



September 13th 2004

A letter to all clients and prospective clients of *BPL Global*

Our Role and Remuneration

You may well have read of the investigation by New York Attorney General, Eliot Spitzer, of placement services agreements (PSAs) in the insurance broking industry and wondered whether it was relevant to your dealings with *BPL Global*.

PSAs are agreements between brokers and insurers that provide for the payment by insurers of additional commissions over and above normal commission paid when insurance is placed. While generally frowned upon by professionals in the political risk insurance market, they are nevertheless a factor, particularly for terrorism and political violence insurance.

Apart from the question of brokers' remuneration, the issue raised by PSAs is one of agency: who does the broker represent? We are increasingly aware that holders of PRI policies are not always completely clear on this point.

However, we at BPL have a very clear position to communicate:

- that BPL acts as the agent of policyholders
- that as your agent, we believe you should understand and agree how we are paid (whether based on commissions or fees, or a combination of both)
- that BPL has no PSAs with any insurer.

Crucially, we see PSAs as incompatible with our role as the policyholder's agent and this has been our position since we first looked at the subject of PSAs in 1998.

The political risk insurance (PRI) market is still building its franchise with both capital providers and policyholders. Both sets of principals in the market are in effect represented by agents: capital providers are represented by professional underwriters, who often act literally as their agents, while you, the policyholders, are (or ought to be) represented by professional brokers.

Apart from their experience and ability, professional underwriters today have a very clear understanding as to their accountability. While they provide a service to policyholders and brokers, professional underwriters know full well that they are accountable to only one principal, namely their capital providers. Because underwriters in the PRI market serve their capital providers well, we are confident that the market will continue to attract capital.

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However, if the market is also to attract policyholders, it is important that policyholders' interests are well represented by market professionals who are equally clear about their accountability to their principals, their clients. This is particularly true in the PRI market, where insurance policies are often complex and tailor-made.

At BPL we seek to look after policyholder's interests professionally, effectively, transparently and loyally. We see our role as important to the long term success of the PRI market: as with any business, the market's most important franchise is with you, its customers. Our belief - that our remuneration should be transparent and agreed by you, the policyholder - flows directly from our view of our role. Additionally, we want to be seen to be providing value for money, so you need to know about the remuneration we receive for acting for you.

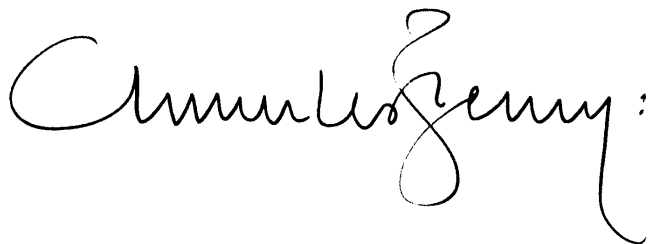
Having thus agreed the basis of our remuneration with you, it would be inappropriate - even with full disclosure - then to negotiate additional commissions with insurers. Whether based on achieving profitability or production targets, or as straight additional commission to attract business, such arrangements would undermine your trust in us as your agent. Hence our policy of having no PSAs with any insurer.

Brokers that do have PSAs defend them as fair remuneration for services they provide to insurers. That argument would not work for us, given our view of our role. Of course we too provide a service that is important to insurers: we 'produce' business for them; we syndicate risks between insurers; we work with them to develop new products; we promote the market. Many agency businesses outside the insurance industry also provide a service to both sides of a transaction and we see insurance broking in the same light.

However, this has not muddled our views on accountability: while providing a service that also benefits underwriters, we still remain accountable only to you, our principals. This accountability would be blurred if we sought to be remunerated by both sides.

Of course we expect to be fairly paid for the services we provide. Indeed, we trust that you, our policyholders, would agree that BPL should be properly remunerated for looking after your interests. After all, you can rely on the fact that we are not receiving additional commissions from insurers for looking after theirs.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Charles Berry', with a stylized flourish at the end.

Charles Berry
Chairman