

28 September 2009

Mallinson House
38-42 St Peter's Street
St Albans, Herts AL1 3NP
Tel 01727 869146

Dear Member,

Accompanying this letter is a formal document giving details of a General Meeting of The Pharmacy Mutual Insurance Company Limited (*PMI*) to be held at the Company's offices at Mallinson House, St Peters Street, St Albans on Thursday, 22 October 2009 at 11am. The detailed reasons for calling this meeting are explained in the enclosed document.

I would, however, also like to bring you up to date with the matters referred to in my letter of 27 April 2009.

I am delighted to advise you that the dispute with NFU Mutual has produced a very successful outcome for PMI resulting in a payment to us that has augmented our reserves by around £1.5m. This will increase the amount of our final distribution to Members.

In addition, the Directors have been working hard together with our tax advisers to finalise PMI's final tax position. This has the potential to result in a further very significant payment to PMI.

The Board remains determined to continue to act in your best interests following the sale of the Renewal Rights and the formal transfer of the insurance business to NPA until PMI can be formally wound up. The Board is accordingly not only focussed on extracting the highest possible value from its assets but is also keen to minimise costs. This approach will maximise the amount ultimately to be distributed to members.

For example, because of the uncertainty surrounding the outcome of the tax position referred to above, it made sense for the Board to change the date to which the 2008 and all future accounts of PMI are prepared from 31 December to 30 June in each year. This means that the 2008 accounts will be extended to cover a longer period from 1 January 2008 to 30 June 2009 which will save the cost of preparing and auditing accounts for year ending December 2008 and filing them by the end of October of this year. If the resolution set out in the formal document is passed, the date by which audited accounts will need to be filed will be April 2010. It is hoped that by then the final distribution will have been made and PMI wound up thus saving the audit fee and related costs.

In addition, the Board, and its advisors, feel that making this change and the other changes to the Company's Articles of Association set out in the formal document will also help us reduce administrative costs going forward. All the technical and legal aspects of the proposal to amend the Articles of Association are explained fully in the document accompanying this letter.

The Board considers the proposal to make these changes to be very much in the Company's, and your, best interests, and wholeheartedly recommends that you vote in favour of the resolution to be put to the General Meeting.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael Major'.

Michael Major
Chairman
The Pharmacy Mutual Insurance Company Limited