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**UNITED STATES BANKRUPTCY COURT
 SOUTHERN DISTRICT OF NEW YORK**

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In re	:	
	:	
Highlands Insurance Company (U.K.)	:	In a Case Under Chapter 15
Limited,	:	of the Bankruptcy Code
	:	
	:	Case No. 07-13970 (MG)
Debtor in a Foreign Proceeding	:	
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**APPLICATION FOR ORDER SCHEDULING HEARING AND
 SPECIFYING THE FORM AND MANNER OF SERVICE OF NOTICE**

Dan Yoram Schwarzmann and Mark Charles Batten of PricewaterhouseCoopers LLP, in their capacity as the court-appointed joint administrators (the “Petitioners”) of Highlands Insurance Company (U.K.) Limited (the “Company”), a debtor in a proceeding (the “English Proceeding”) currently before the High Court of Justice, Chancery Division, Companies Court (the “English Court”), as the duly appointed foreign representatives, by their United States counsel, Clifford Chance US LLP, submit this application (the “Application”) for an order (i) scheduling a hearing on the relief sought in the Verified Petition For Recognition of a Foreign Main Proceeding and Motion for Related Relief Pursuant to 11 U.S.C. §§ 1504, 1517, 1520, 1521, dated December 18, 2007 (the “Verified Petition and Motion”), filed simultaneously

herewith, and (ii) specifying the form and manner of service of notice thereof. In support of the Application, the Petitioners respectfully represent as follows:

PRELIMINARY STATEMENT

1. The Petitioners commenced this Chapter 15 case pursuant to section 1504 of title 11 of the United States Code (the “Bankruptcy Code”) by filing the Verified Petition and Motion with, and accompanied by, all certifications, statements, lists and documents required pursuant to section 1515 of the Bankruptcy Code and Rule 1007(a)(4) of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”). By the Verified Petition and Motion, the Petitioners seek recognition of the English Proceeding as a foreign main proceeding and related relief under sections 1520 and 1521 of the Bankruptcy Code.

2. As set forth below and in the Declaration of Dan Yoram Schwarzmann in support of the Verified Petition and Motion (the “Schwarzmann Declaration”), dated December 18, 2007 and filed contemporaneously herewith:

a. a foreign proceeding respecting the Company was duly commenced and is currently before the English Court;

b. the Company is incorporated under the laws of England and Wales and has a registered office in the Gloucestershire, England;

c. the Petitioners are duly authorized to serve as foreign representatives and to petition for relief under Chapter 15 of the Bankruptcy Code; and

d. the Petitioners are entitled to the relief requested in the Verified Petition and Motion.

3. This Application is made pursuant to sections 105, 1514 and 1515 of the Bankruptcy Code and Bankruptcy Rules 9007 and 9008 for the entry of an order (the “Proposed Order”) in the form annexed hereto as Exhibit A: (i) approving the form of notice of hearing annexed hereto as Exhibit B (the “Notice”), (ii) setting a date for a hearing on the relief sought in the Verified Petition and Motion, and (iii) specifying the manner of service of the Notice including by way of publication.

JURISDICTION AND VENUE

4. This Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 1334 and 157 and the “Standing Order of Referral of Cases to Bankruptcy Judges” of the United States District Court for the Southern District of New York (Ward, Acting C.J.) dated July 10, 1984.

5. Pursuant to 28 U.S.C. § 157(b)(2)(A), this is a core proceeding.

6. Venue is properly located in this District in accordance with 28 U.S.C. § 1410.

BACKGROUND

7. The Company was incorporated in England in 1974 under the U.K. Companies Act 1948 for the purposes of transacting insurance and reinsurance business and has a registered office in Gloucestershire, England.

8. The Company began writing business in 1982 and, between 1983 and 1994, predominantly wrote London market excess-of-loss business. Most, if not all, of the policies comprising the Company’s portfolio were written in the U.K.

9. The Petitioners believe that the Company’s policyholders are mostly situated in the U.K. and the U.S.

10. The Company ceased underwriting new and renewal business in January 1994.

11. On November 1, 2003, PRO Insurance Solutions Ltd. was appointed by the Company to manage the run-off of the Company's business.

THE ENGLISH PROCEEDING

12. After undertaking an actuarial review of the Company's financial position and determining that it is insolvent on a balance sheet basis, the directors of the Company determined that placing the Company into administration under the U.K. Insolvency Act 1986 (the "UK Insolvency Act") would be the most practical way to either rescue the Company as a going concern, or failing that, to achieve a better realization for the Company's creditors as a whole than would be the case if the Company were to be placed into liquidation.

13. On October 25, 2007, the directors of the Company filed an application with the English Court requesting the appointment of the Petitioners as the joint administrators charged with managing the affairs, business and property of the Company in accordance with the UK Insolvency Act.

14. An administration under the UK Insolvency Act is a procedure intended to salvage a company that is, or may become, insolvent as a going concern. The overriding purpose of an administration is to rescue the company as a going concern. Thus, the Petitioners must perform their functions with the objective of rescuing the Company as a going unless it is not practical to do so or they could otherwise achieve a better result for the Company's creditors as a whole.

15. On November 1, 2007, the English Court conducted a hearing to consider the application and subsequently entered an order appointing the Petitioners as the joint administrators of the Company (the “Administration Order”). A certified copy of the Administration Order is attached to the Verified Petition and Motion as Exhibit B. In addition, pursuant to the Administration Order, the English Court approved the appointment of the Petitioners as foreign representatives authorized to commence this Chapter 15 case.

16. As a result of the commencement of the English Proceeding, parties are prohibited from taking any actions to enforce security interests in the Company’s property, repossessing goods in the Company’s possession and commencing or continuing any proceedings against the Company or its property (absent consent of the administrator or leave of the English Court). Such moratorium continues throughout the administration.

17. While in administration, the Company is managed by court-appointed joint administrators and the directors of the Company are, in nearly all respects, suspended from their duties. Once appointed, the joint administrators act as officers of the English Court.

RELIEF REQUESTED

18. The Petitioners respectfully submit that service of the (i) Notice, (ii) Official Form Chapter 15 Petition and (iii) Verified Petition and Motion (without the exhibits thereto, except for Exhibit C, which is the proposed order granting the relief requested in the Verified Petition and Motion), (collectively, the “Notice Documents”) by United States mail, first-class postage prepaid, upon all known potential creditors and all other parties against whom relief is sought (or their counsel), whose addresses are available to the Company, in accordance with Bankruptcy Rule 2002(a), on or before December 19, 2007, and publication of the Notice in the

Insurance Day, which is published out of London and circulated throughout Europe, the worldwide edition of *Financial Times*, and in the national edition of *The Wall Street Journal* (collectively, the “Notice Publications”) on or before December 27, 2007, constitutes adequate and sufficient notice of this Chapter 15 case and the relief sought in the Verified Petition and Motion.

19. The Petitioners further request that this Court waive the requirement set forth in Bankruptcy Code section 1517(c), which provides that when notification of the commencement of a case is to be given to foreign creditors, such notification shall, *inter alia*, indicate the time period for filing proofs of claim, specify the place for filing such proofs of claim and indicate whether secured creditors need to file proofs of claim. 11 U.S.C. § 1514(c).

20. In the English Proceeding, there currently is no deadline by which creditors are required to submit their claims. As such, the Petitioners respectfully request that the Court waive the above-referenced requirements set forth in section 1517(c) of the Bankruptcy Code and approve the foregoing manner of service of the Service Documents pursuant to Bankruptcy Rules 2002(a), 9007 and 9008.

21. In the event that a claims bar date is established, in accordance with the UK Insolvency Act or the U.K. Companies Act 1985, whichever is applicable, the Petitioners will notify all parties whose names appear on the master service list of the deadline for submitting proofs of claim. Such notification will specify the procedure for submitting proofs of claim and indicate which creditors are required to submit proofs of claim.

22. Bankruptcy Rule 1011(b) provides that a party objecting to a petition filed to commence an ancillary proceeding under Chapter 15 of the Bankruptcy Code has 20 days from

the date of service of the petition to respond thereto, except that if service is made by publication on a party not residing within the state in which the court sits, the court shall prescribe the time for filing and serving the response. Fed. R. Bankr. P. 1011(b). Bankruptcy Rule 2002(q)(1) provides that parties are to be given 20 days' notice of a hearing to consider granting the relief requested in a Chapter 15 petition. Fed. R. Bankr. P. 2002(q)(1).

23. Pursuant to these Bankruptcy Rules, the Petitioners request that the Court set a hearing on the Verified Petition and Motion (the "Recognition Hearing") on January 21, 2008, or as soon thereafter as the Court's calendar permits.

24. The Petitioners also request that the Court require that any party-in-interest wishing to submit a response or objection to the Verified Petition and Motion or the relief requested by the Petitioners must do so in accordance with the Bankruptcy Code, the Federal Rules of Bankruptcy Procedure and the local rules of this Court, and that such response or objection be in writing and set forth the basis therefor, which response or objection must be filed electronically with the Court by registered users of the Court's electronic case filing system in accordance with General Order M-242, (a copy of which may be viewed on the Court's website at www.nysb.uscourts.gov) and by all other parties-in-interest, on a 3.5 inch disc, preferably in Portable Document Format (PDF), Word Perfect or any other Windows-based word processing format, which disc shall be sent to the Office of the Clerk of the Court, Room 606, One Bowling Green, New York, New York 10004-1408, and a hard copy of such response or objection to be sent to the Chambers of the Honorable Martin Glenn, United States Bankruptcy Judge, and served upon Clifford Chance US LLP, 31 West 52nd Street, New York, New York 10019 (Attention: Sara M. Tapinekis), United States counsel to the Petitioners, so as to be received on or before 4:00 p.m. (New York time) three business days prior to the Recognition Hearing.

BASIS FOR RELIEF REQUESTED

27. The Petitioners undertook a review of the Company's records and based on the information reasonably available to them, compiled a list of brokers, known potential creditors and other parties-in-interest for which the Petitioners have addresses as of the date of the filing of the Verified Petition and Motion. This list also includes parties to any litigation and/or arbitration that is currently pending in the U.S. To the extent that the Petitioners become aware of additional potential creditors and parties to any litigation and/or arbitration involving the Company in the United States, counsel for the Petitioners will effect service upon such entities within five business days, and as set forth above.

28. Despite the extensive research that the Company has conducted, the Petitioners believe that there may be additional potential creditors, parties to litigation involving the Company currently pending in the United States and parties-in-interest for whom the Petitioners will not be able to obtain names and/or addresses. The most expedient and cost-effective means of effecting service of process upon entities of the Recognition Hearing is by publication of the Notice in the Notice Publications. The Notice contains information on how parties-in-interest can obtain a copy of the Petition and the other Supporting Documents.

29. Bankruptcy Rules 9007 and 9008 permit this Court to prescribe the time, form and manner in which notice shall be given, including authority to authorize the form and manner of notice by publication. Fed. R. Bankr. P. 9007 and 9008.

30. The Petitioners respectfully submit that this Court should permit service of the Notice Documents by United States mail, first-class postage prepaid, upon all brokers, known potential creditors and parties against whom relief is sought (or their counsel), in accordance

with Bankruptcy Rule and 2002(a), on or before December 19, 2007 and publication of the Notice in the Notice Publications on or before December 27, 2007 and that such service and notice constitutes adequate and sufficient notice of this Chapter 15 case and the relief sought in the Verified Petition and Motion.

WHEREFORE, the Petitioners respectfully request that this Court enter an order substantially in the form attached hereto as Exhibit A and the Court grant such other and further relief as is just and proper.

Dated: New York, New York
December 18, 2007

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