, the company was placed in run-off. No provision has been made for the future internal costs of running off the operations, estimated at £1.0 m, as projected investment income exceeds the present estimate of such expenses by approximately £0.8m (2007: £1.4 m). The investment income has been computed at 2.00 % (2007: 4.50%) per annum.

2 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material to the company's financial statements.

Basis of accounting for underwriting activities

The company ceased underwriting new business in 1994.

The result for the period reflects adjustments to the profit or loss of providing insurance cover during earlier accounting periods.

Premiums

Written premiums comprise adjustments to premiums written in prior accounting periods.

Outward reinsurance premiums are accounted for as they arise.

Claims incurred

Claims incurred includes all claims and claims settlement expense payments made in respect of the financial period, and the movement in provision for outstanding claims and settlement expenses and includes claims incurred but not reported, net of salvage and subrogation recoveries.

Claims outstanding

Outstanding claims comprise provisions for the estimated cost of settling all claims incurred up to but not paid at the balance sheet date whether reported or not, together with related external claims settlement expenses. Reinsurance and other recoveries are determined by calculating the amount recoverable on recognised gross claims incurred, including prudent estimates for salvage and subrogation recoveries. Where applicable, allowances are made for the non-recoverability of reinsurance and other recoveries. Anticipated reinsurance and other recoveries are shown in the balance sheet as assets.

OSLO REINSURANCE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008 (continued)

2 Accounting policies (continued)

Investments

Listed investments are stated at market value at close of business on 31 December, or on the last stock exchange trading day before the balance sheet date.

Investment income, expenses and charges

Investment income is accounted for on a receivable basis. Interest income is accrued up to the balance sheet date. Unrealised gains and losses represent the difference between the valuation of investments at the balance sheet date and cost.

Allocation of investment return

Investment income, realised and unrealised gains and losses, expenses and charges are reported in the non-technical account and the amounts relating to investments supporting technical provisions are allocated to the technical account.

Foreign currencies

Transactions in foreign currencies are accounted for in original currencies and translated to sterling at year end rates. The financial statements are prepared in Sterling as this is the company's primary economic environment.

For business recorded by Agents on the company's behalf, all transactions in United States and Canadian dollars are accounted for in original currencies and translated to sterling at year end rates. Transactions in all other currencies are translated to sterling at the appropriate rate of exchange applicable when recorded in the books.

Where foreign currency assets held do not match foreign currency liabilities any resultant gain or loss on such mismatching is transferred after adjustment for the appropriate level of taxation to reserves.

Foreign currency assets and liabilities are translated at the rates of exchange ruling at 31 December.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

Cash Flow Statement

The company has taken advantage of the exemption within Financial Reporting Standard 1 (Revised 1996) not to provide a Cash Flow Statements because it is a wholly owned subsidiary undertaking of Oslo Reinsurance Company ASA.

Related party transactions

The company has taken advantage of the exemption within Financial Reporting Statement 8 not to disclose transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties) because it is a wholly owned subsidiary undertaking of Oslo Reinsurance Company ASA. The consolidated financial statements of Oslo Reinsurance Company ASA, within which this company is included, can be obtained from the address given in note 18.

OSLO REINSURANCE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008

(continued)

3 Analysis of general business by class

	Total Direct Insurance £	Reinsurance £	Total £	Fire & Other Damage to Property £	MAJOR DIRECT CLASSES Liability £	Marine , Aviation & Transport £	Other £
2008							
Gross premium written and earned	-	4,818	4,818	-	-	-	-
Gross claims incurred	(2,043,026)	6,817,326	4,774,300	179,290	(2,169,736)	(68,671)	16,091
Gross operating expenses	(351)	48	(303)	-	(351)	-	-
Gross technical result	(2,043,377)	6,822,192	4,778,815	179,290	(2,170,087)	(68,671)	16,091
Reinsurance balance	(543,809)	(2,872,100)	(3,415,909)	(84,599)	(237,081)	(227,159)	5,030
Net technical result *	(2,587,186)	3,950,092	1,362,906	94,691	(2,407,168)	(295,830)	21,121

	Total Direct Insurance £	Reinsurance £	Total £	Fire & Other Damage to Property £	MAJOR DIRECT CLASSES Liability £	Marine , Aviation & Transport £	Other £
2007							
Gross premium written and earned	204	6,944	7,148	269	-	(65)	-
Gross claims incurred	(2,069,888)	1,239,875	(830,013)	77,462	(2,062,407)	(84,568)	(375)
Gross operating expenses	-	(41)	(41)	-	-	-	-
Gross technical result	(2,069,684)	1,246,778	(822,906)	77,731	(2,062,407)	(84,633)	(375)
Reinsurance balance	(85,557)	544,226	458,669	(35,433)	(25,589)	(23,273)	(1,262)
Net technical result *	(2,155,241)	1,791,004	(364,237)	42,298	(2,087,996)	(107,906)	(1,637)

* excluding allocated investment return transferred from non-technical account.

OSLO REINSURANCE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

4 Prior years' claims provisions

The claims incurred during 2008 and 2007 related wholly to movements on claims provisions established at the previous year end.

5 Net operating expenses

	2008 £	2007 £
Reinsurance commissions	303	41

6 Income from other financial investments

	2008 £	2007 £
Income from other investments	849,861	1,535,723

7 Investment expenses and charges

	2008 £	2007 £
Investment management expenses, including interest	60,316	69,407
Losses on the realisation of investments	63,828	911,666
	<u>124,144</u>	<u>981,073</u>

8 Profit on ordinary activities before tax

	2008 £	2007 £
is stated after charging		
Auditors' remuneration:		
Statutory audit	10,750	13,128

OSLO REINSURANCE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

9 Directors and Employees

The were no people employed in the operations of the company during 2008 (2007: nil)

Certain personnel and office services were provided by Oslo Reinsurance Company ASA at cost.

Directors emoluments were as follows:

	2008 £	2007 £
Emoluments	-	-
Company contributions to money purchase pension schemes	-	-
Fees payable by third party	<u>102,081</u>	<u>77,340</u>
	<u>102,081</u>	<u>77,340</u>

There were no directors to whom retirement benefits were accruing under final salary pension schemes (2007; nil).

10 Taxation

There is no taxation charge in either year, neither in relation to items currently taxable nor arising from timing differences between the treatment of items for taxation and accounting purposes, due to tax losses carried forward for which no deferred tax asset has been recognised.

The company has further tax losses available for offset against any suitable future profits, the amount of which has not yet been agreed with the Inland Revenue. No deferred tax asset has been recognised in respect of these losses as the Directors do not consider it more likely than not that these losses will be utilised in the foreseeable future.

OSLO REINSURANCE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

11 Other financial investments

	2008 Market Value £	2008 Cost £	2007 Market Value £	2007 Cost £
Debt securities and other fixed income securities	<u>17,836,434</u>	<u>17,045,202</u>	<u>18,590,060</u>	<u>18,794,537</u>
Included in the above were investments:				
Listed on the UK Stock Exchange	15,041,114	14,968,161	15,547,818	15,531,291
Listed on other investment exchanges	2,795,320	2,077,041	3,042,242	3,263,246

Other financial investments include a total of £0.8m (2007 : £1.7m) pledged by way of Letters of Credit in favour of ceding companies.

OSLO REINSURANCE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008

(continued)

12 Other debtors

	2008 £	2007 £
VAT recoverable	8,588	209
Other	97,763	52,574
	<u>106,351</u>	<u>52,783</u>

13 Called up share capital

	2008 £	2007 £
Authorised, issued and fully paid 26,000,000 Ordinary shares of £1 each	<u>26,000,000</u>	<u>26,000,000</u>

14 Reserves

	Profit and loss account 2008 £	Profit and loss account 2007 £
At beginning of year	(11,911,223)	(12,732,486)
Currency translation differences on foreign currency net investments	137,286	(62,392)
Retained profit for the year	2,199,981	883,655
At end of the year	<u>(9,573,956)</u>	<u>(11,911,223)</u>

15 Reconciliation of movements in shareholder's funds

	2008 £	2007 £
Profit for the financial year	2,199,981	883,655
Currency translation differences on foreign currency net investments	137,286	(62,392)
Net change in shareholder's funds	<u>2,337,267</u>	<u>821,263</u>
Brought forward shareholder's funds	14,088,777	13,267,514
Carried forward shareholder's funds	<u>16,426,044</u>	<u>14,088,777</u>

OSLO REINSURANCE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2008 (continued)

16 Technical provisions

Claims outstanding, all classes	Gross Amount £	Reinsurance Amount £	Net Claims Outstanding £
At beginning of year	18,110,781	7,711,710	10,399,071
Currency revaluation	5,699,077	2,558,108	3,140,969
Movement in the provision	(10,396,549)	(4,952,056)	(5,444,493)
At end of year	<u>13,413,309</u>	<u>5,317,762</u>	<u>8,095,547</u>

The amount included as claims outstanding is set by the directors based on certain statistical and other techniques of estimation. Regular reviews of the claims outstanding are performed by external consulting actuaries. The most significant of these estimation techniques are:

Marine and Aviation claims:

Accumulation losses, which are claims arising from the accumulation of underlying claims from a single event by the Company's cedants are assessed by measuring the actual claims experience during a given period against projections of development made at the start of the period. Projections of future development are then adjusted on a basis consistent with actual experience.

The chain ladder method is applied to attritional claims, which are all claims other than accumulation losses, to estimate claims outstanding. This method applies development factors, based on historic claims experience, to estimate expected future claims development.

Asbestos claims:

Estimates of claims outstanding on asbestos claims are based upon an exposure analysis backed up by benchmarking the results against other analyses and relevant market benchmarks.

The analysis involves stratifying all the insureds into tiers of expected severity and estimating the cost of claims from new unreported incidents on previously unaffected policies, which by definition are not included in the existing data. All of these steps involve the application of a significant degree of professional expertise and judgement.

The majority of these estimation techniques assume recorded historic claims experience is a good predictor of future claims development. Therefore the techniques are dependent on the quality of claims data available, the extent to which accumulation losses and other unusual claims are identified and dealt with, and changes in the future legal environment that might impact the reinsurer's liability and the cost of future claims.

Willis Faber Underwriting Management (WFUM) Pool

The company is a participant in the WFUM pool. Following unsuccessful arbitration concerning reinsurance coverage, Sovereign, a 50 % participant in the pool and a Willis Group Ltd subsidiary, was placed in provisional liquidation in July 1997

Following the provisional liquidation of Sovereign, the Willis Group Ltd entered an agreement with the remaining pool members concerning the conduct of the administration of WFUM and the run-off of the pool. As set out in note 1 in drawing up the accounts the directors have considered the likely future internal run-off costs of the company as compared to the future investment income. On the basis that the income exceeded the costs no provision has been made for the future internal costs of run-off, all other expected external costs being provided for within the accounts.

Claims outstanding, WFUM	Gross Amount £	Reinsurance Amount £	Net Claims Outstanding £
At beginning of year	8,923,216	2,526,796	6,396,420
Currency revaluation	3,067,948	964,600	2,103,348
Movement in the provision	(4,158,386)	(2,696,314)	(1,462,072)
At end of year	<u>7,832,778</u>	<u>795,082</u>	<u>7,037,696</u>

OSLO REINSURANCE COMPANY (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2008

(continued)

16 Technical provisions (continued)

As noted in the Directors report the High Court on the 17 April 2007 and 17th September 2007 sanctioned the two Oslo Re UK closure schemes covering much of the Non WFUM Underwriting Pool's and all of the WFUM participation. It was expected that the two schemes would close in 2009 and 2010. The combined schemes will reduce the remaining risk exposure of the company by 70% of the Gross Account and 92% of the Net Account. As noted in the Directors report the Non WFUM scheme has been successfully implemented in 2008 and that "Certificate of Completion" was issued by the Scheme Manager dated 10 December 2008, the WFUM Pool scheme remains to be closed as expected in 2010.

17 Material uncertainties

The company is subject to material uncertainties as described below.

Asbestosis claims:

A significant proportion of the business written by the Company, particularly through the WFUM Pool, provided asbestosis coverage. The estimation of provisions for outstanding claims on asbestosis exposures is subject to uncertainties that are generally greater than those encountered for other classes of business. A significant issue is the long delay in reporting losses because the onset of illness and disability from exposure to harmful conditions may only become apparent many years, up to 40 years or more, later. There may also be complex technical and legal issues on policy coverage and the identity of the insureds. As a consequence traditional estimation techniques cannot wholly be relied on and more specialised techniques are employed for these types of exposure. However, the ultimate cost of claims arising on asbestosis exposures remain highly uncertain.

Reinsurance recoveries:

The company has a comprehensive retrocession programme and the anticipated recoveries under this programme are significant. Claims will fall to be settled by the company for many years into the future. Whilst the directors are satisfied that adequate provision has been made for doubtful recoveries the company is dependent upon the continuing ability of its retrocessionaires to respond to claims made. Since some of these retrocessionaires are in financial difficulties and disputes may arise with others in the future there is considerable uncertainty surrounding the amounts which may ultimately be recoverable. The Directors are satisfied that adequate provision has been made for remaining doubtful recoveries within the reports and accounts.

Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amount of the provision are reflected in the financial statements in the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly both internally and by external actuarial advisors.

The WFUM Pool scheme

With the ongoing implementation of the WFUM Pool scheme since 2007, the uncertainties noted above are being progressively reduced over time, leading to the planned scheme closure in 2010.

18 Company and ultimate parent company detail

Oslo Reinsurance Company (UK) Limited is incorporated in Great Britain under registered number 1038441, the registered office address is: Quys Cottage, Gainsford End, Toppesfield, Halstead, Essex CO9 4EG. The company was formed in 1972 the principal activities being Non Marine, Marine and Aviation insurance and reinsurance business, the company ceased new business in 1994 and has been in run-off since that time. The company is 100% owned by and consolidated into the accounts of Storebrand ASA, incorporated in Norway. Oslo Reinsurance Company ASA, a company incorporated in Norway, is the parent undertaking of the smallest group for which group financial statements are produced. Copies of the consolidated group accounts can be obtained from Storebrand, Filipstad Brygge 1, Postboks 1380, Vikta N_0114 Oslo, Norway.

