

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

To scheme creditors, policyholders, retrocessionaires and brokers pursuant to Court Orders dated 31 March 2004 and 1 April 2004

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

15 April 2004

Dear Policyholders and Other Creditors

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

On 1 March 2004 we wrote to tell you of applications we had made to the Courts in Bermuda and England. Both Courts have now authorised us to hold meetings of the creditors of the Company to consider and vote on proposals, which include a process to value all unagreed and future claims and to pay final distributions to all creditors. This letter provides information about those meetings, which will be held in Bermuda on 18 May 2004, and attaches the documents described below.

We set out below brief answers to some immediate questions that you may have. It must be emphasised that these answers are for general guidance only and fuller and authoritative details are set out in the attached documents, which you are encouraged to read.

Who or What is the Company?

The Company is an insurance company incorporated in Bermuda pursuant to the Bermuda Fire & Marine Insurance Company Act in 1903, which between 1964 and 1990 underwrote insurance and reinsurance business.

Following the Company's insolvency on the basis of it having insufficient assets to meet all of its liabilities (including estimated future claims), it stopped paying claims in October 1993 and its board resolved to present a petition for the winding up of the Company and to seek the appointment of provisional liquidators in November 1993. In 1994 the Bermudian Courts made a winding up order in respect of the Company and, in 1997, the Company entered into a Scheme (or Plan) of Arrangement under Bermudian and UK law (the "Original Scheme") under which the business has been run off, assets have continued to be realised, claims agreed and partial payment made on valid claims. To date some \$255 million of claims have been agreed, distributions have been made on agreed claims in the amount of 33%, whilst sufficient funds have been retained to enable the same level of distribution, as a minimum, to be paid on future claims. In practice, we expect to be able to distribute a significantly higher percentage to all creditors, in due course.

Why Are We Writing to You?

We are writing to you because we believe you or your organisation may have been a policyholder, and may be a creditor of the Company or may have represented such policyholders. You may have no claims, past or future, or you may already have submitted a claim, which has been agreed or is under consideration. If you are a broker or other intermediary who has represented policyholders of the Company, you are requested to bring this letter to the attention of your relevant clients.

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

THE BERMUDA FIRE & MARINE INSURANCE COMPANY LIMITED

(In Liquidation)

What is the Purpose of This Letter?

The Company has been in run off for more than 7 years. Substantial progress has been made in realising assets, assessing and agreeing claims, and making partial payment to creditors. We will never be in a position to make payment in full (i.e. 100%).

We believe that the natural life of the run off will extend to 2015 or beyond i.e. that is the earliest 'natural' date by which all outstanding matters in the run off would be concluded and final distributions made to creditors. We believe it is now in creditors' interests to accelerate the run off process – and to that end we are inviting you to consider proposals to amend the Original Scheme and to enable final distributions to be made to creditors within the next 3-5 years.

This letter attaches the documents that you will need in order to consider those proposals and which provide information about the creditors' meetings that are to be held on 18 May 2004 to vote on the proposals.

How Much Will You Get and When?

If the proposals (set out in the attached Scheme Document) are approved by creditors, and the claims for future liabilities are agreed broadly in line with our present actuarial advice, as described on pages 49 to 51 of the Scheme Document we would hope to pay an average 'substantive closure distribution' within a range of 53 % to 63 % (less any payments made to date, in the amount of 33%). Subject to the level and complexity of further claims received we would hope to pay this substantial distribution in 2006. Further small 'ultimate' distributions would be likely to follow later.

What Information are You Receiving?

The Original Scheme made no provision for the valuation of unagreed and future claims. To remedy this situation we are now required, under Bermudian and UK Company Law, to initiate a procedure under which creditors consider, and vote on, proposals to amend that Original Scheme and to facilitate closure in a shorter timescale than would otherwise be the case.

We are now providing you with the following items:

1. A CD ROM containing, in electronic format, a copy of the 283 page Scheme Document, which includes:
 - a) An Explanatory Statement, which includes details of the current status of the run-off and the closure proposal. This also sets out the options available to creditors and provides information about the voting process;
 - b) An Amending Scheme, which implements the changes to the Original Scheme; and includes
 - c) The Restated Scheme, which details the proposed amendments to the Original Scheme.

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

2. A copy of the notice of the meetings to be held on 18 May 2004 to consider the proposed Amending Scheme;
3. A Form of Proxy for use at the meetings on 18 May 2004, including details of the voting process to be followed when voting for, or against, the proposals for amending the Original Scheme and facilitating earlier closure.

If you would like further copies of any of these documents, they are available to be downloaded from www.bfmic.bm or if you would prefer a hard copy please contact the BFMIC Creditor Helpdesk at the above address or email creditor.helpdesk@bfmic.bm.

What Should You do Next?

The meetings of the creditors of the Company to vote on the proposals are to be held on 18 May 2004 at 10.00a.m at The Fairmont Hamilton Princess, Pitts Bay Road, Hamilton, Bermuda. If more than 50% in number, and 75% in value of those voting (whether in person or by proxy) approve the proposals they will (subject to Court approvals) be binding on all creditors of the Company (whether they voted or not). Separate meetings will be held for the creditors with protected claims (“Protected Scheme Creditors”) and all other creditors of the Company. A protected claim is one made under a policy that is eligible for compensation from the Financial Services Compensation Scheme in the UK - Appendix F of the attached Explanatory Statement contains a summary relating to policyholder protection in the UK.

If you already have an “Established Scheme Liability” against the Company or believe that you have justifiable and quantifiable future claims, then you should consider the attached documents and decide whether you wish to receive a substantial distribution on your assessed claim, possibly by the end of 2005, by voting in favour, or wait for some years when it is possible that you might receive more (or less), by voting against.

The Committee of Inspection (who have played a very active role on behalf of all creditors) and the Liquidators all recommend that the closure proposals are in the best interests of the general body of creditors.

If you agree, you should vote in favour of the proposals. If however, on consideration of all the documents, you believe that “early closure” is not in your best interests, you should vote against the proposals.

You may vote at the meetings either in person or by proxy (by submitting the attached Form of Proxy in accordance with the instructions attached to it). In either event, you must provide us with an estimate of your claim on the Claim Table that is attached to the Form of Proxy – this estimate of your claim will be used for voting purposes only. If you intend to attend the meetings in person, please arrive no later than 9.00a.m. in order to register and so as to be present to hear the Chairman’s address at the start of the first meeting.

If the requisite majorities approve the proposal on 18 May 2004, it is expected that the Bar Date (by which the Liquidators must have received full details of creditors’ claims) will be set at 29 September 2004.

What if the Proposals are Rejected?

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

If the proposals are rejected by creditors, claims will continue to be considered, agreed and distributions paid thereon until the Committee of Inspection and the Liquidators conclude that no further material claims will be received. A substantial sum of cash will have to be kept back for possible future claims that may emerge. Further distributions on account will therefore be at relatively low levels.

If the proposals are rejected by the Protected Scheme Creditors alone, the provisions of the Amending Scheme will apply, with certain modifications, to all of the other creditors of the Company.

What Other Sources of Information are Available to You?

1. You should consult your broker or other intermediary for advice.
2. You can access the BFMIC help line (+44 (0) 20 7645 4995) or email creditor.helpdesk@bfmic.bm
3. You can access the BFMIC website (www.bfmic.bm)
4. You can contact the Liquidators, John McKenna or Gareth Hughes or Leon Joaquin at the address set out at the head of this letter
5. You can make reference to the Original Scheme document – issued 2 October 1996. Copies available via the website (www.bfmic.bm) or from the Liquidators
6. You can make reference to the two Creditors Reports issued to date – copies are available via the website (www.bfmic.bm) or from the Liquidators

Thank you for your attention.

Yours faithfully



G H Hughes
Joint Liquidators of the Company



J C McKenna