Notice of Change

to the

Directors' Circular dated July 18, 1997

relating to

THE OFFER BY ROYAL BANK OF CANADA

TO PURCHASE

ALL OF THE OUTSTANDING COMMON SHARES OF

LONDON INSURANCE GROUP INC.

THE BOARD OF DIRECTORS
HAS UNANIMOUSLY DETERMINED TO
WITHDRAW ITS RECOMMENDATION
OF THE OFFER BY
ROYAL BANK OF CANADA

August 26 , 1997

TABLE OF CONTENTS

LONDON INSURANCE GROUP INC.
Notice of Change
to the
Directors' Circular dated July 18, 1997

This notice of change (the "Notice of Change") relates to the directors' circular (the "Directors' Circular") of the board of directors (the "Board of Directors") of London Insurance Group Inc. (the "Corporation") dated July 18, 1997 issued in connection with the offer (the "Bank's Offer") by Royal Bank of Canada (the "Bank") to purchase all of the outstanding common shares (the "Common Shares") of the Corporation.

This Notice of Change incorporates by reference the information contained in the Directors' Circular as modified or amended in this Notice of Change. Unless the context otherwise requires, terms not defined in this Notice of Change have the meanings set forth in the Directors' Circular. All monetary amounts expressed in this Notice of Change are expressed in Canadian dollars, unless otherwise specified.

OFFER BY GREAT-WEST

On August 19, 1997, Great-West Lifeco Inc. announced its intention to make an offer (the "Great-West Offer") for all of the outstanding Common Shares at a price of $33.50 per share, payable in cash or in a combination of cash and securities, as described in its news release issued on August 19, 1997. On August 26, 1997, Great-West Lifeco Inc. announced that it intends to vary the proposed Great-West Offer to increase the consideration to $34.00 per share, payable in cash or in a combination of cash and securities, as described in its news release issued on August 26, 1997. The Corporation expects the Great-West Offer to be mailed to Shareholders shortly.

On August 19, 1997, the Board of Directors determined that the Great-West Offer, if made, would be more favourable to Shareholders from a financial point of view than the Bank's Offer and that, subject to reviewing the detailed terms of the Great-West Offer and assuming no other developments, the Board intends to recommend that Shareholders accept the Great-West Offer. On August 21, 1997, the Bank announced that it does not intend to increase the consideration under the Bank's Offer.

On August 25, 1997, Trilon Financial Corporation ("Trilon") informed the Board of Directors that if Trilon were released from its obligation to tender its Common Shares to the Bank's Offer, it would be prepared to enter into an irrevocable lock-up agreement (the "Great-West Lock-Up Agreement") with Great-West Lifeco Inc. and The Great-West Life Assurance Company (together, "Great-West"). Merrill Lynch Canada Inc. advised the Board of Directors that the Great-West Offer is fair from a financial point of view to the Common Shareholders of the Corporation, taken as a group, subject to the assumptions and qualifications contained in its fairness opinion, a copy of which will be attached to the directors' circular relating to the Great-West Offer and will be mailed to Shareholders at the time, or shortly after, the Great-West Offer is mailed to Shareholders. On August 25, 1997, the Board of Directors unanimously determined to terminate the support agreement dated June 26, 1997 between the Corporation and the Bank (the "Bank Support Agreement") and to pay the $70 million termination fee referred to below. (See "Support Agreement with Royal Bank" below.)

On August 26, 1997, the Corporation terminated the Bank Support Agreement and entered into a new support agreement with Great-West (the "Great-West Support Agreement") under which Great-West agreed to make the Great-West Offer and the Corporation agreed to recommend that Shareholders accept the Great-West Offer. Trilon was thereby released from its obligation under the lock-up agreement dated June 26, 1997 between it and the Bank (the "Bank Lock-Up Agreement") to tender its Common Shares to the Bank's Offer. At that time, Trilon entered into the Great-West Lock-Up Agreement. (See "Support Agreement with Great-West" and "Lock-Up Agreement with Great-West" below.)

BACKGROUND TO THE GREAT-WEST OFFER

On August 5, 1997, Great-West made an unsolicited approach to the Corporation requesting access to confidential information for the purpose of making an offer to acquire all of the outstanding Common Shares. After considering the written proposal made by Great-West, the Board of Directors concluded that it was entitled, under the terms of the Bank Support Agreement, to grant access to Great-West to carry out due diligence.

On August 9, 1997, Great-West and the Corporation entered into a confidentiality agreement. Under the terms of the confidentiality agreement, Great-West was permitted to carry out due diligence for a period of six days.

On August 19, 1997, Great-West announced the Great-West Offer. At a meeting later that day, the Board of Directors determined that the Great-West Offer, if made, would be more favourable to Shareholders from a financial point of view than the Bank's Offer and that, subject to reviewing the detailed terms of the Great-West Offer and assuming no other developments, the Board intended to recommend that Shareholders accept the Great-West Offer.

On August 26, 1997, Great-West Lifeco Inc. announced that it intends to vary the proposed Great-West Offer to increase the consideration to $34.00 per share, payable in cash or in a combination of cash and securities, as described in its news release issued on August 26, 1997.

SUPPORT AGREEMENT WITH ROYAL BANK

Under the Bank Support Agreement, the Board of Directors was permitted to withdraw, modify or change any recommendation regarding the Bank's Offer and to terminate the Bank Support Agreement in response to a *bona fide* Competing Transaction (as defined below) that had not been solicited, initiated, assisted or encouraged, except as permitted pursuant to the terms of the Bank Support Agreement, by or on behalf of the Corporation or any affiliate or associate of the Corporation where:

(a) the Bank was notified by the Corporation of the Competing Transaction in accordance with the Bank Support Agreement and the Bank did not publicly announce (within a period of three business days) an intention to increase the cash consideration per Common Share offered under the Bank's Offer and did not amend (within a further period of two business days) the Bank's Offer to increase the all cash price to at least equal the price under the Competing Transaction and to correspondingly increase the cash portion of the cash and securities option under the Bank's Offer; and

(b) in the opinion of the Board of Directors of the Corporation acting in good faith, on the advice of the Corporation's outside counsel, a failure to so respond would be inconsistent with its fiduciary obligations under applicable law.

In the Bank Support Agreement, a "**Competing Transaction**" was defined to be a written offer or proposal by a third party: (i) to purchase or otherwise acquire all of the Common Shares, (ii) that provides for cash consideration per Common Share that is in excess of the cash consideration offered by the Bank for each Common Share pursuant to the Bank's Offer, (iii) that is made or proposed to be made by means of a take-over bid, amalgamation or plan of arrangement and is available to all holders of Common Shares, (iv) with conditions no more beneficial, taken as a whole, to the person making the offer than those contained in the Bank's Offer for the benefit of the Bank, and (v) which the Board of Directors of the Corporation determines to be more favourable to Shareholders from a financial point of view than the Bank's Offer and intends to recommend to Shareholders.

On August 19, 1997, the Board of Directors of the Corporation determined that the Great-West Offer was a Competing Transaction as defined in the Bank Support Agreement and notified the Bank of that determination. The Bank announced on August 21, 1997 that it did not intend to increase the consideration under the Bank's Offer. Accordingly, the Corporation was permitted under the Bank Support Agreement to modify or withdraw its recommendation of the Bank's Offer and to terminate the Bank Support Agreement upon payment to the Bank of a termination fee of $70 million.

On August 26, 1997, the Corporation paid the termination fee of $70 million referred to above and terminated the Bank Support Agreement. Accordingly, it has no further liability under the Bank Support Agreement, including any liability to reimburse the Bank for any expenses, and Trilon is released from its obligation under the Bank Lock-Up Agreement to tender its Common Shares under the Bank's Offer.

WITHDRAWAL RIGHTS UNDER THE BANK'S OFFER

The Bank's Offer is open for acceptance until 5:00 p.m. (local time at the place of deposit) on Monday, September 8, 1997, unless extended by the Bank. Common Shares deposited under the Offer may not be withdrawn until after midnight on August 29, 1997 and only if those shares have not been taken up or paid for under the Bank's Offer by that date. Under applicable securities legislation, the Bank may not take up and pay for Common Shares under the Bank's Offer prior to September 8, 1997 without first giving Shareholders notice and an opportunity to withdraw their Common Shares, unless all of the conditions to the Bank's Offer have been met. Given that Trilon has entered into the Great-West Lock-Up Agreement, the Corporation does not expect the conditions to the Bank's Offer to be met.

SUPPORT AGREEMENT WITH GREAT-WEST

Great-West Offer and Recommendation

Under the Great-West Support Agreement, Great-West has, subject to certain conditions, agreed to make the Great-West Offer and the Corporation has agreed that its Board of Directors will recommend that Shareholders accept the Great-West Offer. Great-West has agreed not to amend, modify or change the Great-West Offer without the prior written consent of the Corporation, other than to increase the consideration under the Great-West Offer, waive any conditions to the Great-West Offer or comply with the legal obligations of Great-West with respect to any amendment, modification or change of the Great-West Offer. These restrictions cease to apply in the event of a Competing Transaction (as defined in the Great-West Support Agreement). Although the Great-West Offer will initially be open for 40 calendar days, under the Great-West Support Agreement Great-West has agreed to extend the Great-West Offer for such longer period as may be necessary to obtain requisite regulatory approvals up to a maximum of 180 calendar days, so long as there is a reasonable prospect of the approvals being obtained within that period of time.

Restrictions on Other Transactions

The Corporation also agreed in the Great-West Support Agreement that it will not take any action which may reduce the likelihood of success of or delay the take up and payment of Common Shares deposited under the Great-West Offer or the completion of the Great-West Offer, including any action to continue, solicit, initiate, assist or encourage other inquiries, submissions, proposals or offers from any other person, entity or group relating to, and will not continue or participate in any discussions or negotiations regarding or furnish to any other person, entity or group any information with respect to, or otherwise co-operate in any way with or assist or participate in, or facilitate or encourage any effort or attempt with respect to:

(a) the direct or indirect acquisition or disposition of all or any Common Shares or any other securities of the Corporation or its subsidiaries; or

(b) any amalgamation, merger, sale (other than a sale in the ordinary course of business consistent with past practice or certain permitted sales referred to in the Great-West Lock-Up Agreement) of any part of the Corporation's or any of its subsidiaries' assets, substantial issuer bid, substantial dividend or distribution out of the ordinary course of business, take-over bid, plan of arrangement, reorganization, recapitalization, liquidation or winding-up of, reverse take-over or other business combination or similar transaction involving, the Corporation or any of its subsidiaries or assets.

Notwithstanding the foregoing, the Corporation is entitled to supply information to a third party in response to an unsolicited written proposal which, if implemented, would, in the Corporation's reasonable judgment, constitute a Competing Transaction provided such third party enters into a confidentiality agreement with the Corporation on terms substantially the same as the terms of the confidentiality agreement entered into between Great-West and the Corporation dated August 9, 1997 and provided that all such information made available to the third party has been, or immediately will be, provided to Great-West.

Notwithstanding any other term of the Great-West Support Agreement, the Board of Directors of the Corporation is permitted to withdraw, modify or change any recommendation regarding the Great-West Offer in response to a *bona fide* Competing Transaction that has not been solicited, initiated, assisted or encouraged, except as permitted pursuant to the terms of the Great-West Support Agreement, by or on behalf of the Corporation or any affiliate or associate of the Corporation where:

(a) Great-West has been notified by the Corporation of the Competing Transaction in accordance with the Great-West Support Agreement and Great-West does not publicly announce an intention to increase the cash consideration per Common Share offered under the Great-West Offer and does not amend the Great-West Offer to increase the all cash price to at least equal the price under the Competing Transaction and to correspondingly increase the cash portion of the cash and securities options under the Great-West Offer; and

(b) in the opinion of the Board of Directors of the Corporation acting in good faith, on the advice of the Corporation's outside counsel, a failure to so respond would be inconsistent with its fiduciary obligations under applicable law.

The Corporation believes that it is highly unlikely that it would receive a proposal which would constitute a Competing Transaction in light of Trilon's irrevocable agreement to deposit the Common Shares beneficially owned by Trilon and its wholly-owned subsidiaries under the Great-West Offer as described below under "Lock-Up Agreement with Great-West".

Restrictions on Conduct of Business

In addition, the Corporation has agreed that, except with Great-West's consent, in operating the business and affairs of the Corporation and its subsidiaries, it will not take any action with respect to or enter into certain corporate transactions, acquisitions, dispositions, capital expenditures or similar matters. The Corporation has also agreed to provide reasonable ongoing access to Great-West during the term of the Great-West Support Agreement, upon reasonable notice to the Corporation, to all of the Corporation's and its subsidiaries' personnel, assets, properties, books, records, agreements and commitments.

Expenses

The Corporation has agreed to reimburse Great-West for all reasonable out-of-pocket expenses and fees incurred by Great-West or on its behalf in connection with the Great-West Support Agreement and the making of the Great-West Offer to a maximum aggregate amount of $10,000,000 if Great-West does not make or withdraws the Great-West Offer or elects not to take up and pay for any Common Shares deposited under the Great-West Offer solely as a result of:

(a) certain conditions precedent contained in the Great-West Lock-Up Agreement or conditions of the Great-West Offer not being satisfied or fulfilled; or

(b) the Corporation breaching in any material respect certain of its obligations contained in the Great-West Support Agreement;

provided Great-West is not in material breach of any of its covenants and agreements contained in the Great-West Support Agreement or the Great-West Lock-Up Agreement.

Great-West has agreed to reimburse the Corporation for all reasonable out-of-pocket expenses and fees up to a maximum aggregate amount of $10,000,000 incurred by the Corporation in connection with the Great-West Offer if Great-West is in breach of certain of its obligations, representations or warranties contained in the Great-West Support Agreement and the Corporation is not in material breach of any of its covenants and agreements contained in the Great-West Support Agreement.

Termination

The Corporation has agreed to pay to Great-West a termination fee equal to $70,000,000 if Great-West does not make or withdraws the Great-West Offer or elects not to take up and pay for any Common Shares deposited under the Great-West Offer if:

(a) the Corporation's Board of Directors adversely modifies or withdraws its recommendation;

(b) the Corporation takes any action to terminate the Great-West Support Agreement as a result of Great-West not increasing the consideration under the Great-West Offer to that of any Competing Transaction as contemplated above; or

(c) the Corporation breaches in any material respect certain of its obligations contained in the Great-West Support Agreement.

If the Corporation becomes obligated to and pays the termination fee of $70,000,000 referred to above, it will have no further liability under the Great-West Support Agreement, including any liability to reimburse Great-West for any expenses.

The Corporation may terminate the Great-West Support Agreement, when not in default in performance of its obligations under the Great-West Support Agreement, if:

(a) the Great-West Offer is not made or is modified in a manner not to conform with the description set out in the Great-West Support Agreement;

(b) the Common Shares deposited under the Great-West Offer (including the Common Shares owned by Trilon and its wholly-owned subsidiaries) have not, for any reason whatsoever, been taken up and paid for on or before the expiry of 10 days after the expiry (including any permitted extensions) of the Great-West Offer;

(c) Great-West breaches the Great-West Support Agreement in any material respect; or

(d) Great-West has been notified by the Corporation of a Competing Transaction and Great-West does not increase the cash consideration under the Great-West Offer as contemplated above (provided the Corporation has fulfilled its obligation to pay the termination fee of $70,000,000 referred to above).

Great-West may terminate the Great-West Support Agreement, when not in default of its obligations under the Great-West Support Agreement:

(a) if the conditions to the Great-West Offer are not satisfied or waived on or before the expiry of the Great-West Offer;

(b) in the circumstances entitling Great-West to payment of the termination fee of $70,000,000 referred to above; or

(c) if the Corporation breaches the Great-West Support Agreement in any material respect.

LOCK-UP AGREEMENT WITH GREAT-WEST

Agreement to Deposit

Under the Great-West Lock-Up Agreement, Trilon has agreed irrevocably to deposit under the Great-West Offer the 46,405,834 Common Shares beneficially owned by Trilon and its wholly-owned subsidiaries. A holder of Common Shares will be entitled to accept the Great-West Offer, subject to compliance with certain requirements, by tendering to Great-West all of the shares of a holding company which in turn owns Common Shares. Trilon intends to accept the Great-West Offer in this manner.

Restrictions on Other Transactions

Trilon agreed in the Great-West Lock-Up Agreement that:

(a) it will not take any action which may reduce the likelihood of success of or delay the take up and payment of Common Shares deposited under the Great-West Offer or the completion of the Great-West Offer, including any action to continue, solicit, initiate, assist or encourage other inquiries, submissions, proposals or offers from any other person, entity or group relating to, and will not continue or participate in any discussions or negotiations regarding or furnish to any other person, entity or group any information with respect to, or otherwise co-operate in any way with or assist or participate in, or facilitate or encourage any effort or attempt with respect to:

  (i) the direct or indirect acquisition or disposition of all or any Common Shares or any other securities of the Corporation or its subsidiaries; or

  (ii) any amalgamation, merger, sale (other than a sale in the ordinary course of business consistent with past practice or certain permitted sales referred to in the Great-West Lock-Up Agreement) of any part of the Corporation's or any of its subsidiaries' assets, substantial issuer bid, substantial dividend or distribution out of the ordinary course of business, take-over bid, plan of arrangement, reorganization, recapitalization, liquidation or winding-up of, reverse take-over or other business combination or similar transaction involving the Corporation or any of its subsidiaries or assets; and

(b) it will notify Great-West forthwith upon becoming aware of a Competing Transaction.

Trilon has also agreed not to permit the Corporation to take certain corporate actions pending completion of the Great-West Offer.

Termination and Withdrawal

Trilon may terminate its obligations under the Great-West Lock-Up Agreement, when not in default in performance of its obligations under the Great-West Lock-Up Agreement, if:

(a) the Great-West Offer is modified in a manner not to conform with the description set out in the Great-West Lock-Up Agreement; or

(b) the Common Shares deposited under the Great-West Offer (including the Common Shares beneficially owned by Trilon and its wholly-owned subsidiaries) have not, for any reason whatsoever, been taken up and paid for on or before the expiry of 10 days after the expiry (including any permitted extensions) of the Great-West Offer.

In addition, Trilon is entitled to withdraw any of the Common Shares which it deposits under the Great-West Offer:

(a) if the Great-West Offer is not extended beyond its initial 40 day period in order to permit any requisite regulatory approvals to be obtained or statutory or regulatory waiting periods to expire, and Great-West does not take up and pay for the Common Shares deposited under the Great-West Offer on or before 50 days after the Great-West Offer; or

(b) if the Great-West Offer is extended up to a maximum of 180 days as contemplated in item (a) above, and Great-West does not take up and pay for the Common Shares under the Great-West Offer on or before the 10th day next following expiration of the Great-West Offer.

Great-West may terminate the Great-West Lock-Up Agreement, when not in default of its obligations under the Great-West Lock-Up Agreement, if:

(a) the conditions to the Great-West Offer are not satisfied or waived on or before the expiry (including any permitted extensions) of the Great-West Offer;

(b) Trilon has not complied with any of its covenants under the Great-West Lock-Up Agreement in any material respect; or

(c) the Corporation has not complied with any of its covenants under the Great-West Support Agreement in any material respect.

If the transactions contemplated by the Great-West Lock-Up Agreement are not consummated for any reason, other than termination of the Great-West Lock-Up Agreement by Trilon, then Trilon shall pay or cause to be paid to Great-West a fee in an amount equal to $39,900,000 if:

(a) at any time prior to the date that is six months after the date the Great-West Lock-Up Agreement is terminated, subject to certain exceptions, any of the following transactions occurs:

    (i) a sale, exchange, transfer or other disposition of all or a substantial portion of the businesses and assets of the Corporation or its subsidiaries;

    (ii) a merger, amalgamation, arrangement, reorganization or other business combination or similar transaction of or affecting the Corporation or its subsidiaries; or

    (iii) a sale, exchange, transfer or other disposition of all or substantially all the Common Shares owned by Trilon; and

(b) the Corporation does not pay the termination fee of $70,000,000 provided for in the Great-West Support Agreement.

SALE OF SECURITY FIRST

On August 13, 1997, the Corporation entered into an agreement with Metropolitan Life Insurance Company ("MetLife") to sell Security First Group, Inc. ("Security First"), the Corporation's wholly-owned U.S. subsidiary, to MetLife for U.S. $377 million ($525 million) in cash. The closing of the transaction is subject to usual closing conditions, including regulatory approvals. The Corporation will record a pre-tax gain on the sale of U.S. $170 million ($240 million). The Corporation decided to sell Security First for strategic reasons and commenced the process for the sale of Security First before the announcement of the Bank's Offer.

STATUTORY RIGHT OF ACTION FOR DAMAGES

Securities legislation in certain of the provinces and territories of Canada provides Shareholders of the Corporation with, in addition to any other rights they may have at law, a right of action for damages if there is a misrepresentation in a circular or notice that is required to be delivered to them. However, such rights must be exercised within prescribed time limits. Shareholders should refer to the applicable provisions of the securities legislation of their province or territory for particulars of those rights or consult with a lawyer.

The *Securities Act* (Alberta) provides, in effect, that, where a directors' circular or an amendment thereto sent to offerees whose latest address, as shown on the books of an offeree company, is in Alberta contains a misrepresentation, every such offeree shall be deemed to have relied on such misrepresentation and shall have a right of action for damages against:

(a) every person who, at the time the circular or the amendment was signed, was a director of the offeree company; and

(b) every person or company whose consent has been filed pursuant to a requirement of the regulations under that Act but only with respect to reports, opinions or statements that have been made by them; but no action to enforce a right of action for damages can be commenced by an offeree more than the earlier of 180 days after the offeree first had knowledge of the facts giving rise to the cause of action and one year from the date of the transaction that gave rise to the cause of action.

Such rights are in addition to and without derogation from any other rights such Shareholder may have.

APPROVAL OF THE NOTICE OF CHANGE TO THE DIRECTORS' CIRCULAR

The contents of this Notice of Change have been approved, and the delivery of this Notice of Change has been authorized, by the Directors of the Corporation.

CERTIFICATE

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it is made. The foregoing does not contain any misrepresentation likely to affect the value or market price of the securities subject to the Bank's Offer within the meaning of the *Securities Act* (Quebec).

DATED: August 26, 1997

(Signed) Fredric J. Tomczyk
President and
Chief Executive Officer

(Signed) Glenn A. Hickling
Vice-President and
Chief Financial Officer

On behalf of the Board of Directors

(Signed) Melvin M. Hawkrigg
Director

(Signed) George E. Myhal
Director