

THE BERMUDA FIRE & MARINE INSURANCE COMPANY LIMITED
(In Liquidation)

c/o KWELM Management Services Limited, John Stow House, 18 Bevis Marks, London EC3A 7JB, United Kingdom

Brokers, intermediaries and other agents are requested to bring this letter to the attention of their clients who have, or may have, claims against the Company.

Mr X
XYZ Co
Xx Any Street
Any Town
Any State
Any Country
AN1 1NY

16 July, 2004

Dear Sirs

The Bermuda Fire & Marine Insurance Company Limited (in liquidation) (the "Company")

<p>IMPORTANT INFORMATION – see explanation below in “How do I access the website?” Web site address: www.bfmic.bm Your User Identification Number is: Your Password is: OR User identification Number and Password to be applied for on behalf of, or by, a Scheme Creditor</p>

We refer to our letter of 15 April 2004 attaching details of the proposed Amending Scheme of Arrangement dated 15 April 2004 (the “Scheme”). We are pleased to be able to inform you that the creditors overwhelmingly approved the proposals at meetings on 18 May 2004. On 18 June 2004 the Courts in England and Bermuda sanctioned the Scheme and on 23 June 2004 the US Bankruptcy Court for the Southern District of New York entered a Permanent Injunction Order under Section 304 of the United States Bankruptcy Code (“304 Order”).

The provisions of the Scheme came into effect on 25 June 2004 (“the Amending Scheme Effective Date”). We now enclose a formal notice as required under Clause 8.4.1 of the Scheme, which also provides details of the Bar Date introduced by the Scheme and the rates of interest that will be used by the liquidators in determining the net present value of future claims. This notice has already appeared as an advertisement. We also attach a copy of the text of the 304 Order, the Exhibits to which are available on www.bfmic.bm.

The Bar Date is 29 September 2004 and the Liquidators must have received by 23.59 GMT on that date any claim that you may wish to make on the Claim Form together with ALL Supporting Information. We are not obliged to take into account any Supporting Information which has not been supplied to us by the Bar Date, unless we have specifically requested it. Scheme Creditors are therefore urged to ensure that FULL Supporting Information accompanies any claim that is not already established.

We remain willing to consider, at any time up to the Bar Date, proposals by Scheme Creditors for the purpose of agreeing the amount of their present and future Scheme Claims against BFMIC (including Outstanding Losses and IBNR) as well as any amounts due by a Scheme Creditor to BFMIC. Failing such agreement, **Scheme Creditors who do not submit a Claim Form and all Supporting Information so as to be received by the Liquidators before the Bar Date will not be entitled to receive any payments under the Scheme in respect of Scheme Claims that are not already established at the Amending Scheme Effective Date.**

Joint Liquidators:- Gareth H. Hughes, L. Anthony Joaquin, and John C. McKenna

Ernst & Young, Reid Hall, 3 Reid Street
Hamilton HM 11, Bermuda

Ernst & Young LLP, One More London Place,
London SE1 2AF, United Kingdom

What happens next?

Details of the procedure for submitting claims are set out in Part VII and Appendix H of the Explanatory Statement in the Scheme Document.

The Scheme Document can be downloaded from www.bfmic.bm and is available in hard copy or on CD ROM on request from the BFMIC Creditor Helpdesk at the above address. The version of the Scheme Document approved by creditors contained markings to highlight the amendments to the original Scheme; to assist creditors, a clean unmarked version is also available through the BFMIC website.

What should I do to make a claim?

In accordance with the Scheme, a Claim Form, for completion by Scheme Creditors, is available on the BFMIC website at www.bfmic.bm. You are encouraged to access and submit your Claim Form through the BFMIC website at www.bfmic.bm as soon as possible. Submission in this way will help to ensure that you provide all the required information and reduce administrative costs, thus maximising the funds available for distribution to all Scheme Creditors. If you would prefer not to submit your claim through the website you may request a hard copy of your Claim Form and Claim Form Guidance Notes from the Liquidators at the above address.

If your only claim is in relation to a liability that has already been established, then you are requested to notify the Liquidators that that is the case by submitting your Claim Form (which will include your Established Scheme Liabilities) without amendment.

If you wish to make a new, or amend an existing, claim then you will need to submit a Claim Form, adding details of that claim, to the Liquidators. In addition to the Claim Form, you must send full Supporting Information to the Liquidators before the Bar Date. **Details of how to complete the Claim Form and the Supporting Information required are detailed in the Claim Form Guidance Notes in the Scheme Document.**

How do I access the website?

Using your internet browser, access the BFMIC website (www.bfmic.bm). From the home page (under "Latest News"), or the "Links" page, click on the link for BFMIC Submission Website. This will direct you to the Login screen where you will be asked to enter your User Identification Number and Password (see below). To enter the BFMIC Submission Website we recommend you use Microsoft Internet Explorer (v 5.0 or greater), which can be downloaded from the "Links" tab of the BFMIC website.

If the Liquidators hold a verified address for you, then the box at the start of this letter will contain your User Identification Number and Password.

If the Liquidators do not hold a verified address for you, then the above box will contain the words “User Identification Number and Password to be applied for”. In these circumstances, if you wish to make a claim, you should urgently request a User Identification Number and Password from the BFMIC Creditor Helpdesk at the address at the top of this letter or, alternatively, contact the Liquidators as provided in the Scheme. You will need to provide evidence of your identity and/or authority to act for a creditor.

What if I have assigned my claim or given an authority to pay another party?

If you have assigned, or have given us an authority to pay in relation to, an Established Scheme Liability to another party, details of that Liability and any payment made on it will not be included on your Claim Form, but will be included in the Claim Form provided to that other party. In the event that you wish us to provide you with details of any such Liabilities, please contact the BFMIC Creditor Helpdesk.

I am a Protected Scheme Creditor – do I need to do anything?

Protected Scheme Creditors will not receive any payments from BFMIC. Instead they will receive, from the Financial Services Compensation Scheme Limited (“FSCS”), the relevant Protected Percentage in respect of such claims as are eventually agreed by the FSCS to be Protected Liabilities as and when those claims mature.

However, Scheme Creditors who mistakenly consider that their claims (including future and contingent claims) are protected, but who do not notify the Liquidators of such claims on a Claim Form (together with Supporting Information) before the Bar Date, will not be entitled to any payments from BFMIC, or from the FSCS, should those claims eventually turn out to be unprotected. Consequently **we strongly urge all Protected Scheme Creditors to submit details of all of their Scheme Claims on a Claim Form so as to be received by us, together with Supporting Information, before the Bar Date.**

Please visit our website at www.bfmic.bm for further information or contact the BFMIC Creditor Helpdesk by email at creditor.helpdesk@bfmic.bm or at the above address if you have any questions arising from this letter.

Yours faithfully



Gareth H Hughes

Liquidators of the Company



John C McKenna