

INSIDE THIS EDITION

- Eliot Spitzer Pages 1-2
- Lines Overseas Mgmt Pages 3-4
- Enron D&O Pages 4-5
- River Capital Group Page 6
- Montpelier Re Page 6
- Stocks Round-Up Page 6
- Q3 Results Round-Up Page 7
- Lines Overseas Mgmt Pages 7,10,12
- Letter from Bermuda Page 8
- Bermuda Court Pages 9-10
- Investment Funds Pages 11-12
- Castlewood Holdings Page 12

InsideBermuda

October 31, 2004

The Pen is Mightier than the Fraud

Issue 93

You should receive 12 pages of this newsletter

A newsletter covering international finance

Class action law firms circle Spitzer's 'kill'

Class action law firms in the United States are targeting at least two Bermuda insurers and their officers as a result of Eliot Spitzer's investigation into alleged bid-rigging at broker Marsh & McLennan.

At least three separate class actions alleging securities fraud have already been filed against ACE Ltd. and two against AXIS Capital Holdings Ltd. at federal courts in New York and Pennsylvania.

The first action against ACE was brought just four days after the scandal broke on October 14 when Spitzer sued Marsh in his capacity as Attorney General for New York County.

Individual defendants in the various lawsuits include ACE officers Evan Greenberg, Christopher Marshall, Dominic Frederico, Brian Duperreault and Philip Bancroft; and, from AXIS Capital, its Chairman, Michael Butt, and its president and CEO, John Charman.

It has been alleged the defendants knew the value of their firms' stocks was "inflated" due to participation in the alleged scheme operated by Marsh but did not publicly disclose the information.

Plaintiffs' law firms, including Wolf Haldenstein Adler Freeman & Herz LLP, Lerach Coughlin Stoia Geller Rudman & Robbins LLP, and Schatz & Nobel P.C., are currently advertising for alleged victims.

In the case of AXIS Capital, they want to

hear from anyone who bought shares between August 6, 2003 and October 14, 2004, including an IPO on June 30, 2003 and a secondary offering on April 15.

Although the complaints emphasize the drop in share prices immediately following the disclosure of Spitzer's allegations, research by InsideBermuda showed that, unlike Marsh, whose stock had plummeted by 50 per cent at one time and had not recovered much ground by month-end, the stocks of ACE and AXIS Capital quickly rebounded.

ACE's share price fell by 21 per cent from \$40.31 the day before Spitzer's action

Company	13-Oct-04	Low	Date of Low	Drop
Marsh & McLennan	\$46.13	\$22.96	19-Oct-04	-50.23%
ACE	\$40.31	\$31.80	19-Oct-04	-21.11%
AIG	\$66.99	\$54.70	22-Oct-04	-18.35%
The Hartford Financial Services Group	\$62.18	\$52.73	19-Oct-04	-15.20%
AXIS Capital Holdings	\$25.89	\$22.30	15-Oct-04	-13.87%
XL Capital	\$73.94	\$66.70	15-Oct-04	-9.79%

to a low of \$31.80 six days later but it closed the month at \$38.06. And AXIS' share price, which had fallen by nearly 14 per cent within 24 hours of the scandal breaking, finished the month at \$25.06, just 3.6 per cent down on its month-start value of \$26.

The share price of another Bermuda-based firm that may be a potential target for a class action, XL Capital, actually increased in value on October 28 after the firm announced that its subsidiary, XL America Inc., had been served earlier that

day with a subpoena by Spitzer's office.

How long the relative optimism lasts, however, is open to question, particularly for ACE which, unlike AXIS and XL Capital, was explicitly implicated in wrongdoing in Spitzer's complaint against Marsh.

Although not named as defendants, ACE, AIG – which has also had a class action filed against it; The Hartford Financial Services Group, and Munich-American Risk Partners were discussed at length in a section of the complaint that was headlined "Numerous large insurance companies have participated in a bid-rigging scheme with Marsh".

"A cast of the world's largest insurance

companies have participated in Marsh's steering scheme," stated Spitzer before going on to identify ACE, AIG, Hartford and Munich-American. "They have paid hundreds of millions of dollars for Marsh to

steer business their way. At times, the insurance companies have gone much further, colluding with Marsh to rig bids and submit false quotes to unwitting clients throughout New York and across the United States."

ACE USA signed a "contingent commission agreement" with Marsh in 2002 and, thereafter, "repeatedly" provided bogus quotes – referred to as "B Quotes" – to the broker in order to stay in its good books and be allowed to do business with it, alleged Spitzer.

(Continued on page 2)

Class action law firms circle Spitzer's 'kill'

(Continued from page 1)

"The B Quotes given to Marsh were often in amounts requested by Marsh, even though a lower quote would have been justified by an underwriting analysis," it was alleged.

Spitzer quoted from an email purportedly sent by ACE's unidentified "President of Casualty Risk" in which the sender allegedly wrote: "Marsh is consistently asking us to provide what they refer to as 'B' quotes for a risk. They openly acknowledge we will not bind these 'B' quotes in the layers we are be [sic] asked to quote but that they 'will work us into the program' at another attachment point. So for example if we are asked for a 'B' quote for a lead umbrella then they provide us with pricing targets for that 'B' quote. It has been inferred that the 'pricing targets' provided are designed to ensure underwriters 'do not do anything stupid' as respects pricing."

"In this same email, the Casualty Risk president wrote that he 'support[ed]' Marsh's business model, which he described as 'unique,'" according to the complaint.

"An example of the operation of this system is evident in the bidding for the excess casualty insurance business of Fortune Brands, Inc., a holding company engaged in the manufacture and sale of home products, office products, golf products, and distilled spirits and wine. On December 17, 2002, an ACE assistant vice president of underwriting sent a fax to Greg Doherty, a senior vice president in Marsh Global Broking's Excess Casualty division, quoting an annual premium of \$990,000 for the policy. Later that day, ACE revised its bid upward to \$1,100,000. On the fax cover sheet with the revised bid, ACE's assistant vice president wrote: 'Per our conversation attached is revised confirmation. All terms & conditions remain unchanged.'

"An email the next day from the assistant vice president to an ACE vice president of underwriting explained the revision as follows: 'Original quote \$990,000 . . . We were more competitive than AIG in price and terms. MMGB requested we increase premium to \$1.1M to be less competitive, so AIG does not loose [sic] the business...'

"This arrangement inured not only to Marsh's benefit, but also to ACE's. As Doherty wrote in a June 20, 2003 email to the same ACE vice president: 'Currently, we have about \$6M in new business [with ACE] which is the best in Marsh Global Broking so

I do not want to hear that you are not doing 'B' quotes or we will not bind anything.'

"The bidding process for excess casualty insurance for Brambles, USA, a manufacturer of commercial industrial pallets and containers (among other products), further demonstrates the bid-rigging scheme. In June of 2003, ACE learned that Brambles was unhappy with the incumbent carrier. Despite this, Marsh asked ACE to refrain from submitting a competitive bid because Marsh wanted the incumbent, AIG, to keep the business. An ACE vice president of underwriting wrote to the ACE President of Risk and Casualty: 'Our rating has a risk at \$890,000 and I advised MMGB NY that we could get to \$850,000 if needed. Doherty gave me a song & dance that game plan is for AIG at \$850,000 and to not commit our ability in writing.'"

According to Spitzer, "ACE continued to provide Marsh with inflated quotes into 2004."

Within hours of Spitzer's complaint against Marsh, ACE issued a press release stating: "We have been cooperating with the Attorney General's office since earlier this year in this matter, and we intend to continue to cooperate fully with the investigation."

The potential compensatory and punitive damages awards against Marsh and its business partners if the allegations are proved in a court of law are staggering, with Spitzer estimating that, since at least the late 1990s, Marsh has received more than one billion dollars in "contingent commissions" from insurance companies in return for business from Marsh.

The allegedly illegal scheme was "phenomenally profitable" for Marsh, stated Spitzer, who claimed that, in 2003 alone, \$900 million of Marsh's overall net income of \$1.5 billion was "attributable to contingent commission payments".

"The losers in all of this, of course, are Marsh's clients and the marketplace for insurance, which Marsh has corrupted by distorting and elevating the price of insurance for every policyholder," stated Spitzer. "Other victims here are Marsh's own shareholders, who have never been told that hundreds of millions of dollars of Marsh's profits derive from illegal activities."

Defendants in Spitzer's complaint are Marsh & McLennan Companies Inc. and

its subsidiary, Marsh Inc., which are both registered in Delaware but based in New York. Spitzer is seeking compensatory and punitive damages, alleging fraudulent business practice, anti-trust, securities fraud, unjust enrichment, and common law fraud.

Meanwhile, certain Bermuda companies have issued statements addressing Spitzer's wide-ranging investigation into the insurance industry.

After one of its subsidiaries was issued with a subpoena, XL Capital commented: "The Company intends to cooperate fully with the Attorney General's investigation. As a matter of prudence, the Company had previously commenced its own internal review of the issues raised in the Attorney General's recently announced complaint against Marsh & McLennan."

Arch Capital commented: "The Company has not been served with any subpoena or complaint in these matters. Since 2002, certain subsidiaries of the Company have entered into some placement service and market service agreements with insurance brokers under which, to date, the Company has paid a total of approximately \$19.5 million. While the Company is not presently aware of any of its employees having engaged in any bid-rigging, such as alleged by the New York Attorney General in his complaint against certain brokers with respect to other insurers, the Company has engaged the law firm Cahill Gordon & Reindel LLP to conduct an internal review with respect to these issues as a proactive measure."

PartnerRe President and CEO Patrick Thiele told listeners during a conference call to discuss his firm's third-quarter earnings that: "We at PartnerRe have been disturbed by the allegations made in the complaint filed by Mr. Spitzer as any such activity reflects poorly on the industry as a whole. PartnerRe is not involved in this investigation and we do not expect to be. For the sake of good governance we are carrying out our own internal review across the organization and are comfortable that none of the underwriting and pricing alleged in Mr. Spitzer's suit exists within PartnerRe."

Similarly, IPC Holdings President and CEO James Bryce commented: "We would also like to note that we do not currently pay, and have not previously paid, any commissions or fees in respect of PSAs [placement service agreements] or MSAs [market services agreements] with any brokers who place business with us."

LOM insiders profited from alleged stock manipulation, claim SEC

Privileged clients of investment firm Lines Overseas Management stood to profit from the alleged manipulation of a penny stock by LOM principals Scott and Brian Lines, according to a court filing by the SEC.

These included directors such as Graham Collis and Susan Wilson, senior employees like CFO Malcolm Moseley, and relatives of the Lines brothers, including two minors.

They bought a total of 100,000 shares in Sedona Software Solutions Inc. from ICH Investments, a firm controlled by Scott and Brian Lines, for \$4 per share on January 21, 2003 when their market price was \$9 per share, claimed the SEC. "Even though Brian and Scott Lines sold these shares for \$4 per share, they still profited from these sales because they had purchased the Sedona shares for approximately seven cents per share," stated the regulator.

Four days earlier, Sedona's stock price had been boosted by the issuance of a press release which the regulator claims was misleading in that it did not disclose LOM's involvement with the buyer and seller in a proposed merger deal. By the time the SEC temporarily suspended trading for suspected stock manipulation on January 29, 2003, LOM's clients had sold 13,000 of the shares "into the U.S. market for a profit" even though their stock was "apparently restricted" and "could not be sold over U.S. markets for at least one year and, even then, under certain restrictions", alleged the SEC. Those who did not sell prior to the suspension of trading avoided losses from the subsequent collapse of the stock price when, according to the SEC, LOM canceled the transfers of shares from the ICH account.

Those named as purchasers of the discounted shares in an exhibit filed by the SEC at the U.S. District Court for the District of Columbia on October 13 included Daisy Alexandra Lines, Francesca Elizabeth Lines, Sharon Lines, representing Nicholas Lines and Ben Lines, who are both minors; Graham Collis, Susan Wilson, Graham Redford, Kevin Winter, Kevin Christopher Way, Dave McNay, Ian Brown, Stuart M. Smith, Malcolm Moseley, Kim Moseley, Robert L. Moore, Bente Ahern, Christopher Maurice White, John Cook, Derek Lee, Constanzo Di Meglio, James Parris, Sharon Parris, James Parris Jr., Don Petkau, Derricka Brangman, Richard Paynter, Debra-Ann Paynter, Bermuda

Overseas Investors Limited, First Edinburgh Securities, Clover Capital Corporation, Quindone Investments Ltd., Bart Holdings Ltd., Bably Ltd., Median Ltd., and Gigco Holdings Ltd.

Most of those identified in the exhibit bought between 500 and 2,000 of the discounted shares, although some purchased more, including Constanzo Di Meglio, who works for The Little Venice Restaurant, in Hamilton, Bermuda, who allegedly received 5,000 shares. Graham Collis, a partner with Bermuda's biggest law firm, Conyers, Dill & Pearman, and a director of LOM (Holdings) Ltd., received 1,500 shares, and another LOM director, Susan Wilson, who is also head of LOM's Audit Committee, received 1,000 shares, according to the SEC. Collis did not respond to questions that we emailed him asking about his alleged acquisition.

According to the SEC's Washington D. C. Branch Chief, attorney Michael Ungar, ICH Investments Ltd. – whose alleged nominal head was Kevin Way – was one of several companies that acted as nominees for Scott Lines, Brian Lines and/or LOM customers. Others included Gateway Research Management Group Limited and SKN Holdings Ltd. (both allegedly nominally headed by Kevin Winter); Clyde Resources Ltd. (Graham Redford), Warwick Ventures Ltd. (Stuart Smith), Iguana Investments Ltd. and Nottingham Resources Ltd. (both Richard King), Consensus Investments Ltd. (Eric Collins), and Aberdeen Holdings Ltd. (Michael Heslop).

Nominees for the Lines brothers were compensated by receiving stock at a steep discount to its trading price, according to the SEC. Promoters were also compensated with shares, plus cash, to promote penny stocks associated with LOM and/or two of its clients, James Curtis and Todd Peever, it was alleged. Two of the compensated "touters" were identified as Intrepid Investor, which has a mailing list of "almost one million people", and OTC Journal, which has "over one million subscribers".

Details of the alleged discounted sales to privileged insiders and alleged compensation to stock promoters were disclosed in court filings by the SEC during October as it seeks to force LOM and

Scott Lines to comply with four subpoenas for records and testimony concerning two separate investigations into alleged securities fraud involving Sedona Software Solutions Inc. and SHEP Technologies Inc., both of Vancouver, Canada, and HiEnergy Technologies Inc., of Irvine, California.

The subpoenas were served on Scott Lines at Miami International Airport on April 20, 2004 after he was escorted off a plane by U.S. officials. LOM and Lines contend that the United States does not have jurisdiction over them and that they are prohibited from disclosing some of the information being sought due to secrecy provisions of laws in Bermuda, the Bahamas and the Cayman Islands, where LOM has offices.

As part of an attempt to establish that LOM has sufficient ties to the United States to meet jurisdictional requirements, Ungar claimed that LOM executed substantial volumes of trades with the U.S. operations of vFinance Investments Inc., Schwab Capital Markets LLC, and Sterne, Agee Capital Markets and also did business with CIBC Mellon Securities Trust Company, in New York.

"The volume of LOM's U.S. trading, whether on behalf of its customers or its own accounts, is staggering," stated Ungar. "For example, in LOM's account at Schwab, during a two-week period in 2003 – the same year in which the SHEP and Sedona transactions in question occurred – LOM bought or sold, on over 4,000 different occasions, a total of 151 million shares of U.S. securities traded over various U.S. securities markets." The trader at Florida-based vFinance who was in charge of LOM's account testified that "LOM's trading over the U.S. markets was more than the trading of most U.S. regional banks" and that he "either accumulated or liquidated millions of shares a day for them", stated Ungar.

Ungar also alleged that Scott Lines was "not truthful" in a declaration filed with the court in which Lines stated that, when he was served with the SEC subpoenas, he was visiting the U.S. solely for the purpose of seeing a cardiologist in Boston on April 19, 2004 and that he had flown out of the U.S. from Miami on April 20. After spending one night in Massachusetts, Lines also spent two nights at the Mandarin Oriental

(Continued on page 4)

LOM insiders profited from alleged stock manipulation, claim SEC

(Continued from page 3)

Hotel in Miami where he "found the time to receive a spa treatment and to make several business calls to his office", and did not leave the U. S. until April 21, according to Ungar.

In arguing that it was prohibited by offshore secrecy laws from disclosing certain information to the SEC, LOM had submitted declarations from attorneys Paul Smith, of Conyers, Dill & Pearman, in Bermuda; Michael Paton, of Lennox Paton, in the Bahamas; and Richard Fear, of Charles Adams, Ritchie & Duckworth, in the Cayman Islands. The SEC countered these arguments by submitting declarations from attorneys Dennis Dwyer, of Wakefield Quin, in Bermuda; Emanuel Alexiou, of Alexiou Knowles & Co., in the Bahamas; and Charles Quin, of Quin & Hampson, in Cayman, who each stated there were legal gateways available that allowed compliance with such subpoenas if those served with them actually wanted to comply.

LOM had also claimed that it was prevented – upon pain of criminal punishment – from turning over telephone records to the SEC but Dwyer declared that the provision of Bermuda's Telecommunications Act that LOM cited only applied to "the interception of telephone conversations". The

Act "provides exceptions for telephone conversations maintained for quality control purposes" and "disclosure of confidential information is permitted on the grounds of public interest", stated Dwyer.

The current action at the U. S. District Court for the District of Columbia was initiated on June 10, 2004 when the SEC filed an application for an order to show cause why LOM and Scott Lines should not be ordered to comply with its subpoenas. The court has re-scheduled a hearing to determine the issues of the case for December 10, 2004.

There was some good news for LOM on October 20 when U. S. Magistrate Judge Alan Kay granted the firm's motion to file certain evidence under seal, specifically parts of a declaration by its Compliance Manager, Scott Hill.

"In assessing LOM's Motion to file under seal, the Court needs to balance, (1) the need for public access to the documents, (2) previous public access to the documents, (3) objections to disclosure, (4) strength of the various interests asserted, (5) possibility of prejudice to the party opposing disclosure, and (6) the purposes for which the documents were introduced during the proceeding," stated the judge.

"In balancing these interests, the Court finds that the documents should be sealed without prejudice. The interest asserted by LOM involves possible violations of foreign privacy laws should public disclosure occur. In contrast, while the general public may ultimately have an interest in the information contained in these documents, at this juncture they are being submitted solely for the purpose of defending their confidentiality.

"Should the Court at a later time determine that LOM's decision to maintain these confidences is unfounded, then the documents can be made public. That determination, however, is the central issue in this case.

"To deny LOM's motion to seal would force them to either defend their position by submitting the information and risk violating confidences or not submit the information thus hindering their ability to fully defend their position. Either option is unacceptable."

The judge ordered LOM to provide a non-redacted copy of Hill's declaration, including all exhibits, to the SEC and directed the SEC "to comply with all applicable rules relating to the handling of sealed documents".

Bermuda firms sued over D&O coverage by ex-Enron director

A former director of Enron has taken legal action against three Bermuda insurers and other firms concerning directors and officers coverage.

Ken L. Harrison, who was once an Enron director and CEO/President of Portland General Electric Company, an Enron subsidiary, filed a complaint at the U. S. District Court for the Southern District of New York on October 20, 2004.

Defendants are ACE (Bermuda) Insurance Limited, Associated Electric & Gas Insurance Services Ltd., and Energy Insurance Mutual Ltd., all of Bermuda; Greenwich Insurance Company, which is registered in California and based in Connecticut; Limit Underwriting Ltd., Faraday Underwriting Ltd., and XL London Market Ltd., all based in the United Kingdom; St. Paul Mercury Insurance Company, of Minnesota; Federal Insurance Company, registered in Indiana, based in New Jersey; Royal Insurance Company of America, of Illinois; and

Kemper Indemnity Insurance Company, of Illinois.

Harrison is concerned that a proposed settlement in Texas by certain directors and officers of Enron may exhaust the limits of the firm's D&O coverage, calling into question whether there will be anything left to cover the costs and expenses of non-settling directors such as himself.

He is seeking an order that the terms of the insurance policies require coverage disputes to be arbitrated and, in certain instances, litigated in New York. The causes of action are declaratory relief, injunctive relief, breach of contract, and to compel arbitration.

"This action arises from and relates to a package of liability insurance policies issued to Enron Corporation for the benefit of its directors and officers," stated an amended complaint dated October 22, 2004.

"Harrison is one of many former direc-

tors and officers covered by the policies. The primary policy layer and the next three layers of excess insurance, totaling \$150 million, have been exhausted or are on the verge of being exhausted by payment of investigation and defense expenses relating to dozens of proceedings pursued in multiple jurisdictions arising from Enron's collapse in 2001."

The defendants are providers of excess insurance coverage in the total amount of \$200 million under the policies, according to the amended complaint.

"A group of some of the insureds under the Policies have announced that they have agreed to a settlement of claims against them and will demand that Defendants pay \$200 million to fund the settlement," stated Harrison. He added: "If Defendants were to pay the Settlement Demand, it would exhaust the remaining insurance proceeds and leave Harrison and other insureds who are not among the Settling Insureds with no further cover-

(Continued on page 5)

Bermuda firms sued over D&O coverage by ex-Enron director

(Continued from page 4)

age under the Policies.

"Under the terms of the Policies, all disputes arising under or relating to coverage under the Policies are governed by New York law. The Policies further provide that such disputes must be arbitrated in New York and that the exclusive forum for resolution of any non-arbitrable claims is the United States District Court for the Southern District of New York, *i.e.*, this Court.

"Defendants have denied that New York law governs, that Harrison's claims are – arbitrable, and that this Court is the exclusive forum for litigation of non-arbitrable claims.

"Indeed, one day after the original Complaint was filed in this action, Defendants filed a claim for interpleader in the United State District Court for the Southern District of Texas, seeking to force all disputes related to the Policies to be litigated in that forum under Texas law.

"Harrison brings this action to ensure that the resolution of all disputed issues arising under or relating to the Policies is determined in accordance with the terms of the Policies, which provide that New York law shall govern, that all issues arising under or relating to the Policies shall be resolved in arbitration in New York, and that any non-arbitrable issues shall be resolved in this Court."

According to the action, Enron's \$150 million primary layer of D&O coverage is provided as follows: AEGIS, \$0 to \$35 million; Energy Insurance Mutual, \$35 million to \$100 million; Federal Insurance Company, \$100 million to \$125 million; and Twin City Fire Insurance Co., \$125 million to \$150 million.

Harrison claims that the excess liability coverage is as follows: Greenwich Insurance Company, \$150 million to \$175 million; Limit Underwriting Ltd., Faraday Underwriting Ltd., and XL London Market Ltd.: \$175 million to \$200 million; St. Paul Mercury Insurance Company, \$200 million to \$225 million; Federal, \$225 million to \$250 million; Royal Insurance Company of America, \$250 million to \$275 million; ACE (Bermuda), \$275 million to \$300 million; and a quote share agreement for \$300 million to \$350 million broken down as follows: Federal: 50%; Kemper: 20%; Energy: 15%; AEGIS: 10%; and Greenwich: 5%.

"Harrison and the Non-Settling Insureds are currently defendants in multiple proceedings relating to Enron, with potential liability far exceeding the \$350 million total coverage

under the Policies," stated the complaint.

"Harrison and other insureds have been reimbursed only in part for ongoing litigation expenses by AEGIS, EIM, Federal, and Twin City. Some of Harrison's demands for reimbursement, totaling approximately \$210,000, have been rejected by AEGIS, EIM, Federal, and Twin City and remain in dispute. Other invoices submitted by Harrison totaling approximately \$540,000 have not yet been paid.

"The Settling Insureds have announced that they have agreed to a settlement of claims against them and that they intend to serve the Settlement Demand on the Defendants on or after October 26, 2004. Harrison and other Non-Settling Insureds have objected to the Settling Insured's proposed Settlement Demand and have demanded for their part that Defendants submit all disputes relating to the Policies to arbitration in New York City under New York law.

"If Defendants were to pay the amount demanded by the Settling Insureds, it would exhaust the remaining insurance proceeds and leave Harrison and other Non-Settling Insureds with no coverage under the Policies for either the payment of ongoing investigation and defense or the payment of future settlements or judgments. Furthermore, Defendants would leave Harrison with no source of coverage from the Defendants for the reimbursement of investigation and defense costs that have been improperly denied by preceding insurers.

"Under settled New York law, payment by Defendants of the remaining insurance funds for the sole benefit of the Settling Insureds would in these circumstances violate the Defendants' contractual and fiduciary duties to Harrison and the other Non-Settling Insureds.

"In an effort to secure for themselves the sole benefit of coverage under the Policies, on or about October 12, 2004, the Settling Insureds filed a third-party complaint against Defendants in the matter *In re Enron Corp. Securities, Derivative, & "ERISA" Litigation*, MDL 1446, *Newby v. Enron Corp.*, S.D. Tex. Civ. No. H-01-3624, seeking a declaration that the Defendants are required to comply with their alleged duty to fund reasonable settlements within policy limits and injunctive relief preventing Defendants from depleting their policy limits.

"The Settling Insured's third-party com-

plaint articulates no basis for subject matter jurisdiction in federal court other than 28 U.S.C. § 1367, which does not apply because there is no transactional relationship between the Policies and the events underlying the claims that the Settling Insured's intend to settle.

"In a further effort to secure for themselves the sole benefit of coverage under Policies, on or about October 18, 2004, the Settling Insureds amended their third-party complaint to include an application for a temporary restraining order against Greenwich (the Defendant providing the first layer of the remaining \$200 million layers of coverage) to prevent Greenwich from processing or disbursing any funds in response to any invoices seeking reimbursement of investigation and defense costs.

"During a hearing before the Honorable Melinda Harmon on that same date, counsel for Greenwich stated that Greenwich was neutral as to entry of the requested TRO and failed to raise any defense relating to subject matter jurisdiction, venue, or arbitrability, despite prior demand by Harrison and other Non-Settling Insureds that the Defendants raise such defenses.

"Judge Harmon has entered a TRO against Greenwich enjoining Greenwich from disbursing funds in response to demands for payment of defense costs, and a preliminary injunction hearing has been scheduled for October 28, 2004.

"The day following the filing of the original Complaint in this Action, Defendants filed in the Southern District of Texas their Answer to the Settling Insureds' Third-Party Complaint together with a Third-Party Counterclaim for Interpleader (the "Interpleader Action"), naming Harrison and numerous other Non-Settling Insureds as Additional Third-Party Counterclaim Defendants.

"In the Interpleader Action, Defendants seek authority to deliver the remaining \$200 million of insurance funds into a fund established by the U.S. District Court for the Southern District of Texas.

"Further, Defendants request preliminary and permanent injunctive relief requiring Harrison and all other insureds to interplead in the Southern District of Texas all claims relating to the Policies. Last, Defendants request preliminary and permanent injunctive relief prohibiting Harrison and all other insureds from pursuing any claims relating to the Policies in any arbitration or in any court other than the Southern District of Texas.

River Capital Group

The principals of investment firm Lines Overseas Management have been accused by the SEC of illegally failing to timely disclose their beneficial ownership of River Capital Group Inc., which claims to be trying to establish a Bermuda insurer headed by Robin Spencer-Arscott.

An allegation that Brian and Scott Lines violated Section 13D of The Securities Exchange Act of 1934 was made in a filing by the SEC at the U. S. District Court for the District of Columbia on October 13, 2004 as part of two SEC investigations into alleged manipulation by LOM and the Lines brothers of stock issued by Sedona Software Solutions Inc. and SHEP Technologies Inc., both of Vancouver, Canada, and HiEnergy Technologies Inc., of Irvine, California.

Part of those investigations involves establishing that the Lines brothers control Monashee Limited and Largo Flight Limited, which they have allegedly used to acquire penny stock holdings.

"Brian and Scott Lines acknowledged their control over Largo and Monashee in a Schedule 13D, which they filed with the SEC on October 23, 2003, with respect to River Capital Group Inc., an SEC registrant whose securities are traded in the U.S.," stated the SEC.

The regulator added: "Brian and Scott Lines apparently violated Section 13D by making this filing more than 18 months after it was required to be filed by Section 13(d) and the rules thereunder (i.e. compare the "Date of Event which Requires Filing of this Statement", which was February 5, 2002, with the actual filing date of October 23, 2003)."

Meanwhile, two California-based investment funds have each acquired 7.19 per cent of River Capital Group's common shares, according to SEC filings. Longview Fund L.P. and Longview Equity Fund L.P., both of San Francisco, declared on October 14 and 27, respectively, that they each beneficially owned 439,347 shares in the firm.

Longview Fund's filing was signed by Peter T. Benz, CEO of Viking Asset Management, as General Partner, and Longview Equity Fund's filing was signed by Wayne Coleson, CEO of Redwood Grove Capital Management LLC, as Investment Manager.

Research by InsideBermuda showed that Viking Asset Management is owned by Peter Benz, Merrick Dean Okamoto, and Stephen Michael Rudolph, while Redwood Capital Management is owned by Wayne Coleson.

InsideBermuda has previously reported that River Capital's application for an insurance license in Bermuda, upon which its entire business model was based and for which it has been raising capital, was not approved by the Bermuda Monetary Authority.

Montpelier Re forms new terrorism insurance agency

Montpelier Re has entered into agreements with a U. S. Government agency to form a facility to underwrite stand-alone terrorism insurance products.

The agency is Overseas Private Investment Corporation, which supports economic development by promoting U. S. private investment in developing and transition economies, stated a Montpelier press release on October 11.

"One of OPIC's principal objectives is helping U.S. investors manage business risk by issuing political risk insurance," stated the release. "For those businesses whose main insurance concern is related to terrorism, the new facility will provide cost effective stand-alone terrorism coverage for limits of up to \$250 million per project. Montpelier Agency Ltd. will manage the facility on behalf of OPIC,

providing underwriting and related services.

OPIC Vice President for Insurance, Michael Lempres, noted that, in November 2002, Congress passed the Terrorism Risk Insurance Act of 2002 to ensure the continued availability of terrorism insurance domestically. "OPIC's new terrorism products will do the same for insurance of American projects abroad, which TRIA does not cover," he said.

OPIC's terrorism insurance will cover violent acts with the primary intent of achieving a political objective, undertaken by individuals or groups that do not constitute a national or international armed force. In addition, coverage will include protection against threats posed by weapons of mass destruction. OPIC will offer protection of up to 10 years and in countries for which private sector insurance is not readily available.

Stocks hold up well under the circumstances

Bermuda insurance stocks proved remarkably resilient in what was an extremely turbulent month for the industry as a result of firms reporting generally ugly, hurricane-induced, third quarter losses and the headline-grabbing investigation into bid-rigging by New York Attorney General Eliot Spitzer.

The two local firms that reported the worst net losses had differing fortunes in the market. RenaissanceRe's stock price was already in a downslide for the month

before the firm announced a \$357 million loss on October 27, sending the stock down even further for a drop of nearly 10% on the month.

The share price of Montpelier Re. on the other hand, was in an upward spiral when the firm announced a \$78 million loss on October 28, which had little immediate, material effect.

Overall, five Bermuda insurance stocks increased in value in a month when the S&P Insurance Index fell by 7%.

COMPANY	30-Sep-04	29-Oct-04	% CHANGE
IPC Holdings	\$38.01	\$40.44	6.39
PartnerRe	\$54.69	\$58.15	6.33
Scottish Re	\$21.17	\$22.50	6.28
Endurance Specialty	\$32.15	\$33.15	3.11
Montpelier Re	\$36.68	\$37.27	1.61
Aspen Insurance	\$23.01	\$23.00	-0.04
Platinum Underwriters	\$29.28	\$29.25	-0.10
XL Capital	\$73.99	\$72.50	-2.01
Arch Capital GP	\$38.94	\$37.57	-3.52
AXIS Capital Holdings	\$26.00	\$25.06	-3.62
ACE	\$40.06	\$38.06	-4.99
Max Re	\$20.00	\$18.87	-5.65
RenaissanceRe	\$51.58	\$46.82	-9.23
INDICES			
S&P 500 Index	1,114.58	1,130.20	1.40
BSX Index	3,173.90	3,153.10	-0.66
Bermuda Insurance Index	1,031.53	1,016.02	-1.50
S&P Insurance Index	314.76	292.81	-6.97
OTHERS			
Bank of Butterfield	\$41.00	\$40.50	-1.22

PartnerRe shines amid hurricane-induced losses

With some exceptions, most notably PartnerRe, the third quarter results of Bermuda's insurers and reinsurers were hammered by one of the most severe hurricane seasons ever.

The company most negatively affected was property catastrophe reinsurer RenaissanceRe, whose combined ratio for the three months ended September 30, 2004 was a whopping 240.9 per cent.

Losses of \$520 million from hurricanes Charley, Frances, Ivan and Jeanne contributed to a net loss of \$357 million, or \$5.31 per share, for the quarter, reported the firm. Not surprisingly, RenaissanceRe's share price fell by nearly 10 per cent during October.

The hurricane-losses estimated had been raised from a previously-announced \$425 million "based on an increase in our assumption of total industry losses in the U.S. and Caribbean, to over \$30 billion", stated James Stanard, RenaissanceRe's Chairman and CEO.

The reinsurer has reduced its earnings per share guidance for 2004 to a range of \$0.75 to \$0.95, compared with its previous range of \$6.95 to \$7.25. Stanard stated that

RenaissanceRe was projecting EPS of \$6.30 to \$6.70 for 2005, "assuming normal loss activity".

Also badly hit by the bad weather was Montpelier Re, which reported a net loss of \$78.2 million, or \$1.26 per share, and a combined ratio of 145.2 per cent. The reinsurer said it expects the final cost of the recent hurricanes to be between \$185 million and \$235 million.

Hurricane and typhoon losses were so unpalatable to ACE's management that they offered shareholders a taste of how the firm's results would have looked if the bad weather had not occurred.

The bad news was that "The combined ratio was 105.2%", stated ACE in the first paragraph of its earnings press release, but the good news was that "If catastrophe losses were excluded the combined ratio would be 88.1%, a 1.5 point improvement over the comparable quarter in 2003".

ACE recorded a third-quarter after-tax charge of \$406 million due to losses from hurricanes and typhoons, which was largely responsible for a net loss of \$3 million, or five cents per share, compared

with net income of \$355 million, or \$1.22 per share, in the corresponding quarter of 2003.

AIG-controlled IPC Holdings' net loss of \$17.8 million, or 37 cents per share, was only its third quarterly loss in its 11-year history.

On the brighter side, by far and away the best performance was by PartnerRe, which reported net income of \$83.2 million, or \$1.46 per share, and actually made a slight underwriting profit during the quarter.

"PartnerRe performed exceptionally well during the third quarter despite being challenged by difficult conditions in the catastrophe business," commented Patrick Thiele, the firm's President and CEO.

"Our Non-Life combined ratio of 99.5% included \$137 million or 16 points from the four Florida/Caribbean hurricanes. The fact that we were able to withstand that level of loss and still remain profitable is a testament to both our treaty underwriting skills and the excellent spread of business that PartnerRe has achieved."

Company	Net Income (Loss)	Per Share	Combined Ratio	Assets	Shareholders' Equity
PartnerRe	\$83,200,000	\$1.46	99.5%	\$11,912,908,000	\$2,820,776,000
Endurance Specialty	\$26,800,000	\$0.40	103.0%	\$4,927,303,000	\$1,770,824,000
Arch Capital Group	\$18,000,000	\$0.25	103.4%	\$5,095,952,000	\$2,128,454,000
ACE	(\$3,000,000)	(\$0.05)	105.2%	\$54,455,000,000	\$9,479,000,000
Max Re Capital	(\$9,000,000)	(\$0.20)	95.8%	\$4,166,425,000	\$847,785,000
IPC Holdings	(\$17,798,000)	(\$0.37)	131.2%	\$2,023,894,000	\$1,646,267,000
Montpelier Re	(\$78,200,000)	(\$1.26)	145.2%	\$3,050,800,000	\$1,663,500,000
RenaissanceRe	(\$357,000,000)	(\$5.31)	240.9%	\$5,819,013,000	\$2,457,115,000

LOM accused of securities fraud in new civil lawsuit

Investment firm Lines Overseas Management, which is currently under investigation by three securities regulators, has been accused of fraud involving five more penny stock firms.

The allegations against LOM and others are contained in a civil lawsuit that was filed by Computer Clearing Services Inc. at Los Angeles Superior Court, in California, on September 27, 2004.

Defendants are Lines Overseas Management Limited, of Bermuda; CIBC Mellon Global Securities Services, of Toronto,

Canada; EquiTrade Securities Corporation, a broker-dealer of Lake Forest, California; Kim S. Carroll, of Orange County, California; Kathleen Sylvia Roebuck, and Stephen Roebuck, all of EquiTrade.

CCS, which is registered in Delaware but based in Glendale, California, is seeking damages of \$3 million, alleging fraud, breach of contract and securities law violations against the defendants.

Starting in October 2002, CCS provided clearing services to EquiTrade and EquiTrade's customers, including CIBC

and LOM, for whom CCS opened an account titled "CIBC MELLON GLOBAL SEC SVCS F/A/O LINES OVERSEAS MNGMT", according to the complaint.

The defendants immediately "engaged in a stock manipulation scheme to artificially inflate the price of five securities: Interactive Lighting (call symbol "ILGT"); Oasis Entertainment ("OEFO"); GYK Ventures, Inc.; ("GYKV"); KNW Networks ("KNWK"); and New Parts.com, Inc. ("NPCO") causing CCS to sustain damages

(Continued on page 10)



Letter from Bermuda

After the money-squandering school fiasco, Gov't prepares for an encore

meeting may be held but, in Bermuda, as in any parliamentary democracy, we tend to do what the government and, in this case, Alex Scott, our Premier, wants to do.

In this matter, however, Emperor Scott has no clothes.

Like many government projects, this one has all the classic traits of a pork-barrel project. It is completely unnecessary; a waste of money at just the wrong time; and it has the potential to grow into something grandiose and ugly. Once governments conceive of big ideas, the plans tend to assume lives of their own, and the community ends up with something it may or may not need by the time it is opened with great fanfare.

The causeway failed badly for the only time in living memory during Fabian's worst onslaught, measured at about 150 miles an hour on land, and probably not less on open water. The central section of the causeway, rebuilt by mostly Canadian labour and completed just a few weeks before Fabian hit, held. The ends of the causeway, which our guest workers did not rebuild, were torn up. They were repaired in the week following the hurricane and now work perfectly well in less than hurricane conditions.

We do not need a new causeway, nor can we afford one.

Bermuda's budget allows for a certain amount of capital spending, and we sometimes have new schools and buildings to show for it. Lately, however, cost overruns at the Berkeley Institute have spoken for the capital budget and then some. Bermuda should be trimming its sails in the wake of this fiasco, not splashing out on extravagant and unnecessary schemes designed to promote a political agenda.

The four deaths that occurred dur-

ing Fabian, according to press reports, were in part caused by an attempt to cross the bridge at or near the height of the storm. The effort was, at the least, ill-conceived. Not long after Fabian passed, there were murmurs of closing the causeway whenever winds beyond a certain power hit the island. That would represent a better way forward than spending money we do not have. Some metal fencing at either end of the causeway, and perhaps a member of our conscripted Regiment on duty at each end under storm conditions, would dissuade anyone from foolhardiness.

The airport argument does not hold water, because hold water is just what the airport did after Hurricane Fabian. Had the causeway not been damaged, it is improbable that the terminal could have been brought back into service any quicker than it was. The terminal was awash with mud. Private planes came and went within 48 hours of Fabian heading away, commercial flights within four or five days. We survived. No tourist in his right mind would have wanted to come and see us then, anyway.

Any structure much more complicated than our present two-lane bridge would spoil the look of that end of the island and present visitors with an ugly first and last impression of our little piece of paradise. How long it would be before a government, pushed to pay the interest on the loan it took out to pay for the causeway and keen to raise employment, decided to add insult to injury by making it a toll bridge, is anyone's guess.

A lack of necessity and/or cash never deterred a government anywhere in the world from proceeding with its plans to spend money on frivolities. We neither want nor need a new causeway, yet the chances are that, within a year or two, we will have robbed our children to pay for one. The only surprise is that we're even bothering to "discuss" the idea.

A move has arisen to replace the bridge that links the main islands of Bermuda with those at the eastern end. The reason for such an idea, proponents argue, is the loss in September 2003 of four Bermudians on the half-mile bridge during Hurricane Fabian.

The causeway, as we call it, was badly damaged in the hurricane. Bermuda was divided into two separate geographical communities for a few days. The airport, which is on land that was once the US Base, was unreachable by more than three-quarters of the population of Bermuda, unless they took a boat. The airport was useless to the other quarter of the population, since airport workers and passengers could not reach it in sufficient numbers to enable Bermuda to connect with the outside world.

Those pushing for this construction to proceed point out that the causeway is an integral part of Bermuda, just as Front Street is. We would replace Front Street. Fabian closed the causeway for four or five days. During that time, Eastenders were essentially without medical care. A brand new super-causeway, built to withstand winds of 150 mph or more, would therefore be a wise investment, it is argued, before another hurricane matches Fabian's destruction and leaves us once again with casualties and inconvenience.

Indeed, a new causeway is now officially under discussion. A significant lack of public discussion suggests that the idea has been accepted more or less without comment. The odd town hall

Bermuda Supreme Court

Selected civil lawsuits

Plaintiff	Defendant	Date Filed	Details
Dalian Huaxia North Investment Co. Ltd.	<ol style="list-style-type: none"> 1. Brilliance Holdings Ltd. 2. Jun Li 3. Maria Siu 4. Wang Jian 5. Thomas Edward Bongarzone 6. Chizuko Kubo 7. Thomas Tsen Hsien Sun 8. Pierre Seligman 	29-Sep-04	
Director of Public Prosecutions	Karen Irvina Cross	1-Oct-04	Proceeds of Crime Act
Bermuda Trust Company Limited (as Trustee of the Cinq Trust or Bad Nalheim Trust)	<ol style="list-style-type: none"> 1. Bernd Wittich 2. Thomas Wittich 3. Peter Wittich 4. Tina Hickok 5. Melissa Brown 6. Joanna Blair Wittich 7. Thomas Christopher Wittich 8. Christina Wittich 9. Emily Lucille Wittich 10. Henry Werner Wittich 11. Ann Apollonia Wittich 12. Courtney Lynn Wittich 13. William Peter Wittich 14. Jenna Michelle Wittich 15. Sabrina Grace Wittich 16. Holden Michael Bernd Wittich 17. Amanda Hope Hickok 18. Samuel Edward Hickok 19. Walter James Brown 	1-Oct-04	
<ol style="list-style-type: none"> 1. Fidelity Advisory Series VIII: Fidelity Advisor Emerging Markets Income Fund 2. Fidelity School Street Trust: Fidelity New Markets Income Fund 3. General Motors Investment Management Corp. Emerging Markets Debt Portfolio 4. Fidelity Emerging Markets Debt Collection Pack 5. Sticing Philips Pensioenfond Emerging Market Debt Portfolio 6. Hancock High-Yield Bond Fund 	APP China Group Ltd.	1-Oct-04	
<ol style="list-style-type: none"> 1. Capital G Trust Limited (as Trustee of the Breakers Trust) 2. Clyde Eugene and Debra Jane Norcross 3. Norma Christel DeSilva 4. Bruce and Debra Leseur 5. Antonia Burrows 6. David Leonard Androde 7. The Herrington Trust Limited (as Trustee of the H.I. Dale Settlement) 8. Codan Trust Company Limited 9. Gregory E.A. Morrison 10. Beverley Elizabeth Todd 11. Jason Paul and Donna Josette Smith 	<ol style="list-style-type: none"> 1. The Mermaid Beach and Raquet Club Limited 2. The Mermaid Beach Club Ltd. 	6-Oct-04	

Bermuda Supreme Court

Selected civil lawsuits

Plaintiff	Defendant	Date Filed	Details
Leisure Time Limited	1. Cox Hallett Wilkinson 2. Kim White 3. Lee White 4. The Global Trust Company Ltd.	12-Oct-04	
1. Leisure Time Limited 2. Janice Ann Hollis	Kim White	12-Oct-04	
Re. Carolina Reinsurance Ltd. (in liquidation)		15-Oct-04	Companies Act, Sect. 99 & Scheme of Arrangement
Allied World Assurance Company Limited	1. Tyco International Limited 2. L. Dennis Kozlowski 3. Mark A. Belnick 4. Mark H. Swartz 5. Frank E. Walsh Jr.	18-Oct-04	Re. Bermuda International Conciliation and Arbitration Act 1993
Roan Bicarie & Teresa Janell Trott as Administrators and Trustees of the Estate of Andrea Terry-Lyn Bicarie, DECE	1. Elbow Beach Hotel & Development Company Limited 2. E.B. Properties Limited 3. D&J Construction 4. Biermans Concrete Products Ltd 5. The Bermuda College	19-Oct-04	
GTE Reinsurance Company Limited	Attridge-Stirling & Woloniecki	19-Oct-04	
1. Nicholas Timothy Cornforth Hill 2. Fan Wai Kuen Joseph 3. K. Craig Christensen, as liquidators of AKAI Holdings Limited and Kong Wah Holdings Limited	Attridge-Stirling & Woloniecki	20-Oct-04	
Sea-Land Construction Ltd.	New Testament Church of God	25-Oct-04	

LOM accused of securities fraud in new civil lawsuit

(Continued from page 7)

in excess of \$3,000,000", it was alleged.

"Between October 2002 and February 2003, large positions in penny stocks, including ILGT, OEFO, GYKV, KNWK, and NPCO were purchased in the Account and sold to EquiTrade's inventory accounts.

"The positions were traded at various prices and positions were actively transferred in and out of the Account during the same time period.

"EquiTrade made a market in the various securities, including ILGT, OEFO, GYKV, KNWK, and NPCO, in order to artificially inflate the price of the securities and provide support for a price bid.

"The principals of EquiTrade conspired with the other defendants to sell the large worthless positions from the Account to the EquiTrade inventory accounts, which were financed by CCS in its role as clearing firm.

"In or about March 2003, CCS became suspicious of the activity in the inventory

accounts and contacted EquiTrade to request that all inventory positions be paid for immediately.

"In response, EquiTrade stated it was withdrawing from NASD membership and refused to deposit sufficient funds to cover the debit balance in the inventory accounts.

"As soon as Defendants ceased supporting the bid for the securities in the inventory accounts, the stock prices collapsed.

"Effective with the close of business on March 21, 2003, CCS held inventory positions on behalf of defendants at a total acquisition cost of \$3,390,866. Upon EquiTrade's refusal to deposit funds to cover the acquisition cost, CCS seized EquiTrade's clearing deposit, firm accounts and accumulated credits totaling just under \$300,000.

"CCS also made demand on CIBC and LOM to deposit funds to cover the

acquisition costs to no avail. Therefore, CCS has been damaged in the amount of approximately \$3,100,000."

Research by InsideBermuda showed that the National Association of Securities Dealers expelled EquiTrade Securities Corporation from its membership, effective April 10, 2003 for failing to pay a \$7,500 fine levied in one of seven NASD-regulatory actions and one arbitration that EquiTrade was involved with.

Several of the actions concerned allegations that EquiTrade failed to report traded in over-the-counter stocks in a timely manner.

EquiTrade has also been subject to at least two cease and desist orders issued by state securities regulators, one by the Wisconsin Division of Securities, Department of Financial Institutions on December 20, 2000 and the other by the Minnesota Department of Commerce on February 21,

(Continued on page 12)

Performance figures for Bermuda-registered funds by Standard & Poor's

Bermuda-registered Equity Funds	13-Sep-04 11-Oct-04 % Chg	Rank	13-Oct-03 11-Oct-04 % Chg	Rank	Fund Size US\$m	S&P Fund Stars	Manager
Top Five							
LG China	9.03	1	14.55	10	2.01	☆☆	Lloyd George
Orbis Africa Equity (Rand)	7.23	2	36.16	2	208.80		Orbis
Dresdner RCM New Tiger Korea	6.44	3	9.58	18	9.72	☆☆	Allianz Dresdner
Dresdner RCM New Tiger China	6.36	4	12.24	12	7.51	☆☆☆	Allianz Dresdner
Dresdner RCM New Tiger Indo	5.88	5	15.56	8	11.19	☆☆	Allianz Dresdner
Bottom Five							
Dresdner RCM New Tiger Japan	0.95	28	1.52	29	43.00	☆	Allianz Dresdner
Fidelity AW America A	0.82	29	9.79	17	58.81	☆☆☆☆	Fidelity Mgmt
Fidelity AW American Gth A	0.76	30	-0.38	32	270.48	☆☆☆☆☆	Fidelity Mgmt
Dresdner RCM New Tiger Malay	0.00	31	1.20	31	17.56	☆☆☆	Allianz Dresdner
Fidelity AW US Large Cap A	-0.71	32	1.71	28	153.71	☆	Fidelity Mgmt
Mean/Count	3.25	32	11.33	32	314.10		

Bermuda-registered Fixed Income Funds	13-Sep-04 11-Oct-04 % Chg	Rank	13-Oct-03 11-Oct-04 % Chg	Rank	Fund Size US\$m	S&P Fund Stars	Manager
All Funds							
Fidelity AW US High Income A	1.42	1	9.66	1	139.03	☆☆☆	Fidelity Mgmt
All Points FOF Bond Class	0.80	2	3.81	5	22.46	☆☆	BIIML
Schroder Offshore US\$ Bd CI B	0.59	3	4.16	3	25.24	☆☆☆☆	Schroder
Fidelity AW Dollar Bond A	0.50	4	3.52	6	22.40	☆☆☆	Fidelity Mgmt
Butterfield Select Fixed Inc.	0.43	5	5.05	2	63.35	☆☆☆☆☆	Butterfield
Fidelity AW US Int'l diate Bd A	0.38	6	3.17	7	183.19	☆☆☆	Fidelity Mgmt
Performa Int'l Bond Fund	-0.01	7	1.73	8	21.57	☆☆☆☆	P.R.P Performa
Butterfield Capital App Bond	-0.10	8	3.96	4	35.70	☆☆	Butterfield
Butterfield USD Bond	-1.12	9	-0.48	9	102.00	☆☆	Butterfield
Mean/Count	0.32	9	3.84	9	59.85		

Bermuda-registered Asset Allocation Funds	13-Sep-04 11-Oct-04 % Chg	Rank	13-Oct-03 11-Oct-04 % Chg	Rank	Fund Size US\$m	S&P Fund Stars	Manager
All Funds							
New Star Global Managed	1.69	1	8.89	2	36.35		New Star
Hermes Global \$	1.45	2	5.62	4	7.48	☆	Hermes Intl Fd
Hermes World CHF	0.76	3	11.72	1	82.65	☆☆☆☆	Hermes Intl Fd
Hermes World USD	0.50	4	7.56	3	136.55	☆☆	Hermes Intl Fd
Bermuda Capital Co Ltd	N/A	----	N/A	----	80.97	☆☆☆☆☆	Bermuda Capital
Mean/Count	1.10	4	8.45	4	68.80		

Performance figures for Bermuda-registered funds by Standard & Poor's

Bermuda-registered Money Market Funds	13-Sep-04 11-Oct-04 % Chg	Rank	13-Oct-03 11-Oct-04 % Chg	Rank	Fund Size US\$m	S&P Fund Stars	Manager
All Funds							
Butterfield Money MarketCAD A	2.99	1	7.67	3	162.41	☆☆	Butterfield
All Points Corpor Money Eur A	1.12	2	7.16	4	536.29	☆☆☆☆☆	BIIML
Butterfield Liquid Reserve	0.15	3	1.93	5	434.00	☆☆☆	Butterfield
All Points Corpor Money USD A	0.12	4	1.03	6	4,981.58	☆☆☆☆☆	BIIML
Dresdner RCM New Tiger US Lq	0.10	5	0.19	9	9.61	☆	Allianz Dresdner
Butterfield Money MarketUSD A	0.10	6	0.81	7	3,259.00	☆☆☆☆☆	Butterfield
Fidelity AW US Dollar Money A	0.08	7	0.46	8	377.53	☆☆	Fidelity Mgmt
All Points Corpor Money GBP A	0.00	8	11.94	1	356.74	☆☆☆☆☆	BIIML
Performa Liquid Assets Fund	0.00	9	0.00	10	188.27		P.R.P Performa
Butterfield Money MarketGBP A	-0.05	10	11.68	2	178.09	☆☆☆☆	Butterfield
Mean/Count	0.46	10	4.29	10	1,048.35		

Bermuda-registered Asset Allocation Funds	13-Sep-04 11-Oct-04 % Chg	Rank	13-Oct-03 11-Oct-04 % Chg	Rank	Fund Size US\$m	S&P Fund Stars	Manager
All Funds							
New Star Global Managed	1.69	1	8.89	2	36.35		New Star
Hermes Global \$	1.45	2	5.62	4	7.48	☆	Hermes Intl Fd
Hermes World CHF	0.76	3	11.72	1	82.65	☆☆☆☆	Hermes Intl Fd
Hermes World USD	0.50	4	7.56	3	136.55	☆☆	Hermes Intl Fd
Bermuda Capital Co Ltd	N/A	----	N/A	----	80.97	☆☆☆☆☆	Bermuda Capital
						.	
Mean/Count	1.10	4	8.45	4	68.80		

Standard & Poor's maintains statistics and other information about thousands of mutual funds, both onshore and offshore.

Further details can be obtained from www.funds-sp.com, which is an interactive web-site that allows visitors to calculate returns over various time periods.

Lines Overseas Mgmt

(Continued from page 10)
2001.

Both regulators accused EquiTrade of conducting business without being licensed, while, in Wisconsin, EquiTrade was also accused of filing an application that was materially false or misleading.

As previously reported by InsideBermuda, Lines Overseas Management is currently being investigated by the SEC in the United States, the Bermuda Monetary Authority in Bermuda and the British Columbia Securities Commission in Canada for alleged securities violations, including fraud.

Castlewood buys Zurich unit

Bermuda-based Castlewood Holdings Ltd. has bought Turegum Insurance Company, a subsidiary of Zurich Insurance Company, for an undisclosed sum.

Zurich stated it sold the unit because of the risk of losses associated with asbestos and other environmental risks, which have repeatedly forced Zurich to increase reserves, weakening its balance sheet.

Castlewood specializes in the management in the management and acquisition of insurance and reinsurance companies, including companies in run-off, and provides management, consulting and other services to the insurance and reinsurance industry.

Castlewood effected the deal with

Zurich Financial Services through newly-formed subsidiary Harper Holding, stated a press release issued on October 29 by The Enstar Group Inc., which owns a one-third economic interest in Castlewood Holdings and 50 per cent of its voting stock.

Commenting on the deal, ratings agency A. M. Best Co. stated: "The principal business of Turegum was London market reinsurance written by its London branch. The London branch ceased writing new business in 1992 and was subsequently placed into run off. The transaction provides Turegum with defined protection from ZFS against future adverse loss development while allowing ZFS to reduce its asbestos and environmental reserves."