BRIT INSURANCE HOLDINGS BV
PRESS RELEASE
FOR IMMEDIATE RELEASE

26 JULY 2011
HALF YEAR REPORT - 30 JUNE 2011

Brit Insurance strengthens underlying performance

Financial highlights

- Profit before tax was £6.8m (30 June 2010: £77.5m) and excluding the effect of foreign exchange on non-monetary items was £1.6m (30 June 2010: £72.8m).
- Gross written premium 2.1% higher at constant exchange rates at £845.3m (30 June 2010: £851.5m), broadly in line with plan and reflecting the Group's focus on disciplined underwriting, enabling it to obtain premium rate increases of 0.9% (30 June 2010: 1.1%)
- Combined ratio excluding the effect of foreign exchange on non-monetary items of 104.8% (30 June 2010: 96.5%) including 15.5 percentage points for major claims (30 June 2010: 7.1%)
- Investment return of 1.5% against a backdrop of challenging economic environment (30 June 2010: 1.6%).
- Underlying attritional claims ratio improved over full year 2010 by 3.5% to 58.6%.
- Underlying management expenses reduced by 11.8% to £75.4m.
- Dividend of £50m paid on 28 April 2011.

Business development

- Successful completion of the acquisition of Brit Insurance Holdings NV by Achilles Netherlands Holdings BV for £10.70 per share on 9 March 2011. Brit Insurance Holdings NV subsequently re-registered as Brit Insurance Holdings BV.
- Strong and continuing focus on key areas that drive performance: Underwriting, claims, investments, expenses
- High profile hires announced to lead the Energy & Power division and the Property Treaty Team
- Improved operational flexibility and effectiveness through a new partnership with Infosys, a major global provider of outsourced capabilities, providing a range of back and mid office functions.

Dane Douetil, Group CEO of Brit Insurance Holdings BV commented:

"The underlying performance of Brit Insurance continues to strengthen. The continued improvement in the underlying claims ratio has been particularly encouraging at a time of difficult pricing conditions and is the result of our total focus on underwriting performance across the business. This is reflected in the company producing a profitable result despite the unprecedented number of catastrophe events in the first six months.

"Brit Insurance's strong franchise and increasing concentration on those areas of business where it sees greatest opportunity continues to attract highly talented people to be hired across the organisation including key appointments recently announced to lead our Energy & Power business and Property Treaty portfolio.

"We have continued with our goal of creating a flexible operational infrastructure so as to allow the company to respond swiftly to changing business needs. To assist this we have partnered with Infosys who will bring long term capability and a range of back and mid office operational and IT services.

"The successful transfer to private ownership during the period has already created new opportunities for the Group on which we will build and enhance our core strengths of underwriting, claims management and asset allocation."

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Notes to Editors

Brit Insurance is an international general insurance and reinsurance group specialising in commercial insurance. The Group writes a diverse portfolio of insurance and reinsurance, offering worldwide protection. The scope is wide-ranging: from sole traders to the largest multinational corporations; from manufacturers to professional services; from shops to satellites. Our distribution model is centred on brokers and intermediaries. Reflecting where our customers trade, we are organized into three strategic business units – Global Markets, UK and Reinsurance – which have access to our underwriting platforms including Brit Insurance Limited and our Lloyd's syndicate, Brit Syndicate 2987.

www.britinsurance.com

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HALF YEAR REVIEW

Financial highlights and key performance indicators

	6 months ended 30 June 2011	6 months ended 30 June 2010	Year ended 31 December 2010
Gross written premium (£m)	845.3	851.5	1,530.2
Profit before tax excluding the effect of foreign exchange on non-monetary items (£m) [1]	1.6	72.8	119.2
Profit before tax (£m)	6.8	77.5	116.4
Profit after tax (£m)	6.4	67.4	110.5
Net assets (£m) (After payment of a £50.0m dividend on 28 April 2011)	933.4	938.7	971.6
Net tangible assets (£m) (After payment of a £50.0m dividend on 28 April 2011)	852.4	856.4	889.8
Combined ratio[2]	104.8%	96.5%	97.1%

[1] Under International Financial Reporting Standards (IFRS), unearned premium and deferred acquisition costs are classified as non-monetary items and therefore translated at historic exchange rates. Corresponding monetary items are translated at closing rates. If non-monetary items were to be translated at closing rates, the 2011 half year result would decrease by £5.2m (30 June 2010 result decrease by £4.7m; 31 December 2010 result increase by £2.8m).
[2] Excluding the effect of foreign exchange on non-monetary items.

Premiums

Gross written premium (GWP) for the six months to 30 June 2011 decreased by 0.7% to £845.3m (30 June 2010: £851.5m). At constant exchange rates the movement was an increase of 2.1% (30 June 2010: 13.0% fall). These premium levels reflect continued active management of the underwriting portfolio with a disciplined approach to renewal and new business. They also reflect the backdrop of competitive market conditions.

Premium rate increases for the period were 0.9% (30 June 2010: 1.1%; 31 December 2010: 1.0%). Rate increases were seen across each of our SBUs with the UK seeing the largest increase at 1.6%. The Reinsurance SBU increased by 1.4% and Global Markets by 0.2%.

Underwriting performance

The Group combined ratio excluding the effect of foreign exchange on non-monetary items increased to 104.8% (30 June 2010: 96.5%). The headline claims ratio increased by 7.9 percentage points over 2010. However, the underlying attritional claims ratio improved over full year 2010 by 3.5% to 58.6%, reflecting the ongoing initiatives at Brit Insurance to support its 'average to outperform' agenda.

The period saw a significant level of natural catastrophes, the effect of which on the Group, net of reinsurance recoverables and reinstatement premiums, was £95.4m (30 June 2010: £44m). The events were the Brisbane floods and Hurricane Yasi (£11.2m), the Christchurch earthquake (£41.6m), the Japanese earthquake and Tsunami (£32.6m) and the US tornados (£10.0m). These events added 15.5 percentage points to the Group claims ratio (30 June 2010: 7.1 percentage points).

As part of the Group's standard reserving process, the Group released £43.1m of claims reserves from prior years. This is in line with previous years (30 June 2010: £41.9m).

Investment return

Over the last six months, markets have continued to be volatile, driven mainly by concerns over the European sovereign debt crisis spreading and the slowdown of global growth. Lower interest rates continue to put pressure on our fixed income returns.

The Group's investment return for the period was £54.6m (30 June 2010: £57.5m). This return has been driven by the Group's fixed interest portfolio (£41.7m return), with specialised investment funds and equities also producing solid returns.

The investment yield for the period (non-annualised) was 1.5% (30 June 2010: 1.6%).

The Groups continues to have low primary exposure totalling £30.5m across all asset classes to Portugal, Ireland, Greece and Spain.

Foreign exchange

The Group experienced a foreign exchange benefit of £7.7m in the period (30 June 2010: £25.0m).

This was made up of a £2.5m (2010: £20.3m) real gain on the mark to market of the element of the Group's capital that it holds in non-Sterling currencies. In addition, the Group recognised a benefit of £5.2m relating to the IFRS requirement to recognise non-monetary assets and liabilities (i.e. deferred acquisition costs (DAC) and unearned premium reserve (UPR)) at historic exchange rates. At 30 June 2010, the difference between recognising non-monetary assets and liabilities at historic rather than closing exchange rates was an additional £1.5m net asset. At 31 December 2010, the respective amount was an additional net liability of £3.7m. The benefit in the first half of 2011 of £5.2m is the movement between the differences at 31 December 2010 and 30 June 2011.

The total foreign exchange related benefit of £7.7m is made up of a £0.9m 'Net foreign exchange gain' loss per the face of the income statement and a reclassification of £8.6m of the foreign exchange translation on non-monetary items to premium and acquisition costs.

Expenses

In our 2010 Annual report we highlighted that a focus on cost management was vital if we were to manage our expense ratios while declining in the short term inadequately priced business. This focus has resulted in underlying management expenses for the Group of £75.4m (30 June 2010: £85.5m), a reduction of 11.8%. After including one off costs associated with the acquisition of Brit Insurance by Achilles, the 2011 figure increases to £87.7m

Result before tax

The Group's profit before tax excluding the effect of foreign exchange on non-monetary items was £1.6m (30 June 2010: £72.8m). Including the effect of foreign exchange on non-monetary items, the profit before tax rose to £6.8m (30 June 2010: £77.5m profit).

Tax

The Group's effective tax rate of 5.9% (2010: 13.0%) continues to reflect the initial benefit of the Group reorganisation in late 2009 and a favourable geographic mix of profits. In accordance with accounting standards the half year tax charge is based on the rate expected for the full year derived from latest projections. Aside from material events, the tax rate for the full year is anticipated to be comparable to that of the half year.

Capital and liquidity

The Group balance sheet remains strong, and the Group's main insurance carriers, Brit Insurance Limited (BIL) and Lloyd's Syndicate 2987, benefit from strong ratings from the major ratings agencies. BIL's ratings of A (Strong) from Fitch Ratings and A (Excellent) from AM Best were both affirmed with stable outlooks during the period. Syndicate 2987's effective rating from trading through Lloyd's is A+ (Strong) from Standard and Poor's and Fitch Ratings and A (Excellent) from AM Best.

In March 2011, following the acquisition of the Group by Achilles Netherlands Holdings BV, the Group's existing £175m revolving credit facility was replaced by a new £200m four-year revolving credit facility. At 30 June 2011 £70.0m was drawn and on 25 July 2011 the outstanding amount was £17.0m.

The Group's gearing ratio was 20.6% on 30 June 2011 (31 December 2010: 16.5%), reflecting a slightly higher draw down on the Group's revolving credit facility. The level of subordinated debt in issue was unchanged.

Underwriting platforms

Brit Insurance Ltd’s (BIL) Gross Written Premiums for the period were £321.5m (30 June 2010: £334.2m) and its profit after tax was £19.8m (30 June 2010: £25.3m). The financial strength of BIL was recognised in the affirmations of it rating by Fitch and AM Best as mentioned above. Syndicate 2987’s (2987) Gross Written Premiums for the period were £525.6m (30 June 2010: £515.7m) and its profit after tax was £2.7m (30 June 2010: £40.9m). Syndicate 2987 continues to benefit from the Lloyd’s rating.

Business development

The improvement in the underlying claims ratio demonstrates that the on-going focus on underwriting is producing clear tangible success despite the challenging market conditions.

There is increasing focus on those areas where the greatest opportunity has been identified, for instance in Property, Energy and Casualty classes in the Global Markets business.

In addition the inward reinsurance treaty business is now focused on Property treaty and Casualty treaty classes. Reflecting this focus the Group decided to withdraw from the Marine Excess of Loss treaty market where it is not believed that acceptable cross-cycle returns would be achieved.

The UK business continues to target attractive areas of the market recently establishing a team to focus on the property investor sector where we see good opportunity for profitable growth. Opportunities also continue to be developed through on-line channels and partnerships such as that announced in May of an online ‘quote and buy’ system as part of the broker Atkinson Smith’s self build and home extension/conversion scheme which is underwritten by Brit Insurance.

There has been further development of the Group’s overseas network. A new Lloyd’s service company has been opened in Sydney to transact property treaty business locally following the successful establishment of a representative office in 2010. In May the Group’s US service company launched a new package policy designed specifically for the needs of the US Higher Education community.

Brit Insurance continues to attract highly talented people to join the Group alongside developing our internal talent. The hires have been concentrated in business areas where we see the best opportunity for profitable development with Jon Sullivan to lead the Property Treaty team and Brian Randall as director of the new Energy & Power division.

A number of initiatives have been undertaken focusing on optimising investment returns including reassessing working capital requirements resulting in the investment of surplus cash balances into higher yielding securities and the appointment of two new fund managers.

In keeping with the objective of continually improving operational effectiveness the Group has entered into a partnership with Infosys, a major global provider of outsourced capabilities, to provide a range of back and mid office services. The move will see a range of non customer facing operational and IT activities transfer to Infosys from autumn this year. This strategic partnership will bring Brit Insurance increased scalability, flexibility and effectiveness to support the Group’s core business areas of underwriting, claims and investment management.

The successful completion of the acquisition of the Group in March by Achilles Netherlands Holdings BV is already creating new opportunities across the business.

Board changes

Following the acquisition of the Group by Achilles Netherlands Holdings BV, Cees Schrauwers and Joe McHale stepped down from the Board on 9 March 2011. On that date, pursuant to resolutions passed at an extraordinary general meeting held on 17 December 2010, Jonathan Feuer, Sachin Khajuria, Gernot Lohr, Sanjay Patel, Peter Rutland and Kamil Salame were appointed to the Board. On 23 March, John Barton retired as chairman of the Group and was succeeded by Nicholas Prettejohn. On 23 May, Hans-Peter Gerhardt was appointed to the Board.

Principal risks

The Group identifies and manages risk under categories consistent with the Financial Services Authority (FSA) risk classification: group, market, insurance, credit, liquidity and operational. The principal risks facing the business were discussed on page 36 of the Group’s 2010 Annual Report, with further details on risk management, including sensitivity analysis, given in Note 4 on page 86 of the same report.

Outlook

The outlook for the remainder of 2011 remains challenging. However Brit Insurance is in a strong position with its fully intact extensive reinsurance programme and over 60% of annual catastrophe margin unutilised.

Investment returns remain volatile and the underwriting environment remains challenging even after the catastrophe activity we have experienced during the period. As a Group we stand ready to take advantage of any market opportunities which may arise whilst maintaining our strong underwriting discipline.

Amsterdam
25 July 2011

Nicholas Edward Tucker Prettejohn
Dane Jonathan Douetil
Peter Frank Hazell
Willem Frans Casimir Stevens
Maarten Joannes Hulshoff
Hans-Peter Thomas Gerhardt
Jonathan Philip Feuer
Sachin Nagindas Khajuria
Gernot Wilhelm Friedrich Lohr
Sanjay Hiralal Patel
Peter William James Rutland
Kamil Marc Salame

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Condensed Consolidated Income Statement
for the 6 months ended 30 June 2011

	6 months ended 30 June 2011 £m	6 months ended 30 June 2010 £m	12 months ended 31 December 2010 £m
Revenue			
Gross premiums written	**845.3**	851.5	1,530.2
Less premiums ceded to reinsurers	**(187.6)**	(202.3)	(251.8)
Premiums written, net of reinsurance	**657.7**	649.2	1,278.4
Gross amount of change in provision for unearned premiums	**(103.7)**	(102.9)	20.5
Reinsurers' share of change in provision for unearned premiums	**60.5**	67.3	3.4
Net change in provision for unearned premiums	**(43.2)**	(35.6)	23.9
Earned premiums, net of reinsurance	**614.5**	613.6	1,302.3
Investment return	**54.6**	57.5	113.4
Return on derivative contracts	**3.5**	(1.8)	(1.9)
Disposal of associated undertakings	**-**	-	(0.4)
Net foreign exchange gains	**-**	33.4	29.3
Total revenue	**672.6**	702.7	1,442.7
Expenses			
Claims incurred:			
Claims paid:			
Gross amount	**(424.4)**	(464.8)	(926.2)
Reinsurers' share	**72.2**	86.9	181.6
Claims paid, net of reinsurance	**(352.2)**	(377.9)	(744.6)
Change in the provision for claims:			
Gross amount	**(125.0)**	(1.1)	(38.5)
Reinsurers' share	**67.1**	3.8	(13.5)
Net change in the provision for claims	**(57.9)**	2.7	(52.0)
Claims incurred, net of reinsurance	**(410.1)**	(375.2)	(796.6)
Acquisition costs	**(189.4)**	(188.9)	(396.1)
Other operating expenses	**(57.2)**	(53.1)	(117.8)
Net foreign exchange losses	**(0.9)**	-	-
Total expenses excluding finance costs	**(657.6)**	(617.2)	(1,310.5)
Operating profit	**15.0**	85.5	132.2
Finance costs	**(8.0)**	(7.3)	(14.0)
Share of loss after tax of associated undertakings	**(0.2)**	(0.7)	(1.8)
Profit on ordinary activities before tax	**6.8**	77.5	116.4
Tax expense	**(0.4)**	(10.1)	(5.9)
Profit attributable to owners of the parent	**6.4**	67.4	110.5

Condensed Consolidated Statement of Comprehensive Income
for the 6 months ended 30 June 2011

	6 months ended 30 June 2011 £m	6 months ended 30 June 2010 £m	12 months ended 31 December 2010 £m
Profit for the period	**6.4**	67.4	110.5
Other comprehensive income net of tax			
Actuarial gains/(losses) on defined benefit pension scheme	**1.9**	(0.8)	8.1
Tax relating to actuarial gains/(losses) on defined benefit pension scheme	**(0.5)**	0.2	(2.2)
Effect of associates' capital movements	**0.2**	-	0.3
Other comprehensive income for the period net of tax	**1.6**	(0.6)	6.2
Total comprehensive income for the period attributable to owners of the parent	**8.0**	66.8	116.7

Condensed Consolidated Statement of Financial Position
at 30 June 2011

	30 June 2011 £m	**30 June 2010 £m**	31 December 2010 £m
Assets			
Property, plant and equipment	**5.3**	7.5	6.5
Intangible assets	**81.0**	82.3	81.8
Deferred acquisition costs	**183.0**	184.5	166.7
Investments in associated undertakings	**15.5**	15.9	15.3
Current taxation	**10.2**	10.7	19.5
Reinsurance contracts	**642.7**	610.9	519.5
Employee benefits	**12.7**	-	9.6
Financial investments	**3,057.6**	2,715.1	2,921.0
Derivative contracts	**1.3**	0.5	0.4
Insurance and other receivables	**640.8**	670.2	540.8
Cash and cash equivalents	**503.7**	741.2	623.4
Total assets	**5,153.8**	5,038.8	4,904.5
Liabilities and equity			
Liabilities			
Insurance contracts	**3,707.1**	3,611.8	3,485.3
Employee benefits	**-**	4.3	-
Borrowings	**203.0**	132.9	168.4
Current taxation	**-**	-	10.3
Deferred taxation	**16.2**	27.4	15.6
Provisions	**1.7**	1.6	1.6
Derivative contracts	**-**	0.3	-
Insurance and other payables	**292.4**	321.8	251.7
Total liabilities	**4,220.4**	4,100.1	3,932.9
Equity			
Called up share capital	**237.5**	236.2	221.9
Share premium account	**615.9**	615.9	615.9
Own shares	**-**	(10.4)	(9.8)
Retained earnings	**80.0**	97.0	143.6
Total equity attributable to owners of the parent	**933.4**	938.7	971.6
Total liabilities and equity	**5,153.8**	5,038.8	4,904.5

Condensed Consolidated Statement of Changes in Equity

for the 6 months ended 30 June 2011

	Called up share capital £m	Share premium account £m	Own shares £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2011	**221.9**	**615.9**	**(9.8)**	**143.6**	**971.6**
Total comprehensive income for the period	-	-	-	8.0	8.0
Equity dividends	-	-	-	(50.0)	(50.0)
Exchange difference on retranslation of share capital	12.2	-	-	(12.2)	-
Acquisition of ultimate parent company shares	-	-	-	(1.3)	(1.3)
Vesting of own shares	-	-	9.8	(9.8)	-
Share-based payments	-	-	-	2.8	2.8
Settlement of share scheme awards	3.4	-	-	(3.4)	-
Option exercise proceeds	-	-	-	2.3	2.3
At 30 June 2011	**237.5**	**615.9**	**-**	**80.0**	**933.4**

for the 6 months ended 30 June 2010

	Called up share capital £m	Share premium account £m	Own shares £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2010	**277.9**	**612.0**	**(10.7)**	**15.4**	**894.6**
Total comprehensive income for the period	-	-	-	66.8	66.8
Capital distributions	(21.6)	3.9	-	-	(17.7)
Exchange difference on retranslation of share capital	(20.1)	-	-	20.1	-
Acquisition of own shares for share schemes	-	-	(6.4)	-	(6.4)
Vesting of own shares	-	-	6.7	(6.7)	-
Share-based payments	-	-	-	1.4	1.4
At 30 June 2010	**236.2**	**615.9**	**(10.4)**	**97.0**	**938.7**

for the 12 months ended 31 December 2010

	Called up share capital £m	Share premium account £m	Own shares £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2010	**277.9**	**612.0**	**(10.7)**	**15.4**	**894.6**
Total comprehensive income for the year	-	-	-	116.7	116.7
Capital distributions	(45.7)	3.9	-	0.7	(41.1)
Exchange difference on retranslation of share capital	(10.3)	-	-	10.3	-
Acquisition of own shares for share schemes	-	-	(6.4)	-	(6.4)
Vesting of own shares	-	-	7.3	(7.2)	0.1
Share-based payments	-	-	-	7.7	7.7
At 31 December 2010	**221.9**	**615.9**	**(9.8)**	**143.6**	**971.6**

Basis of preparation

The Group's condensed consolidated opening and closing statement of financial position, the condensed consolidated income statement, the condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity have been prepared in accordance with IFRS. IFRS comprises standards issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and as endorsed by the EU.

In accordance with IFRS 4, 'Insurance Contracts', the Group continues to comply with the recommendations of the Statement of Recommended Practice on Accounting for Insurance Businesses issued by the Association of British Insurers in December 2005 (as revised in December 2006). However the Group has the option to make improvements to its policies if the changes make the financial statements more relevant and no less reliable to decision making needs of the users.

After making due enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operation for the foreseeable future. For this reason, they continue to adopt the going concern basis for preparing financial statements.