

THIS DOCUMENT IS IMPORTANT. If you are in any doubt as to the importance of the terms of this document then you should consult a lawyer or other adviser familiar with matters similar to those dealt with in this document or who is otherwise authorised to give investment advice under the Financial Services and Markets Act 2000.

**NOTICE OF A GENERAL MEETING OF THE COMPANY TO BE HELD ON TUESDAY
18 DECEMBER 2007 AT 11AM APPEARS AT SECTION 6 ON PAGE 19.**

**MAKE SURE YOUR VOICE IS HEARD – PLEASE COMPLETE THE PRE-PAID FORM OF PROXY
ACCOMPANYING THIS DOCUMENT AND POST IT IN TIME FOR IT TO GET TO US BY 11AM ON
FRIDAY 14 DECEMBER 2007**

**Please note that even if you returned your form of proxy for the General Meeting held on
7 November 2007, you MUST return a fresh proxy or attend in person on 18 December 2007 for
your vote to count at this General Meeting.**

The Pharmacy Mutual Insurance Company Limited

(incorporated in England with company number 184646)

Registered Office
Mallinson House
40-42 St Peter's Street
St Albans
Hertfordshire
AL1 3NP
www.p-m-i.co.uk

23 November 2007

To all Members of The Pharmacy Mutual Insurance Company Limited

(Members are holders of policies written by The Pharmacy Mutual Insurance Company Limited. If you no longer hold at least one such policy, please disregard this letter.)

(Definitions are set out on page 5. This Circular should be read in conjunction with the Circular sent to Members on 15 October 2007. If you have not kept a copy, you will find a copy on our website at www.p-m-i.co.uk and you may get a hard copy by writing to the Company Secretary at the above address or by phoning 0845 6185070.)

LETTER FROM YOUR CHAIRMAN, RAJESH PATEL

Dear Members

I am sure you will be disappointed by the outcome of our general meeting held on 7 November 2007.

As your Chairman, I wanted to write to you personally, giving details of the proposed course of action which your Board intends to implement to resolve the situation.

Your Board together with their advisers have been considering what is in the best interests of PMI's Members following the events at our general meeting held on 7 November 2007, where only three individual Members prevented the resolution to approve the sale of the Renewal Rights and related Intellectual Property Rights to NPA Insurance Limited being passed.

I should explain how we arrived at our current position. It is currently a requirement under the Articles of PMI that a resolution of the kind required in these circumstances be first dealt with by a show of hands of those Members attending the meeting. Moreover, on that show of hands, a majority of 95 per cent. of Members attending must vote in favour of the resolution. This vote is on the basis of one

Member one vote. There were a total of 28 Members attending in person. The voting was 24 voting in favour and 3 voting against (with 1 abstention). The 95 per cent. threshold was therefore not exceeded. To pass such a resolution on a poll requires that 50 per cent. of the Full Membership votes and 75 per cent. of those voting, vote in favour. We had received a large number of proxies, 4,385, and of these over 99 per cent. were in favour. Substantial though this support was, it could not be taken into account to pass the resolution as the 50 per cent. threshold had not been exceeded.

I do hope that you agree with myself, and the rest of your Board, in our belief that given that the proxies received were overwhelmingly in favour of the proposal set out in the Original Circular of 15 October 2007, it is right for us to approach Members now to seek to change the Articles to allow the sale to proceed.

The Boards of NPA and NPA Insurance have assured me that they are keen for the sale to proceed on substantially the same terms as before and the terms on which the sale would go ahead have been agreed with NPA and NPA Insurance. This will require Members to pass the necessary resolutions to change the Articles and approve the sale. The terms agreed with NPA and NPA Insurance and the resolutions that require to be passed are dealt with in more detail in Sections 1 and 5.

The Distribution Programme will be the same as set out in the Original Circular, save for minor adjustments as to the timing.

As in the Original Circular, I confirm that the entire Board and myself remain very much of the view that the sale is in the best interests of PMI and its Members. The Independent Directors in Section 1 strongly recommend that Members vote in favour of the resolutions appearing in the Notice in Section 6 calling another general meeting of the Company to put the necessary resolutions to Members.

We think it is very important that the Members as a whole make this important decision and, if, as indicated by those who returned proxies the last time, the Membership is very much in favour of the proposal contained in the Original Circular that it should not be defeated by a completely disproportionate small number of individual Members attending the General Meeting itself.

I therefore very much urge you to make sure your voice is heard. To make it as easy as possible, we have supplied a pre-paid form of proxy with this Circular. Please note that if you returned your form of proxy for the general meeting held on 7 November 2007, this will NOT count for the general meeting to be held on 18 December 2007 – in order for your voice to be heard please show your support by attending the general meeting on 18 December 2007 or by taking a moment to complete and post the pre-paid form of proxy in time for it to get to the Registered Office of the Company by 11am on Friday 14 December 2007.

I appreciate that not all of you may have kept the Original Circular. The full text is available on our website at www.p-m-i.co.uk. If you would like a further hard copy sent to you by post please telephone the helpline number – 0845 6185070 – and we will be delighted to send you a further copy, or to answer any other questions that you may have.

Please do take the time to vote in favour of this proposal, and ensure that the voice of pharmacists is heard loud and clear this time around.

Yours sincerely



Rajesh Patel
Chairman

EXPECTED TIMETABLE

Latest time for receipt of Forms of Proxy for General Meeting	– 11am on Friday 14 December 2007
General Meeting	– 11am on Tuesday 18 December 2007
Period during which it is expected to distribute lump sums to New Members	– subject to approval by the members of PMI of the sale of the Renewal Rights, within a period of three and a half months from the date of the General Meeting i.e. by the end of March 2008.
Period during which it is intended to make a distribution from the Initial Pool to Qualifying Members	– subject to approval by the members of PMI of the sale of the Renewal Rights, within a period of three and a half months from the date of the General Meeting i.e. by the end of March 2008
Period during which it is intended to make a distribution from the Subsequent Pool to Qualifying Members	– late 2008
Period during which it is intended to make final distribution of assets of The Pharmacy Mutual Insurance Company Limited to Qualifying Members	– mid 2009

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DEFINITIONS

In this document, where the context permits, the expressions set out below shall bear the following meanings:

Articles	means the Articles of Association of PMI
Companies Act	means the Companies Act 1985 and every statutory modification, re-enactment or replacement of that Act
Distribution Programme	means the distribution methodology and the proposed distribution programme set out in paragraph 11 of Section 1 and Section 5 of the Original Circular and summary of which appears in Section 4 of this Circular
Form of Proxy	means the form of proxy accompanying this letter for use in connection with the General Meeting
General Meeting	means the general meeting of PMI to be held on 18 December 2007 at Sopwell House Hotel, Cottonmill Lane, St Albans, Hertfordshire, AL1 2HQ at 11 am, notice of which is set out in Section 6 of this Circular
Independent Directors	means Michael Major, Alan Webster and Ian Johnstone being the independent directors of PMI as at the date of this Circular
Members	means Full Members of PMI in accordance with the Articles. Currently all members of PMI are Full Members
NPA	means National Pharmacy Association Limited, incorporated in England with company number 1281757 and having its registered office at Mallinson House, 40–42 St Peter’s Street, St Albans, Hertfordshire, AL1 3NP
NPA Insurance	means NPA Insurance Limited (formerly Chemists’ Defence Association Limited), incorporated in England with company number 64269 and having its registered office at Mallinson House, 40–42 St Peter’s Street, St Albans, Hertfordshire, AL1 3NP
Original Circular	means the circular to Members dated 15 October 2007
Part VII	means Part VII of the Financial Services and Markets Act 2000 (as amended)
Sale and Purchase Agreement	means the agreement relating to the sale of the Renewal Rights and certain intellectual property dated 5 October 2007 between PMI, NPA Insurance and NPA
Supplementary Agreement	means the agreement supplemental to the Sale and Purchase Agreement dated 22 November 2007 between PMI, NPA Insurance and NPA

YOUR DATA

Please note the Data Information Notice contained in Section 4 of the Original Circular remains applicable.

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SECTION 1

Letter from Michael Major, Alan Webster and Ian Johnstone, the Independent Directors

The Pharmacy Mutual Insurance Company Limited

23 November 2007

Dear Members

We, the Independent Directors, are writing to you to give you more details regarding the new proposal referred to in the letter from your Chairman, Rajesh Patel.

We would like to remind Members of the role of the Independent Directors. We were appointed a Committee of the Board to make the final decision on all matters relating to the sale of the Renewal Rights to NPA Insurance, the Distribution Programme and all related matters.

Accordingly, although we think it is important that your Board has been involved and their views taken into account by us, it remains the position that for as long as the purchaser of the Renewal Rights is a subsidiary of NPA it is essential that we, your Independent Directors, are the persons who make the final decision regarding the sale of the Renewal Rights and related matters. It is in this context that we give our recommendation set out below regarding the proposal contained in the Circular of which this letter forms part.

1 New Arrangement with NPA and NPA Insurance

When the special resolution approving the sale of the Renewal Rights was not passed on 7 November 2007, the Sale and Purchase Agreement in accordance with its terms ceased to be of legal effect. Accordingly it was necessary to reach agreement with NPA and NPA Insurance that would ultimately result in that agreement becoming binding on NPA, NPA Insurance and PMI to govern the sale of the Renewal Rights and related Intellectual Property Rights to NPA Insurance. It was also necessary to make any consequential changes as a result of the new proposed date for completion of the sale.

It was also felt fair and reasonable that NPA Insurance should receive the financial benefit it would have obtained had the sale of the Renewal Rights gone ahead as originally contemplated on 7 November 2007. It is estimated that the amount likely to be payable to NPA will be in the region of £120,000 and will be paid to NPA Insurance after completion of the sale, when the exact amount NPA Insurance would have received is known. The monies paid over will come from premium income post-7 November 2007 received by PMI and will not affect its reserves as stated at 7 November 2007.

By entering into the Supplementary Agreement, the Sale and Purchase Agreement has been brought back into legal effect. It also provides for NPA Insurance to receive the financial benefit as if the sale had completed on 7 November, as set out above. More details of the Supplementary Agreement are set out in Section 2.

2 Sale of Renewal Rights

We would like to emphasise the point made in the Chairman's letter that the sale of the Renewal Rights is in all other respects on the same terms as set out in the Original Circular. We, therefore, do not think it necessary to repeat at length everything about the sale of the Renewal Rights that was in the Original Circular.

Incorporated in England with company number 184646

Registered Office:
Mallinson House
40-42 St Peter's Street
St Albans
Hertfordshire AL1 3NP

If you no longer have a copy of the Original Circular, as stated in the Chairman's letter you can find it on our website or get a hard copy by writing to the Company Secretary or by telephoning the helpline number, again all as detailed in the Chairman's letter.

However it is worth highlighting that the following remain unchanged:

- the Purchase Price to be paid by NPA Insurance to PMI remains £6.4m;
- PMI will pay to NPA Insurance the agreed amount of the Free Renewal Reserve which remains at £2.2m; and
- NPA Insurance continues to undertake to provide Free Renewal Rights or benefits of equivalent value.

As your Independent Directors, we remain of the view that as PMI is a relatively small insurance company which has no in-depth infrastructure of its own, this is a good opportunity to receive good value for its Renewal Rights and then seek to distribute to its Members the reserves that have accumulated over the years.

3 Necessary changes to the Articles of Association

The Chairman has explained in some detail the reasons why the resolution approving the sale of the Renewal Rights was not passed at the general meeting of the Company held on 7 November 2007. To ensure that this will not happen again, having considered matters carefully and taken advice, the Independent Directors wish to recommend to you, the Members, that the relevant Article, Article 6.7, is amended to provide that the sale of the business or part of the business of PMI is required to be approved by a special resolution of the Company, passed in accordance with the provisions of the Companies Act which shall mean that, on a show of hands, not less than 75 per cent. of those attending and voting at the General Meeting in person and by proxy will need to vote in favour of the resolution approving the sale of the Renewal Rights or, if a poll is conducted, not less than 75 per cent. of the votes cast at the General Meeting in person and by proxy will need to be in favour.

By way of background, Article 6.7, which allowed the three individual Members to prevent the resolution approving the sale of the Renewal Rights being passed on 7 November, was originally drafted to reflect PMI's mutual ethos and to give protection to your Company and its business from being vulnerable to the wishes of Members who might not be representative of the Membership as a whole. The suggested way of dealing with Article 6.7 does not, therefore, envisage removing Article 6.7 but simply lowering the threshold.

It will be remembered that there were a substantial number of proxies for the last meeting, 4,385, and over 99 per cent. of those were in favour of the proposals contained in the Original Circular. We, as your Independent Directors, feel the proposed amendment to Article 6.7 strikes the right balance between ensuring that any sale of the business or part of the business is supported by the Membership overall and ensuring the wishes of a very small number of Members – in the case of the meeting on 7 November, three individuals – cannot prevail over a significantly higher number of Members.

It is also thought worthwhile to take the opportunity to amend the Articles to allow polls to be held on the day of a general meeting if the Chairman so directs and to allow proxies to vote on a show of hands. In addition, all the changes that were proposed to be made to the Articles as set out in the Original Circular are also being put forward again at the General Meeting.

More details of the new changes to the Articles are set out in Part 1 of Section 3. You should note we are proposing that the changes to Article 6.7 and the way in which a poll is dealt with should go ahead if the relevant resolution (Resolution 1 as set out in the Notice contained in Section 6) is passed whether or not the other resolutions are passed or whether the sale to NPA Insurance goes ahead.

The changes proposed in the Original Circular and which are being proposed again are set out in Part 2 of Section 3.

4 NPA Insurance and the Insurance Business after the Sale of the Renewal Rights

NPA Insurance has confirmed that its ambitions to provide even better insurance services to pharmacy remain in place. NPA has confirmed that the terms of the letter from its Chairman, forming Section 3 of the Original Circular, is still very much applicable.

In the Original Circular, we advised PMI and NPA Insurance would seek to agree a sale under Part VII of the current policies of PMI so that PMI would divest itself of practically all its remaining insurance business. We are seeking Members' approval of this sale at the General Meeting also. A summary of the terms of the Original Circular dealing with the possible sale under Part VII are set out in Section 5.

5 Distribution Programme

As stated in the Chairman's letter, we confirm that the Distribution Programme which you, as Members, are being asked to approve at the General Meeting is the same as the one set out in the Original Circular, save that it is now anticipated that the first distribution will now take place by the end of March 2008. The Independent Directors confirm their recommendation of the Distribution Programme to you. McClure Naismith has confirmed that their fairness opinion is still applicable in relation to the Distribution Programme.

6 Recommendation and Responsibility

We recommend that you approve:

- the changes to the Articles
- the sale of the Renewal Rights in accordance with the Sale and Purchase Agreement as amended by the Supplementary Agreement and the authorisation of the Board to take steps to agree and to agree and complete the transfer of all or part of PMI's insurance business pursuant to Part VII of the Financial Services and Markets Act 2000
- the Distribution Programme

all as set out in more detail in the resolutions forming part of the notice calling the General Meeting which is contained in Section 6.

We also confirm that we are responsible for the contents of the Circular of which this letter forms part and that we have taken reasonable care to ensure that the contents are accurate in all material respects and that any opinions are fairly and reasonably stated. We further confirm that save as set out in the Circular of which this letter forms part, we are satisfied that the contents of the Original Circular (for which we accepted responsibility in the Original Circular) remain accurate in all material respects and that any opinions of ours stated therein remain fair and reasonably stated.

7 **The Vote**

The Chairman has already urged you to make sure that it is the Membership as a whole which makes this decision regarding the sale of the Renewal Rights and the Distribution Programme. We therefore join with him in urging you **to complete and return the prepaid Form of Proxy accompanying the Circular of which this letter forms part to PMI on or before 11am on Friday 14 December 2007.**

Yours sincerely



Michael Major
Independent Director



Alan Webster
Independent Director



Ian Johnstone
Independent Director

The Pharmacy Mutual Insurance Company Limited

SECTION 2

Summary of Main Terms of the Supplementary Agreement

This Section contains a summary of the key provisions of the Supplementary Agreement in terms of which the Renewal Rights will be sold to NPA Insurance. The Sale and Purchase Agreement (as amended by the Supplementary Agreement) is currently conditional upon the approval of the Members.

As the Sale and Purchase Agreement has been revived by the entry into of the Supplementary Agreement, paragraphs 4 to 9 (inclusive) of Section 6 of the Original Circular remain applicable save that all references to CDA should be deemed to be substituted with references to NPA Insurance.

The summary of the key provisions of the Supplementary Agreement contained in this Section is not intended to be an exhaustive analysis of all the provisions of the Supplementary Agreement.

1 General – purpose of Supplementary Agreement

- 1.1 When the special resolution approving the sale of the Renewal Rights was not passed at the general meeting on 7 November 2007, the Sale and Purchase Agreement ceased to be of legal effect.
- 1.2 Since the general meeting on 7 November 2007 PMI, NPA and NPA Insurance reached agreement in connection with the sale of the Renewal Rights and related matters which has resulted in the Sale and Purchase Agreement becoming binding once again on PMI, NPA Insurance and NPA by virtue of the entry into of the Supplementary Agreement.

2 Conditions

- 2.1 Completion of the Sale and Purchase Agreement (as amended by the Supplementary Agreement) is conditional on the passing by the Members of the resolutions numbered 2, 3 and 4 as set out in the Notice contained in Section 6 of this document.
- 2.2 Additionally, completion is conditional on the conditions listed in paragraphs 2.1 – 2.3 (inclusive) of Section 6 of the Original Circular.

3 Completion

If resolutions 2, 3 and 4 as set out in the Notice contained in Section 6 of this document are passed at the General Meeting and the other conditions met or waived, completion will take place on the afternoon of 18 December 2007.

4 NPA Insurance – financial benefit

Because PMI felt it fair and reasonable that NPA Insurance should receive the financial benefit it would have obtained had the sale of the Renewal Rights gone ahead on 7 November 2007, the Supplementary Agreement provides that NPA Insurance receive such financial benefit.

SECTION 3

Summary of the proposed amendments to the Articles of Association of PMI

This Section contains a summary of the key proposed amendments to the Articles of Association of PMI, and is in two parts.

Part 1 contains a summary of the proposed amendments to the Articles as set out in Resolution 1 in the Notice contained in Section 6 of the Circular of which this section forms part but particularly focuses on the proposed amendments to Article 6.7. Resolution 1 is unconditional and, if passed at the General Meeting, shall have immediate and future effect even if any of the remaining resolutions are not passed.

Part 2 contains a summary of other key proposed amendments to the Articles which will be necessary following the approval by Members of the sale of the Renewal Rights and related intellectual property. Accordingly, Resolution 2 is conditional upon the Members of PMI passing Resolution 3, Resolution 3 is conditional upon the Members of PMI passing Resolutions 2 and 4 and Resolution 4 is conditional on Resolution 3 being passed.

A full copy of the proposed amended Articles will be available for inspection at the Registered Office of PMI during business hours on weekdays from Friday 23 November 2007 and at the General Meeting.

Part 1 – Summary of Proposed Amendments as set out in Resolution 1

Why do the Articles need to be amended?

The high threshold of votes required by Article 6.7 to pass a resolution to transfer all or part of PMI's business ultimately prevented the approval of the sale of the Renewal Rights at the general meeting on 7 November 2007. The current threshold requires that on a show of hands not less than 95 per cent. of the Members vote in favour or, on a poll, not less than 75 per cent. of the votes cast are in favour provided that at least 50 per cent. of the membership of PMI has voted.

It is important that the Members make the decision to approve the sale of the Renewal Rights as a whole. It is equally important, however, that a vote on such an important issue is not defeated by a disproportionately small number of Members. Accordingly, it is recommended that Article 6.7 be changed in order to allow the wishes of the majority of PMI's Members to be implemented. The proposed amendment to Article 6.7 lowers the threshold required to pass the resolution to that of a standard special resolution under the Companies Act – i.e. on a show of hands not less than 75 per cent. of those attending either in person or by proxy will need to vote in favour or, if a poll is called, not less than 75 per cent. of the votes cast in person and by proxy are in favour of it.

Main amendments to the Articles

Article 6.6 will be deleted and replaced with the following:

“6.6 Decisions of questions at General Meeting

Every resolution submitted to a General Meeting shall be decided in the first instance by a show of hands of the Full Members (or duly authorised representatives of Members being corporations or Organisations) present in person or by proxy and, in case of equality of numbers, the Chairman, as such, shall have a second or casting vote.”

Article 6.7 will be deleted and replaced with the following:

“6.7 Special resolution

At any General Meeting a resolution authorising the transfer of part or all of the Company's business, or to change the corporate status of the Company, must be proposed as a special resolution and may only be carried by a majority of not less than seventy five percent of the votes of the Full Members present in person or by proxy and voting on a show of hands. On a poll the resolution shall be carried by a majority of not less than seventy five percent of the votes cast being in favour.”

Article 7.1 shall be deleted and replaced with the following:

“7.1 Demand of poll

A resolution put to the vote of a General Meeting shall be decided on a show of hands unless, before or on the declaration of the result of the show of hands, a poll is duly demanded. A poll may be demanded by the Chairman, by at least five Full Members having the right to vote at the General Meeting, or by Full Members representing not less than one

tenth of the total voting rights of all the Members having the right to vote at the meeting. Such declaration by the Chairman that a resolution has been carried or lost, or carried or not carried by a particular majority, together with an entry to that effect in the minutes of the proceedings of the General Meeting, shall be conclusive evidence of the fact.”

Article 7.3 shall be deleted and replaced with the following:

“7.3 How to be taken

If a poll is demanded, it shall be taken in such manner and at such place and time as the Chairman of such General Meeting shall direct. Should the meeting at which the poll was demanded be adjourned then the meeting at which the poll is held shall be considered to constitute a continuation of the meeting at which the poll was demanded.”

Article 8.3 shall be amended so that the words “on a show of hands or” are inserted after the words “their vote” in the first line of this Article and the words “only on a poll” shall be deleted.

Article 8.6 shall be deleted and amended as follows:

“8.6 Form of proxy

Every instrument of proxy, whether for a specified meeting or otherwise, shall, as nearly as circumstances will admit, be in the following form or in a form which the Directors may approve:

“I, being a Full Member of THE PHARMACY MUTUAL INSURANCE COMPANY LIMITED, hereby appoint the Chairman of the meeting or • of • being a Full Member as my proxy to vote as specified below at the Annual or General (as the case may be) Meeting of the Company, to be held on the • day • of or at any adjournment thereof.

As witness my hand this • day of •

Name.....

Address.....” ”

Part 2 – Summary of Proposed Amendments to take effect following the sale of the Renewal Rights and related matters

Why do the Articles need to be amended?

Under the current Articles, to qualify as a Member of PMI you must hold an insurance policy with the company. This means that upon the completion of the proposed sale of the Renewal Rights to NPA Insurance there will gradually cease to be any PMI policyholders and, subsequently, there shall cease to be any Members.

Without Members, PMI will not be able to function as a company and, in particular, no decisions by way of Member resolution will be able to be passed. Such resolutions may be required should the completion of the proposed sale be approved in order to carry PMI forward as a company.

The proposed amendments to the Articles ensure that the current Members remain Members (with their inherent rights) should the proposed sale be approved.

Main amendments to the Articles

In Article 1:

- the definition of “Honorary Member” will be deleted
- the definition of “Member” shall have the reference to “Honorary Member” deleted
- the definition of “Policy” will be amended as follows:

“Policy” means a policy issued by the Company.

Article 2.2 will be deleted and replaced with the following:

“2.2 Classes of Membership

There shall be two classes of Membership of the Company:

2.2.1 Full Members being Members who are Full Member on 18 December 2007 regardless of whether they hold a Policy; and

2.2.2 Associate Members being Members who are granted a policy after 18 December 2007.”

Articles 3.1, 3.2 and 3.3 will be deleted and replaced with the following:

“3.1 Number left intentionally blank.”

“3.2 Number left intentionally blank.”

“3.3 Number left intentionally blank.”

Article 3.4 will be amended by deleting the following words:

“whereupon the same shall cease so soon as the then current term of his policy with the Company shall have expired or such Policy have been otherwise cancelled or determined”.

Article 3.5 will be deleted and replaced with the following:

“3.5 Members terminating Membership

A Member may at any time withdraw from the Company and thereby cease to be a Member by giving at least 7 Clear Days’ notice to the Company. Membership shall not be transferable and shall cease on death.”

Articles 6.6, 6.8 and 6.9 will be amended so that references to “Member” or “Members” will be to “Full Member” or “Full Members” as the case maybe.

Article 7.1 will be amended so that references to “Member” or “Members” will be to “Full Member” or “Full Members” as the case maybe.

Article 8.2.1 will be amended so that Full Members shall be entitled to one vote per policy that they held on 18 December 2007.

Article 8.2.3 will be deleted.

Articles 8.3 and 8.4 will be amended so that references to “Member” will be to “Full Member”.

Article 8.5 shall be deleted and replaced with the following:

“8.5 “A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or the revocation of the proxy if no intimation in writing of the death or revocation, authenticated to the satisfaction of the Directors, shall have been received at the Office before the General Meeting.”

Articles 8.7 and 8.8 will be amended so that references to “Member” will be to “Full Member”.

Article 9.1 will be amended to delete the reference to “Honorary Members” in the first sentence. The second sentence will also be deleted.

Article 9.4 will be amended so that references to “Members” will be to “Full Members”.

Articles 9.6.5 and 9.6.9 will be amended so that references “Member” or “Members” will be to “Full Member” or “Full Members” as the case maybe.

The last paragraph of Article 9.6 will be amended so that the reference to “Member” will be to “Full Member”.

Article 11.2.16 will be deleted and replaced with the following:

“11.2.16 to create different categories of Full Membership and Associate Membership in respect of any Policies and to confer or impose on the Members of any such class, such rights and restrictions in relation to such Policies as the Directors shall, in their absolute discretion, from time to time determine.”

Article 12.3 will be deleted and replaced with the following:

“12.3 Any Member’s share of the funds, apportioned sums, profits or interest, which shall not be paid out or otherwise disposed of pursuant to this Article may, at the discretion of the Directors, be carried over to the general reserves of the Company.”

Article 13 will be deleted and replaced with the following:

“13. Number left intentionally blank.”

Article 18 will be deleted and replaced with the following:

“18. Number left intentionally blank.”

SECTION 4

Summary of Distribution Programme

On completion of the sale of the Renewal Rights, it is the intention of the Board to commence as soon as possible the Distribution Programme.

Full details of the Distribution Programme are set out in Section 5 of the Original Circular which should be read subject to the amended timescales set out in the section of this document headed "Expected Timetable".

In summary, the key parts of the Distribution Programme are as follows:

- 1 All New Members (being Members who became Members on or after 1 January 2007 up to 30 September 2007 and who are still Members at the date of the General Meeting) will receive a one off lump sum of £250.
- 2 Half of an initial pool of circa £40 million will be divided equally between each Qualifying Members (being Members who were Members as at 31 December 2006 and continuously Members up to the date of the General Meeting) and the remaining half of such initial pool will be distributed to the Qualifying Members in proportion to the Gross Weighted Premium Income – which includes an allowance for any entitlement to a Free Renewal in the relevant period – of each Qualifying Member.
- 3 For Qualifying Members, the result of the procedure set out in paragraph 2 above means (as an approximate guide) that:
 - 3.1 From the initial pool of circa £40 million, each Qualifying Member will receive a sum in the region of £1,400; and
 - 3.2 In recognition of their contribution to PMI by way of premium payments, in round terms, each Qualifying Member will receive from the initial pool of circa £40 million an amount equal to circa 65 per cent. of the Gross Weighted Premium Income paid by that Qualifying Member in the calendar years 2004, 2005 and 2006.

Taking into account subsequent distributions, it is therefore anticipated that each Qualifying Member will receive a total sum equal to (a) an amount of circa £2,000 (including the sum of circa £1,400 referred to in paragraph 3.1 above) together with (b) a sum in the region of the amount of the Gross Weighted Premium Income paid in the calendar years 2004, 2005 and 2006 (including the 65 per cent. referred to in paragraph 3.2 above).

In the event that the sale of the Renewal Rights is approved, shortly after the General Meeting a further document will be sent to you regarding the Distribution Programme. This will include a notification indicating whether you are New Member or a Qualifying Member and setting out your Gross Weighted Premium Income. There will be a verification period of at least 21 days from PMI sending out this notification during which you will be able to raise any queries in relation to its content.

McClure Naismith has confirmed to the Independent Directors that their fairness opinion which was issued to the Independent Directors prior to the circulation of the Original Circular remains applicable.

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SECTION 5

Resolutions to be put to the General Meeting

There are four resolutions which are set out in full in the Notice of the General Meeting comprising Section 6 of the Circular of which this Section forms part.

The resolutions are necessary to allow the sale of the Renewal Rights and the subsequent distribution to go ahead. Accordingly Resolution 2 is conditional upon Resolution 3 being passed, Resolution 3 is conditional upon Resolutions 2 and 4 being passed and Resolution 4 is conditional upon Resolution 3 being passed.

Resolution 1 is completely unconditional and should it be carried at the General Meeting its effect shall be immediate and shall apply as from the date of the General Meeting regardless of whether any of the other resolutions are successfully passed or not.

1 Resolution 1

- 1.1 Resolution 1 deals with important changes to Article 6.7 and changes to certain Articles relating to the demanding of and conducting a poll vote.
- 1.2 As is set out in the Chairman's letter in the Circular of which this Section forms part, because Article 6.7's stringent requirements and high thresholds in relation to the passing of a resolution to transfer all or part of PMI's business allowed three individual Members to prevent the resolution approving the sale of the Renewal Rights and related intellectual property from being passed, the current proposal is to reduce the threshold required for passing such a resolution to that of a special resolution under the Companies Act.
- 1.3 The approval of Resolution 1 will therefore result in the threshold for passing a resolution to transfer all or part of PMI's business, or to change the corporate status of PMI, being reduced so that in order to be passed it will require, on a show of hands, not less than 75 per cent. of those Members voting at the General Meeting in person and by proxy to vote in favour or, if a poll is conducted, not less than 75 per cent. of the votes cast at the General Meeting in person and by proxy will need to vote in favour of it.
- 1.4 In addition to the proposed change to Article 6.7 referred to above, as the Independent Directors state in Section 1 of the Circular of which this Section forms part, it is thought worthwhile to take the opportunity to make further amendments to certain Articles to allow polls to be held on the day of a general meeting of the Company if the chairman of such a meeting so directs (as opposed to having to wait for six clear days to elapse before being able to conduct a poll vote as currently provided in the Articles) and to allow proxies to vote on a show of hands. Full details of the proposed changes to such Articles are set out in Section 3 of the Circular of which this Section forms part.
- 1.5 To amend the Articles in the manner outlined above and as described more fully in Section 3 of the Circular of which this Section forms part, a special resolution must be passed in accordance with the Companies Act. This requires that 21 clear days notice be given and that on a show of hands not less than 75 per cent. of the Members voting on the resolution vote in favour or, in the event that a poll is conducted, not less than 75 per cent. of the votes cast in person and by proxy on the resolution are in favour of it.
- 1.6 As mentioned above, as Resolution 1 is not conditional on the passing of any of the other resolutions set out in the Notice comprising Section 6, if passed its effect is immediate and will allow Resolution 3 (the sale of the Renewal Rights and related matters) to be passed by the Members using the special resolution procedure set out in the Companies Act. This means that in order to be passed, the resolution approving the sale of the Renewal Rights and related intellectual property rights will only require, on a show of hands, not less than 75 per cent. of the Members voting on the resolution at the General Meeting in person or by proxy to vote in favour or, in the event that a poll is conducted, not less than 75 per cent. of the votes cast at the General Meeting in person and by proxy vote in favour.

2 **Resolution 2**

- 2.1 Should the sale of the Renewal Rights to NPA Insurance be approved, certain technical changes will be required to be made to the Articles regarding the criteria that apply to being a Member of PMI. Fuller details of the proposed changes are set out in Section 7 of the Original Circular and in Section 3 of the Circular of which this Section forms part.
- 2.2 To amend the Articles in the manner described in this Resolution, a special resolution must be passed in accordance with the Companies Act. This requires that 21 clear days notice be given and that on a show of hands not less than 75 per cent. of the Members voting on the resolution vote in favour or, in the event of a poll being conducted, not less than 75 per cent. of the votes cast at the General Meeting in person and by proxy are in favour of the resolution. Assuming Resolution 1 is passed, a proxy will be entitled to vote on a show of hands on Resolution 2.
- 2.3 Resolution 2 is conditional on the passing of Resolution 3. Accordingly, if this Resolution 2 is passed but Resolution 3 is not passed, Resolution 2 will not take effect.

3 **Resolution 3**

- 3.1 This resolution is the one which approves the sale of the Renewal Rights to NPA Insurance and related matters.
- 3.2 As stated in paragraph 8 of Section 1 of the Original Circular, both PMI and NPA agree that it is worthwhile to seek to agree a sale of PMI's current policies under Part VII of the Financial Services and Markets Act 2000. This resolution therefore not only authorises the sale of the Renewal Rights but also authorises the directors of the Company to take appropriate steps to agree and to agree and complete with NPA Insurance a sale under Part VII of the Financial Services and Markets Act 2000 so that the Company divests itself of its remaining insurance business. Further details of certain procedural aspects of such a sale are contained in paragraph 8 of Section 1 of the Original Circular.
- 3.3 Assuming Resolution 1 is passed, a special resolution must be passed in accordance with the Companies Act in order to pass Resolution 3. This requires that 21 clear days notice be given and that, on a show of hands, not less than 75 per cent. of the Members voting in person and by proxy on the resolution vote in favour or, in the event that a poll is conducted, not less than 75 per cent. of the votes cast in person and by proxy are in favour.
- 3.4 In the event that Resolution 1 is not passed, the requirements of Article 6.7 (as contained in the Articles of the Company as at the date of this Circular) must be followed and therefore the stringent test and high thresholds which allowed a dissenting minority to thwart the passing of the resolution approving the sale of the Renewal Rights at the general meeting on 7 November 2007 will apply.
- 3.5 Resolution 3 is conditional on the passing of Resolution 2 and Resolution 4. Accordingly, if this Resolution 3 is passed but Resolution 2 and Resolution 4 are not also not passed, Resolution 3 will not take effect.

4 **Resolution 4**

- 4.1 This resolution approves the Distribution Programme and allows the directors to carry out the Distribution Programme and to make such minor adjustments as may be necessary to enable the Distribution Programme to be completed. Full details of the Distribution Programme are contained in Section 5 of the Original Circular.
- 4.2 To be passed, as this resolution is an ordinary resolution, under the terms of the Companies Act on a show of hands a simple majority of those Members voting require to vote in favour of it or, if a poll is conducted, a simple majority of the votes cast at the General Meeting in person and by proxy require to vote in favour. Assuming Resolution 1 is passed, a proxy will be entitled to vote on a show of hands on Resolution 4.

SECTION 6

Notice of General Meeting

NOTICE IS HEREBY GIVEN that a General Meeting of The Pharmacy Mutual Insurance Company Limited will be held at Sopwell House Hotel, Cottonmill Lane, St Albans, Hertfordshire, AL1 2HQ on 18 December 2007 at 11am for the purpose of considering and, if thought fit, passing the following resolutions, of which resolutions numbered 1, 2 and 3 will be proposed as special resolutions and resolution numbered 4 will be proposed as an ordinary resolution.

SPECIAL RESOLUTIONS

- 1 THAT the current Articles of Association of The Pharmacy Mutual Insurance Company Limited be amended to reflect the changes set out in Part 1 of Section 3 of the circular addressed to the members of The Pharmacy Mutual Insurance Company Limited of which this Notice forms part ("the Circular") to the effect that:
 - 1.1 if a resolution is to be put to the members of The Pharmacy Mutual Insurance Company Limited authorising the transfer of part or all of The Pharmacy Mutual Insurance Company Limited's business then the current requirements contained in Article 6.7 in order to pass such a resolution that (a) 95 percent of the votes of the Full Members present and voting on a show of hands and (b) fifty per cent or more of the Full Membership are required to vote on a poll and more than 75 per cent. of the votes cast are in favour are removed so that any such resolution shall require to be passed by means of a standard special resolution under the terms of the Companies Act (i.e. on a show of hands not less than 75 per cent. of those attending the General Meeting and voting need to vote in favour or, if a poll is conducted, not less than 75 per cent. of the votes cast need to vote in favour); and
 - 1.2 the reference in Article 7.1 to the time limit of fifteen minutes following the declaration by the Chairman of a general meeting that any resolution has been carried or lost, or carried or not carried by a particular majority during which members of The Pharmacy Mutual Insurance Company Limited may demand a poll or the Chairman of such meeting may direct a poll shall be deleted so that unless a poll is demanded before or immediately following such declaration, it may not be so demanded; and
 - 1.3 the reference in Article 7.3 to the time of taking a poll which has been demanded shall be deleted so that the Chairman of a general meeting shall have discretion as to the time and manner of the taking of such poll; and
 - 1.4 as provided by section 284(2) of the Companies Act 2006, a proxy will also be able to vote on a show of hands and Articles 6.6 and 8.6 shall be amended accordingly.

A copy of the proposed amendments to the aforementioned Articles in the Articles of Association shall be available for inspection at the Registered Office of The Pharmacy Mutual Insurance Company Limited from the date of this notice until the date of the General Meeting and at the General Meeting itself.

- 2 THAT, subject to and conditional upon the approval by the members of The Pharmacy Mutual Insurance Company Limited of the sale of the Renewal Rights (as defined in the Circular) and related intellectual property and conditional upon the Sale and Purchase Agreement (as defined in the Circular), as amended by the Supplementary Agreement (as defined in the Circular) becoming unconditional in all respects, the current Articles of Association of The Pharmacy Mutual Insurance Company Limited be replaced with a new form of Articles of Association which shall be based on the current form of Articles

of Association but which shall be revised to incorporate those matters set out in Part 2 of Section 3 of the Circular. A copy of the proposed amended Articles of Association shall be available for inspection at the Registered Office of The Pharmacy Mutual Insurance Company Limited from the date of this notice until the date of the General Meeting and at the General Meeting itself.

- 3 THAT, conditional on passing resolution 2 above and resolution 4 below, the proposed sale by The Pharmacy Mutual Insurance Company Limited of the Renewal Rights and related intellectual property on the terms and subject to the conditions of the Sale and Purchase Agreement, as amended by the Supplementary Agreement, be and is hereby approved and the directors of The Pharmacy Mutual Insurance Company Limited be and are hereby authorised (a) to do all things that they reasonably consider necessary and desirable to carry the Sale and Purchase Agreement, as amended by the Supplementary Agreement, into effect including agreeing amendments of a non-material nature thereto and (b) to take appropriate steps to agree and to agree and complete with NPA Insurance Limited a sale under Part VII of the Financial Services and Markets Act 2000 of the current policies of The Pharmacy Mutual Insurance Company Limited so that The Pharmacy Mutual Insurance Company Limited divests itself of its remaining insurance business.

ORDINARY RESOLUTION

- 4 THAT, subject to and conditional upon the approval by the members of The Pharmacy Mutual Insurance Company Limited of the sale of the Renewal Rights and related intellectual property and conditional upon the Sale and Purchase Agreement, as amended by the Supplementary Agreement, becoming unconditional in all respects, the Distribution Programme as set out in Section 5 of the circular addressed to the members of The Pharmacy Mutual Insurance Company Limited dated 15 October 2007 be approved and (provided the ultimate methodology behind the Distribution Programme remains within the basic framework set out in Section 5 of the circular addressed to the members of The Pharmacy Mutual Insurance Company Limited dated 15 October 2007 and provided any variations are viewed by the Independent Directors (as defined in the Circular) as being in the best interests of the members of The Pharmacy Mutual Insurance Company Limited or to ensure fair treatment of members) the Independent Directors be granted the discretion to vary the methodology of the Distribution Programme and the timing and nature of the Distribution Programme itself.

Registered Office

**Mallinson House
40-42 St Peter's Street
St Albans
Hertfordshire
AL1 3NP**

By order of the Board

Company Secretary

23 November 2007

Notes:

1. A Member entitled to attend and vote at the meeting convened by this notice is entitled to appoint a proxy to attend and to vote at the meeting instead of him. A proxy must be a Full Member of The Pharmacy Mutual Insurance Company Limited, as defined in the Articles of Association. In the event that Resolution 1 is passed at the meeting, a proxy will be entitled to vote on a show of hands on the remaining Resolutions. If Resolution 1 is not carried, a proxy will only be entitled to vote on a poll.
2. To be effective, the instrument appointing a proxy must be deposited at the registered office of The Pharmacy Mutual Insurance Company Limited not less than 48 hours before the time for holding the meeting. A Form of Proxy is enclosed. Completion and return of the Form of Proxy will not preclude Members of The Pharmacy Mutual Insurance Company Limited from attending and voting in person at the meeting.

