

5 April 2011

Dear Member

The purpose of this letter is to inform you of the outcome of the meeting of Members held on 24 March 2011 at which Members were invited to vote on the Board's recommendation that SIMIA cease accepting new business and be placed into run-off. The full text of the Special Resolution presented to the meeting was as follows:

- "1. That with immediate effect SIMIA should (a) cease entering into any further contracts of insurance, whether new contracts or renewal of existing contracts; (b) cease agreeing any optional extensions to existing contracts of insurance; and (c) place its existing business into run-off."*
- 2. That pending a decision about whether the Articles of Association require revision to allow the Board to conduct an orderly run-off of SIMIA's business, the Board be granted a general power to take any and all steps that it may consider desirable and which are conducive or incidental to dealing with the run-off of the company."*

The Special Resolution was duly passed at the meeting.

Most Members will be familiar with the concept of an insurance company being placed into run-off, but for those who are not, run-off is essentially the process where an insurance company ceases to accept any new business and proceeds to deal with its existing book of business until all its liabilities have been discharged. Ultimately, SIMIA will be removed from the FSA Register, liquidated and dissolved. As SIMIA is a mutual, in the event of there being a surplus, the surplus will be distributed to Members in accordance with the provisions of the Articles of Association.

Having now ratified the Board's decision that SIMIA should cease accepting new business and be placed into run-off, a number of consequences flow from that decision and some of these are mentioned below.

1. Members whose professional indemnity (PI) policies renew between now and 1 October will not be able to renew their policies with SIMIA. Likewise, Members whose PI policies come up for renewal on 1 October 2011 will not be able to renew their PI policies with SIMIA. Your brokers will identify underwriters to replace SIMIA's participation on your insurance programme for the next renewal.
2. SIMIA will not be able to agree optional extensions to the terms of existing contracts of insurance.
3. Although SIMIA is being put into run-off, it will continue to handle and pay claims notified under the terms of the insurance policy. Members should therefore see no change in the manner in which SIMIA handles their claims.

4. It is difficult to predict the length of time it will take to deal with SIMIA's liabilities given the length of time it takes for claims to develop. A general rule of thumb is to assume a ten to fifteen year period for conclusion of the run-off, and most of the activity will be in the early years. Consideration will be given by the Board to the possibility of purchasing additional reinsurance protection in order to eliminate/minimise the risk of further supplementary calls; and as and when the claims have stabilised, the Board will also be looking at reinsurances or other ways of achieving finality for Members at an acceptable cost.

5. Given the absence of renewal premium income, a natural question is whether it is likely that SIMIA will have to make any further supplementary calls. As was explained at the Annual General Meeting on 22 February and the meeting of Members on 24 March, this possibility cannot be discounted altogether and will depend on the way in which claims develop, particularly on the more recent years where the book of claims is relatively immature.

Should any Member have any questions about the decision taken on 24 March and the implications of that decision, they can contact the Managers using the contact details provided in this letter.

Yours faithfully

Ahmed Salim

**For SIMIA Management Company**