

Primus Guaranty, Ltd.,

Primus Bermuda, Ltd. (formerly known as Primus Barbados, Ltd.)

Passive Foreign Investment Company (PFIC) Information

Special and adverse United States federal income tax rules apply to United States shareholders who are direct or indirect owners of foreign corporations that are PFICs. In general, a foreign corporation will be a PFIC if 75% or more of its gross income constitutes “passive income” or 50% or more of its assets produce passive income. Various rules require that a foreign corporation look through its ownership interest in lower-tier subsidiaries in determining whether it satisfies the “asset” or the “income” test. Based on the operations, assets and income of our entire group, and in particular the operations, assets and income of Primus Financial Products, LLC, Primus Guaranty, Ltd. believes that both Primus Guaranty, Ltd. and Primus Bermuda, Ltd. should satisfy either or both of the “income” or “asset” tests and as a result should be and continue to be PFICs.

Holders of Primus Guaranty, Ltd. common shares are urged to consult with their tax advisors as to the tax consequences of holding shares directly (in the case of Primus Guaranty, Ltd.) and indirectly (in the case of Primus Bermuda, Ltd.) of PFICs and the possible advisability of electing to have each of Primus Guaranty, Ltd. and Primus Bermuda, Ltd. treated as a “qualified electing fund”, or QEF, or of making a mark-to-market election with respect to Primus Guaranty, Ltd.. In general, once a QEF election is made, the election applies to all subsequent years.

To assist shareholders that are making QEF elections with respect to Primus Guaranty, Ltd. and Primus Bermuda, Ltd., Primus Guaranty, Ltd. has prepared PFIC Annual Information Statements, for the tax year ended December 31, 2004, for both Primus Guaranty, Ltd. and Primus Bermuda, Ltd.. These information statements are attached.

If an investor makes an effective QEF election, the investor is taxed on its proportionate share of earnings computed under U.S. tax principles for each year in which the fund is a PFIC. An electing U.S. investor reports the share of earnings from the PFIC by filing IRS Form 8621, Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. Form 8621 can be found at <http://www.irs.gov/pub/irs-pdf/f8621.pdf> and instructions for Form 8621 can be found at <http://www.irs.gov/pub/irs-pdf/i8621.pdf>.

An investor that makes a QEF election for both Primus Guaranty, Ltd. and Primus Bermuda, Ltd. would file a separate Form 8621 should be completed for each entity.

The amounts reflected on the attached PFIC Annual Information Statements represent Primus Guaranty, Ltd. and Primus Bermuda, Ltd.’s ordinary earnings and net capital gain income for the tax year. As an investor, if a QEF election is effective, you should report your distributive share, prorated for the period of your ownership. You should keep the attached statement in your records but do not need to attach this statement to your IRS Form 8621.

An investor who has made a QEF election may elect to defer paying the tax on the undistributed income of the PFIC, if any, on Form 8621. If this election is made under Section 1294 of the Code, the investor will be subject to an interest charge on the deferred tax.

It is suggested that the investors consult with their tax advisors and our disclosure documents on file with the SEC to determine whether to make a QEF election with respect to the ownership interest in Primus Guaranty, Ltd. and Primus Bermuda, Ltd. or a mark-to-market election with respect to the ownership interest in Primus Guaranty, Ltd..

