



**Mandatory Suspension of Dividends Notice
Pursuant to Section 4(a) of the Certificate of Designations**

Pursuant to the provisions of Section 4(a) of the Certificate of Designations for the Perpetual Preferred Shares, Scottish Re Group Limited (the "Company") hereby notifies holders of the Perpetual Preferred Shares that the Company has not met certain financial tests required for the Company to pay dividends, as described in more detail below. As a result, the Company is precluded by the terms of the Perpetual Preferred Shares from declaring and paying dividends on the January 15, 2013 dividend payment date.

The Company is precluded from declaring and paying such dividends because the Company's Trailing Four Quarters Consolidated Net Income Amount for the period ending on the quarter that is two quarters prior to the most recently completed quarter before the Dividend Declaration Date was a negative amount, and the Adjusted Shareholders' Equity Amount as of the most recently completed quarter before that Dividend Declaration Date and as of the end of the quarter that is two quarters before the most recently completed quarter before that Dividend Declaration Date had declined by 10% or more as compared to the Adjusted Shareholders' Equity Amount at the end of the date that is ten quarters prior to the most recently completed quarter before that Dividend Declaration Date.

In connection with the foregoing, the Adjusted Shareholders' Equity Amount as of September 30, 2012 was \$(40.0) million. The Company generally will be precluded by the terms of the Perpetual Preferred Shares from declaring and paying dividends on the April 15, 2013 dividend payment date unless the Adjusted Shareholders' Equity Amount as of December 31, 2012 is greater than \$69.5 million.

Terms not otherwise defined herein shall have the definitions ascribed to them in the Certificate of Designations for the Perpetual Preferred Shares.