

Club: UK P&I
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TO THE MEMBERS

Dear Sirs

Overspill Reinsurance Arrangements

We refer to circular 3/03 dated February, 2003, in which the Members were informed of the reinsurance arrangements for the 2003 policy year.

We can now confirm that overspill reinsurance has been bought to the same level as the 2002 policy year. This reinsurance will cover approximately 85 per cent of the Association's share of a \$1 billion claim in excess of the Group reinsurance contract (\$2.03 billion). In addition to this specific reinsurance, the Association also has the ability to call on its own Catastrophe Reserve and to make recovery under the long-term reinsurance arrangements with the Swiss Re. The Swiss Re reinsurance is designed to maintain the Association's free reserve within its target band and, in addition, provide specific protection against an overspill claim at a high level. The extent to which these protections are used to minimise or avoid the need for an overspill call on the membership would be a decision for the Directors to take in the light of all the circumstances of a potential claim.

Yours faithfully

THOMAS MILLER (BERMUDA) LTD.