BRIT INSURANCE HOLDINGS BV
PRESS RELEASE

17 FEBRUARY 2014
2013 FULL YEAR RESULTS

STRONG UNDERWRITING PERFORMANCE COMBINED WITH SUCCESSFUL GROWTH INITIATIVES

Financial highlights

- Return on net tangible assets before FX movements[1] of 24.5% (2012: 18.5%).
- Operating profit before FX movements[2] of £184.6m (2012: £141.0m).
- Profit after tax increased by 20.1% to £101.7m (2012: £84.7m), reflecting strong underwriting performance.
- Combined ratio[3] significantly improved to a record 85.2% (2012: 93.2%).
- Attritional claims ratio improved to 51.3% (2012: 51.9%), a 12.9 percentage point improvement since 2009.
- Return on investments and investment related derivatives[4] of £54.7m or 2.1% (2012: £87.9m/2.9%).
- Gross written premiums of £1,185.7m (2012: £1,147.9m).
- Closing net tangible assets (NTA) of £649.6m (2012: £649.1m), after distributions of £100.0m.
- Total value created[5] during period of £100.5m, equivalent to 15.4% of closing NTA (2012: £121.9m/18.8%). Total value created since 1 January 2010 of £419.3m.

Strategic highlights

- Focus on global specialty underwriting as one of the largest syndicates at Lloyd's.
- Continued improvement in quality of underwriting coupled with premium growth in targeted segments.
- Further recruitment of top underwriting talent, both in the UK and internationally.
- New UK teams hired in the UK Property, Political and Credit Risk, High Value Homeowners, Fine Art and Specie and Cargo sectors.
- Expansion of US specialty operations, with over 50 employees across nine cities now writing US$155m of run-rate premium within the parameters of the Group's underwriting guidelines and risk management framework.
  - Excess and Surplus (E&S) property business expanded with the acquisition of the renewal rights and the underwriting platform of Maiden Specialty.
  - Team hired to lead new Criminal Justice Services Operations (CJSO) programme.
- Distribution capability further enhanced by opening of a Bermuda branch office.
- Senior management team has been further strengthened and is now complete.
  - Dr Richard Ward, former Chief Executive of Lloyd's, appointed Group Chairman.
  - Appointment of Chief Financial Officer Andrew Baddeley, from Atrium Underwriting.
  - Appointment of Chief Operating Officer Nigel Meyer, formerly Interim Chief Financial Officer at Brit.
  - Appointment of Director of Strategy and Corporate Development Joy Ferneyhough, from Espirito Santo Investment Bank.

Mark Cloutier, Group CEO of Brit Insurance, said:

"2013 was another excellent year for Brit, our second full year operating as 'new Brit', a highly focused specialty insurance and reinsurance business underwriting solely through Lloyd's. Excluding the impact of foreign exchange, we achieved a 24.5% return on net tangible assets, a significant improvement over the 2012 figure of 18.5%, and an operating profit of £185m. Total value creation was £100.5m, equivalent to 15.4% of closing NTA.

Our continued focus on improving the quality of earnings, driven by underwriting performance and expense discipline has delivered handsomely with the Group achieving an 85.2% combined ratio. I am particularly pleased our attritional loss ratio continues to improve and is now down 12.9 percentage points since 2009. We have also invested significantly in our investment infrastructure in recent years and I am pleased that our focus in this area has delivered an attractive return, after fees, of 2.1% under very difficult market conditions.

Our strategy is even more valid today than it was when we initially developed it three years ago. Given the challenges facing the market today, our focus on underwriting specialty products and leveraging off the Lloyd's business model globally via our local distribution network gives us a highly efficient platform on which to develop our business and drive future profitable growth.

We have made excellent progress on our growth plans in 2013, including adding new specialty teams and underwriting talent in London, the United States, Bermuda and China which we believe have added well in excess of £100m of new business on an annual run rate basis. We will continue to grow our business wherever we see suitable profitable opportunities that fit our specialty strategy.

Brit is a success story today because of one key ingredient, its people. We are proud of the successes the entire Brit team has achieved in 2013 and we look forward with confidence to building on this strong platform in 2014."

Matthew Wilson, CEO of Brit Global Specialty commented:

"Our continued disciplined underwriting and the relatively benign catastrophe backdrop, have resulted in our lowest ever combined ratio of 85.2%. Particularly pleasing is that every area of Brit Global Specialty contributed to a strong underwriting result. Premium revenues grew by 3% and underwriting profit by 150%.

In 2013 we hired new London based underwriting teams in Marine Cargo, Fine Art and Specie, High Value Homeowners and Political Risks and Trade Credit. Our US service company operation, Brit Global Specialty USA, grew by 64% to US$120m gross written premium, through selective complementary team hires and by acquiring the renewal rights of Maiden Specialty's E&S property business. In China we began writing property and construction business in the Asian region through the Lloyd's China platform.

We believe we have laid solid foundations for continued underwriting out-performance."

For further information, please contact

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Notes

1 Return on net tangible assets (RoNTA) is calculated as: Profit after tax before FX gains/losses and return on FX related derivatives and before any charges in respect of intangible assets, divided by net tangible assets at the beginning of the period (adjusted on a weighted average basis for share buybacks or share issues during the period). In arriving at this adjusted profit after tax figure for the year ended 31 December 2012, a £38.4m intangible asset impairment charge made on the sale of the non-core regional UK business has been written back.
2 Excluding the effect of foreign exchange on monetary and non-monetary items and return on FX related derivatives.
3 Excluding the effect of foreign exchange on non-monetary items.
4 Calculated after investments management expenses. The 2012 figure has been represented on this basis.
5 Total value created represents the increase in net tangible assets during the period, before distributions.

About Brit

Brit is a market leader in global specialty insurance and reinsurance. We underwrite across all major classes of commercial insurance with a strong focus on Property, Casualty and Energy business. Brit is a reputable and influential name in the Lloyd's market and we pride ourselves on our specialist underwriting and claims expertise.

www.britinsurance.com

Disclaimer

FULL YEAR REVIEW

Financial highlights and key performance indicators

	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
Financial highlights		
Gross written premium (£m)		
Direct business	*904.7*	*847.6*
Reinsurance business	*281.0*	*300.3*
Total	1,185.7	1,147.9
Operating profit before FX movements (£m)[1]	184.6	141.0
Profit on ordinary activities before tax excluding the effect of foreign exchange on non-monetary items (£m)[2]	118.6	110.3
Profit from continuing operations after tax[3] (£m)	103.1	93.0
Total profit after tax (including discontinued operations [3])	101.7	84.7
Net assets (£m) (After distributions of £100.0m in 2013)	687.4	684.1
Net tangible assets (£m) (After distributions of £100.0m in 2013)	649.6	649.1
Key Performance Indicators		
RoNTA before FX movements[1]	24.5%	18.5%
RoNTA[4]	17.2%	16.8%
Total value created	100.5	121.9
Claims ratio[4]	48.5%	56.3%
Expense ratio[4]	36.7%	36.9%
Combined ratio[4]	85.2%	93.2%
Attritional ratio[4]	51.3%	51.9%
Investment return[5]	2.1%	2.9%
Gearing ratio[6]	23.2%	23.4%

1 Excluding the effect of foreign exchange on monetary and non-monetary items and return on FX related derivatives.
2 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 2013 result would increase by £6.0m (2012 result increase by £10.5m).
3 Continuing and discontinued operations: During 2012, Brit completed the sale of non-core regional UK business and the sale of its historic UK liabilities. These transactions resulted in the loss of control of a major area of operations and the results of this area of operations have been classified as discontinued operations.
4 Excluding the effect of foreign exchange on non-monetary items.
5 After investment management expenses.
6 Borrowings plus letters of credit as a percentage of closing NTA and sub-debt.

Continuing operations

Premiums

Gross written premium (GWP) for the year ended 31 December 2013 increased by 3.3% to £1,185.7m (2012: £1,147.9m). At constant exchange rates the movement was an increase of 2.1%. Direct business totalled £903.1m (2012: £847.6m) and reinsurance £282.6m (2012: £300.3m).

Underlying these stable premium levels has been continued active management of the underwriting portfolio with a disciplined approach to renewal and new business. Brit has continued to focus its underwriting efforts on targeted lines where it sees the opportunity for further rate increases.

Premium rate increases during the period for Brit's continuing underwriting in Brit Global Specialty were 0.3% (2012: 3.4%). Strong rate increases were seen in a number of classes including marine (3.6%), accident & health (2.3%), property facilities (2.2%) and specialty lines (1.0%). These increases were partly offset by rate reductions in energy (2.8%) and treaty North America (2.1%).

The Group retention rate for the period increased to 83.0% (2012: 76.0%).

Underwriting performance

The combined ratio excluding the effect of foreign exchange on non-monetary items was 85.2% (2012: 93.2%).

Brit incurred losses from major events of £30.0m, equivalent to 3.2 percentage points on the combined ratio (2012: £55.0m / 5.9 percentage points). The 2013 losses arose from various natural catastrophe events including US tornadoes, Canadian and European floods, and German hail storms. The claims arising were in line with Brit's expectations for such events.

The attritional claims ratio for the period improved by 0.6 of a percentage point to 51.3% (2012: 51.9%), continuing the trend of the last few years. The total improvement since 2009 is 12.9 percentage points, equivalent to an increase in the underwriting result for 2013 of £122.2m.

As part of its standard reserving process, Brit released £57.3m of claims reserves from prior years, the equivalent of a combined ratio reduction of 6.0% (2012: net releases of £16.4m / 1.7%). Brit's balance sheet remains strong and Brit's robust reserving process remains unchanged.

Investment return

Return on investments and investment related derivatives for the period was £54.7m or 2.1% (2012: £87.9m / 2.9%), as analysed below:

	Year ended 31 December 2013 £m	**Year ended 31 December 2012[1] £m**
Investment return, net of fees	56.9	87.9
Investment related derivative return	(2.2)	-
Total return	54.7	87.9

[1] In 2013, investment management expenses have been deducted from investment return and the 2012 comparatives have been updated to reflect this change in presentation.

This reduced return reflects challenging market conditions, with lower interest rates continuing to put pressure on returns. The main contributors to this return were the credit and growth asset portfolios.

Foreign exchange

Brit manages its currency exposures to mitigate its solvency capital requirements efficiently rather than to achieve a short-term impact on earnings. During the period Brit re-balanced its surplus assets to match the exposures for which it carries its capital, so that these assets more closely mirror the currency of those exposures. An expected implication of this action was that more volatility would be introduced into the result reported in Sterling. This was the 'mark to market' unrealised cost of ensuring that investors would not be exposed to a fluctuation in the amount of capital they should commit to the business.

Brit experienced a total foreign exchange loss of £58.0m in 2013 (2012: loss of £27.1m). This total foreign exchange related loss comprised:

- An unrealised revaluation loss of £65.2m (2012: £14.1m loss), primarily relating to the mark to market element of Brit's capital that it holds in non-Sterling currencies matching its risk exposures;
- A gain of £13.2m (2012: loss of £2.8m) on derivative contracts which were entered into to help manage the Group's FX exposures; and
- An accounting loss of £6.0m (2012: £10.5m loss), as a result of the IFRS requirement to recognise non-monetary assets and liabilities at historic exchange rates.

The allocation of the FX result within the income statement is as follows:

	Year ended 31 December 2013 £m	**Year ended 31 December 2012 £m**
Net change in provision for unearned premium - non-monetary FX effect	(2.2)	1.8
Acquisition costs - non-monetary FX effect	0.4	(0.5)
Net foreign exchange losses[1] - non-monetary	(4.2)	(11.8)
	(6.0)	(10.5)
Net foreign exchange losses[1] - monetary	(65.2)	(14.1)
Return on derivative contracts - FX related instruments	13.2	(2.8)
	(52.0)	(16.9)
Total	(58.0)	(27.4)

[1] The sum of these two amounts, £69.4m, is the 'Net foreign exchange losses' figure per the Condensed Consolidated Income Statement.

Expenses

	Year ended 31 December 2013 £m	**Year ended 31 December 2012[1] £m**
Underlying management expenses[2]	127.5	117.3
Project costs, timing differences and other cost adjustments	(0.7)	(0.5)
Total expenses[3]	126.8	116.8

[1] In 2013, investment management expenses have been deducted from investment return and excluded from underlying management expenses. The 2012 comparatives have been updated to reflect this change in presentation.

[2] Includes bonus provisions and discontinued business expenses.

[3] In 2013, £51.7m (2012: £43.6m) of expenses have been incurred in connection with the conclusion of insurance contracts and have therefore been included within acquisition costs in Condensed Consolidated Income Statement.

Underlying management expenses during 2013 increased by 8.7% to £127.5m (2012: £117.3m). This increase reflects costs associated with the targeted expansion of areas of the business including Brit Global Specialty USA and China. There was also an increase in bonus costs, reflecting the record underwriting result.

The reduction of underlying management expenses over those incurred in 2010 (restated to reflect continuing operations only and the change in presentation of investment management expenses) was £18.0m or 12.4%, reflecting the initiatives taken by Brit in 2011 and 2012 to improve its efficiency and reduce its expense base together with ongoing expense management.

Result before tax

Brit's operating profit, excluding the effect of all foreign exchange movements and FX related derivative return, was £184.6m (2012: £140.0m), reflecting the strong underwriting performance. After including the effect of all foreign exchange movements, the profit before tax was £112.6m (2012: £99.8m).

Tax

The effective tax charge for continuing business was 8.4% (2012: 6.8%).

Discontinued operations

Discontinued operations produced a loss of £1.4m after tax (2012: £8.3m loss).

Discontinued operations relate to the Group's non-core regional UK business which was disposed of in 2012. The 2013 loss relates to the final adjustments to the proceeds of, and the costs associated with, the sale of the historic UK liabilities, partly offset by fees received for the transitional services provided by Brit.

Total profit after tax for 2013, after including the result from discontinued operations, was £101.7m (2012: £84.7m).

Capital and liquidity

Brit's balance sheet remains strong. Brit 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.

During the period, Brit successfully renegotiated its revolving credit facility with its existing banking partners. The revised facility is increased to £225m (from £200m), with the amount available as a letter of credit now £125m (previously £75m). The facility has also been extended by one year to 31 December 2017. At 31 December 2013 a US$80.0m (£48.2m) letter of credit was in place (2012: US$80.0m / £49.1m) to support Brit's underwriting activities. At 31 December 2013 and 2012, no other drawings were outstanding on the facility.

In addition, Brit has in issue £135.0m of 6.625% Lower Tier Two subordinated debt with a carrying value of £133.4m (31 December 2012: £133.3m). This was issued in December 2005 and matures in 2030. It is callable in whole by the Group on 9 December 2020.

At 31 December 2013 Brit's gearing ratio, including the letter of credit, was 23.2% (31 December 2012: 23.4%).

NTA, RoNTA and total value created

At 31 December 2013 NTA was £649.6m (31 December 2012: £649.1m), after distributions during the period of £100.0m.

Return on net tangible assets (RoNTA), excluding the effects of FX derivatives and FX on revaluation, was 24.5% (2012: 18.5%). The Directors believe that RoNTA excluding the effects of FX revaluations gives a fairer reflection of underlying return because Brit has taken appropriate steps to mitigate the effect of currency movements on its solvency capital requirements, rather than focussing on the short-term impact on earnings.

If the effect of FX derivatives and the FX on revaluation was included, then the additional volatility from revaluing the surplus assets carried in the currencies to match the risks facing the business reduces the RoNTA to 17.2% (2012: 16.8%).

The total value created during 2013, calculated as the increase in net tangible assets during the year before distributions, was £100.5m (2012: £121.9m). The total value created by the Group since 1 January 2010 is £419.3m, equivalent to 51.5% of the Group's NTA at that date.

Business development

Underwriting

- ***Overview***

  Following the Group restructuring in 2012 and the creation of Brit Global Specialty (BGS), Brit has continued to focus on the strategy of growing its core global specialty insurance business through the Group's Lloyd's platform and developing its book in targeted areas including upstream energy, direct and facultative property, terrorism and professional lines. As the reinsurance market comes under increasing rate pressure, albeit from a relative high, Brit will continue to expand our insurance lines which represent approximately three quarters of our business.

- ***Brit Global Specialty London (BGS)***

  In June 2013 Brit announced its entrance into the Political and Credit Risk sector with the appointment of Peter Jenkins and John Lentaigne as Co-Heads of Political and Credit Risk. Brit's expansion into this sector will complement its existing war and terrorism team. Between them, Peter and John have 25 years' experience in political and credit risk underwriting, spanning the Lloyd's and Company markets in the UK, New York and Bermuda. Peter joins from Beazley, where he was Senior Underwriter - Political, Terrorism and Credit Risk, while John was previously with AXIS Speciality as Vice President - Capital Risk Solutions.

  In July 2013 Brit hired a small team to write High Value Homeowner business. Nik Black has over 15 years experience in the sector and has been successful in developing a significant account for Brit in this highly attractive niche. Nik was previously with Sagicor and Hiscox.

  In mid-2013 we also hired Craig Dennis previously with Alterra, to expand our presence significantly in the Fine Art and Specie market, as well as Penny Robinson and Caroline Monnickendam from CV Starr to broaden our Cargo account offering.

  In January 2014, Brit announced the appointment of three senior underwriters to develop a new UK property portfolio. This new team, which will be headed by David Hancock and will join Brit in the second quarter of 2014, brings a wealth of expertise with over fifty years combined experience in the market. The new account, written from London, will form part of the Brit Global Speciality Property Facilities Division.

  These appointments complement our strategy to expand in largely short tail, open market insurance niches, which have been at the forefront of BGS's drive for sustainable profitability and value creation.

- ***Brit Global Specialty USA (BGSU)***

  Brit Global Specialty USA (BGSU) is the Group's Chicago based US service platform which writes business on behalf of Brit Syndicate 2987 within the parameters of the Group's underwriting guidelines and risk management framework. During 2013, BGSU has expanded in targeted sectors and continues to attract high-quality speciality underwriting talent, now employing over 50 staff across nine offices. Gross written premium reached US$120m in 2013 up from US$73m in 2012, a growth of 64%.

  On 1 May 2013, BGSU acquired the renewal rights and the underwriting platform of Maiden Holdings Limited's Excess and Surplus (E&S) Property Business, Maiden Specialty. This transaction has provided an opportunity to expand BGSU's short-tail exposure relative to its existing specialty package business. It also provides a platform for growth to complement the Group's established London operation. The business has been successfully integrated into BGSU and has been accretive to earnings in its first year.

  In March 2013 BGSU hired a team to lead its new US Criminal Justice Service Operations (CJSO) product. The operation focuses on adjudicated care providers, including non-public commercial operators of private prisons, juvenile centres, immigration detention centres, halfway houses and electronic monitoring operations. The team, based in Scottsdale, Arizona and led by Mike Davis, has the experience and expertise necessary to capitalise on the favourable rating environment in this sector. This move represents a further expansion of Brit's niche in US specialty package business, which now offers three products, Self Insured Retention, First Dollar and CJSO.

  In March 2013 BGSU also reached agreement to acquire a team from the formerly exclusive wholesale broker, Protected Self Insurance Managers, from Risk Placement Services Inc., leading the marketing of all of our specialty package products and risk management services.

- ***Brit Insurance China***

  In January 2013, Brit announced its participation as a 'Represented Syndicate' on the Lloyd's China platform. Brit's office is now established within the Lloyd's China operation in Shanghai, with HaoMing Zhou, the former CEO of AonCofco (Aon China) as Brit's representative. HaoMing writes both property and construction business from China and the rest of Asia. Whilst growth from China will be measured, this is an important foothold for Brit in a rapidly developing and important market.

- ***Brit Bermuda***

  In September 2013 Brit announced the opening of a service company branch office in Bermuda. This branch represents another key step in developing Brit's global offering and will enhance its distribution capability by allowing broader access to both casualty and property treaty business.

  The office will focus on underwriting excess workers compensation reinsurance, US property catastrophe reinsurance, retrocession and industry loss warrantee covers. The office is led by Joe Bonanno and Julia Henderson. Joe specialises in excess workers compensation reinsurance and was previously a Senior Vice President with Markel Bermuda (formally known as Alterra Bermuda). Julia was previously a Vice President at PartnerRe and will focus on US property catastrophe reinsurance, retrocession and ILW covers. The Bermuda branch has received full regulatory approval from the Bermuda Monetary Authority and from Lloyd's and began underwriting on behalf of Brit Syndicate 2987 in November 2013.

Investments

In the current low interest rate environment, Brit continues to consider opportunities to increase the investment yield on its assets. The key consideration is to ensure Brit remains capital efficient and continues to satisfy regulatory requirements, while operating within a sustainable control environment and within risk parameters delegated by the Board. As a result, Brit expects to increase marginally its exposure to both equity and credit markets as the market environment in Europe and the US further stabilises.

Xbridge Limited

In April 2013 Brit entered into an agreement to dispose of its equity holding in Xbridge Limited (Xbridge) to Intercede 2463 Limited. This disposal received the approval of the Financial Conduct Authority on 24 June 2013 and completed on 17 July 2013. Brit's loan to Xbridge, together with accrued interest, was also repaid on this date. Brit recognised a profit on disposal of £4.4m.

Senior management team

During 2013 the Group has continued to strengthen its senior management team.

Andrew Baddeley joined the Group in April 2013 as Chief Financial Officer. Andrew, previously Group Finance Director at Atrium Underwriting Group, brings a wealth of insurance and Lloyd's market experience. Andrew reports directly to Mark Cloutier.

On Andrew's arrival, Nigel Meyer was appointed to a new role of Chief Operating Officer for the Group. Nigel joined Brit in 2011 and served as Interim Chief Financial Officer from March 2012. Nigel has over 15 years experience within general insurance, having held senior finance positions within both Aviva and RSA. Nigel continues to report directly to Mark Cloutier.

On 28 June 2013, Brit announced the appointment of Joy Ferneyhough to a newly created role of Director of Strategy and Corporate Development. Joy will work closely with Mark Cloutier and the Brit executive team to identify opportunities to enhance Brit's performance through strategic initiatives and market relationships. She will also focus on developing Brit's external profile through key relationships in the capital markets. Joy was previously Head of Insurance Equity Research at Espirito Santo Investment Bank.

Board changes

Dr Richard Ward assumed the position of Group Chairman on 14 February 2014. Prior to joining Brit, Richard was Chief Executive of Lloyd's, a role he had held since April 2006. Previously he worked as both CEO and Vice-Chairman at the International Petroleum Exchange (IPE), re-branded ICE Futures. Prior to this, he held a range of senior positions at BP, after pursuing a scientific career with the Science & Engineering Research Council (SERC). He is a Board member of Partnership Assurance Group plc. Richard's experience and understanding of the global marketplace is second to none and Brit is extremely pleased he will be bringing his great depth of experience and knowledge to the role.

Richard succeeded Nicholas Prettejohn, who retired from the Board on 30 June 2013 following his appointment as a non-executive director of the Prudential Regulation Authority (PRA). Over his two years in the role, the Group benefited greatly from Nick's experience and knowledge of the insurance industry and he made a significant contribution to Brit's success. Nick is an excellent addition to the board of the PRA and the Group wishes him every success.

The Brit Brand

The new Brand was introduced in 2012 and was received well by Brokers, Clients and Customers as well as our employees. We have externally benchmarked the impact of the new Brand through an industry survey and the feedback has been very favourable. The new Brand has provided clarity that we are a market leader in global specialty insurance and reinsurance with underwriting taking place across a broad class of commercial insurance with a strong focus on property, casualty and energy business. Brit is a reputable and influential name in the Lloyd's market and we pride ourselves on our specialist underwriting and claims expertise.

The brand is reflected in both Brit's internal and external communication tools including literature and the website, www.britinsurance.com. Brit's premises also represent the brand visually and through the way we treat brokers, clients and customers whilst on Brit's premises.

Principal risks and risk management

The risks arising from all business activities are managed in line with the Group risk management framework in order to protect policyholders and maximise shareholder value. This established framework addresses all the risks surrounding the organisation's activities past, present and, in particular, future. It sets out risk management standards, risk appetite, and provides a consistent methodology and structure to the way in which the risks are identified, measured and managed. The framework is supported by appropriate governance, management information, policies, processes, culture and systems.

Brit delivers shareholder value by actively seeking and accepting risk within agreed limits. Brit's risk management framework highlights the importance of managing the impact of risk on the economic value of the company. It sets out a transparent process to identify, assess and manage risk and deploy risk appetite using an economic capital approach.

Brit's risk framework ensures that a strong culture of risk control and management continues to be embedded across the Group. Risk appetite is set by the Board and cascaded throughout the organisation. Brit monitors the aggregation of risk across the business and has overarching limits in place to manage this. In addition to the overarching limits, the risk framework clearly identifies the key risk categories and risk tolerances set for each risk category by the boards (e.g. risk tolerance is set for exposure to losses from US windstorms). Brit uses specialised risk management tools including sophisticated models to monitor current risk exposures relative to risk appetite.

The responsibility for risk management is clearly defined and spread throughout the organisation and Brit maintains a strong risk governance structure based on the three lines of defence principle. Within the first line of defence, individual risk committees, chaired by members of the executive management team, monitor day-to-day risk control activities. Risk management, as a second line of defence provides oversight over business processes and sets out policies and procedures and reports directly to the Risk Oversight Committee of the Board. Internal Audit, reporting to the Audit Committee, is the third line of defence providing independent assurance and monitoring of the effectiveness of the risk management processes.

This risk governance structure ensures that information is passed to the relevant management committee or Board. This process enables Brit to protect policyholders and maximise shareholder value by ensuring the risk and capital implications of business strategy are well understood. Brit's risk framework will also enable the Group, and the legal entities within it, to comply fully with the risk management requirements under Solvency II.

Ownership

Brit Insurance Holdings B.V. is directly owned by Achilles Netherlands Holdings BV and its ultimate parent undertaking is Achilles Holdings 1 S.àr.l., a company registered in Luxembourg. The principal investors in Achilles Holdings 1 S.àr.l. are a number of Apollo and CVC investment funds. Apollo and CVC have equal representation on the Brit Insurance Holdings BV Board.

Sustainability

Overview

While the main focus of Brit is to generate value for its investors, we recognise that value must be sustainable and aligned to its interests for the long term. Brit seeks to both make a positive contribution to society and to be aware of the long-term consequences of its actions.

The responsibility to build a sustainable business means recognising and respecting the connections between customers, investors, business partners, the marketplace, the workplace, the environment and society at large. Sustainability means Brit seeks to generate new commercial opportunities by developing strong stakeholder relationships and by recruiting and retaining a highly skilled, engaged and motivated workforce.

Brit's People

Brit continues to strengthen a highly committed team which focuses on delivering a great product by always pursuing and living its culture around achievement. Brit firmly believes that its employees should feel valued for their contribution and part of a team working towards the same goals.

The Brit culture is communicated and lived through an established framework that identifies and rewards strong performance. Goals in business plans are aligned to its vision and used to determine individuals' objectives, ensuring that all Brit employees understand the vital part they play in the Group's success. Brit has recently completed an employee engagement survey whereby over 85% of the Company responded. Through this powerful tool the Company is provided with a significant amount of information so Brit can ensure it is close to its employees, listens and takes actions on their suggestions.

The Group is committed to developing the technical, behavioural, management and leadership skills required for its teams to outperform, both individually and collectively. We are reintroducing Graduate and Internship programmes in 2014 with the aim to continue to grow expertise from within the business and ensure a robust succession plan through our biannual succession and talent mapping schemes.

Brit has Chartered Insurer status for Brit Syndicates Limited through the Chartered Insurance Institute. This highly-prestigious designation with demanding qualification criteria signifies to Brit's customers and to the rest of the market that it is very serious in its pursuit of the highest standards and demonstrates its adherence to ethical good practice.

Community involvement and charitable work

Brit is committed to supporting the local communities in which it operates. Its strategy is to select charitable giving and community projects based on three criteria: projects should be for a good cause and operate in an area relevant to Brit; financial involvement should be capable of being leveraged for the benefit of the good cause; and projects should offer alignment with Brit's vision.

Brit's charitable giving and community involvement also ensures its employees play a wider part in its contribution to society. Each year we ask our employees which charities they would like the Group to support and provide a matching scheme for any monies raised. The Group also promotes staff involvement and grants every employee two additional days of paid leave a year to volunteer their time through local charity organisations.

Environmental responsibility

Recycling: During 2013 we recycled 25.0 tonnes of paper waste compared with 45.5 tonnes in 2012. This reduction is due to the reduced number of office premises in the UK. Each month Brit sends approximately 6000 Kgs of general waste to energy recycling; 300 Kgs of glass recycling; 1700 Kgs of cardboard and 200 Kgs of food waste. During 2013, in conjunction with our building managers, Brit has worked hard to eliminate the waste sent to landfill sites.

Fairtrade: We continue to use a business dining and internal hospitality provider that is committed to the principles of sustainable food procurement. It recognises that it is important to the future wellbeing of the UK that farming communities are supported and able to contribute to its supply chains.

Office Environment: During 2013 we have made significantly greater use of the Video Conference facilities resulting in 325 tonnes of travel carbon avoided and on average 300 travel man hours avoided each month. Following the installation of LED lighting, longer lasting and more efficient bulbs together with motion sensors in the 2012 refurbishment, our electricity consumption has reduced by 18%.

Outlook

The insurance and reinsurance markets are facing some challenging headwinds. However, Brit believes that its strategy of underwriting specialty products while leveraging off a single Lloyd's-based business model supported by a global distribution network, gives it a highly efficient platform on which to develop its business and drive future profitable growth.

Amsterdam
14 February 2014

Mark Bertrand Cloutier – *Group Chief Executive Officer*
Ipe Jacob – *Independent Non-Executive Director*
Willem Frans Casimir Stevens – *Independent Non-Executive Director*
Maarten Joannes Hulshoff – *Independent Non-Executive Director*
Hans-Peter Thomas Gerhardt – *Independent Non-Executive Director*
Jonathan Philip Feuer – *Non- Executive Investor Director (CVC)*
Sachin Nagindas Mansukhlal Hansraj Khajuria – *Non-Executive Investor Director (Apollo)*
Gernot Wilhelm Friedrich Lohr – *Non-Executive Investor Director (Apollo)*
Sanjay Hiralal Patel – *Non-Executive Investor Director (Apollo)*
Peter William James Rutland – *Non-Executive Investor Director (CVC)*
Kamil Marc Salame – *Non-Executive Investor Director (CVC)*

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.

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.

CONDENSED CONSOLIDATED ACCOUNTS

Condensed Consolidated Income Statement
for the year ended 31 December 2013

	12 months ended 31 December 2013 £m	12 months ended 31 December 2012[1] £m
Revenue		
Gross premiums written	1,185.7	1,147.9
Less premiums ceded to reinsurers	(229.4)	(210.9)
Premiums written, net of reinsurance	956.3	937.0
Gross amount of change in provision for unearned premiums	(34.0)	(3.6)
Reinsurers' share of change in provision for unearned premiums	23.2	9.6
Net change in provision for unearned premiums	(10.8)	6.0
Earned premiums, net of reinsurance	945.5	943.0
Investment return	56.9	87.2
Return on derivative contracts	11.0	(2.1)
Profit on disposal of asset held for sale	4.4	-
Other income	-	0.7
Total revenue	1,017.8	1,028.8
Expenses		
Claims incurred:		
Claims paid:		
Gross amount	(542.1)	(659.7)
Reinsurers' share	99.2	124.8
Claims paid, net of reinsurance	(442.9)	(534.9)
Change in the provision for claims:		
Gross amount	(34.1)	(19.0)
Reinsurers' share	17.8	23.9
Net change in the provision for claims	(16.3)	4.9
Claims incurred, net of reinsurance	(459.2)	(530.0)
Acquisition costs	(287.5)	(286.1)
Other operating expenses	(75.1)	(73.2)
Net foreign exchange losses	(69.4)	(25.9)
Total expenses excluding finance costs	(891.2)	(915.2)
Operating profit	126.6	113.6
Finance costs	(14.0)	(13.6)
Share of loss after tax of associated undertakings	-	(0.1)
Impairment of associated undertaking	-	(0.1)
Profit on ordinary activities before tax	112.6	99.8
Tax expense	(9.5)	(6.8)
Profit for the year from continuing operations	103.1	93.0
Loss from discontinued operations	(1.4)	(8.3)
Profit attributable to owners of the parent for the year	101.7	84.7

[1] In 2013, investment management expenses have been deducted from investment return and excluded from other operating expenses. The 2012 comparatives have been updated to reflect this change in presentation.

Condensed Consolidated Statement of Comprehensive Income
for the year ended 31 December 2013

	12 months ended 31 December 2013 £m	12 months ended 31 December 2012 £m
Profit for the year	101.7	84.7
Other comprehensive income		
Items not to be reclassified to profit or loss in subsequent periods:		
Actuarial gains/(losses) on defined benefit pension scheme	2.0	(9.7)
Tax (charge)/credit relating to actuarial gains/(losses) on defined benefit pension scheme	(0.5)	2.4
Effect of associates' capital movements	-	0.4
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**1.5**	(6.9)
Other comprehensive income for the year net of tax	1.5	(6.9)
Total comprehensive income for the year attributable to owners of the parent	103.2	77.8

Condensed Consolidated Statement of Financial Position
at 31 December 2013

	31 December 2013 £m	31 December 2012 £m
Assets		
Property, plant and equipment	5.1	5.8
Intangible assets	37.8	35.0
Deferred acquisition costs	125.7	113.3
Investments in associated undertakings	-	14.7
Current taxation	6.0	-
Deferred taxation	-	5.3
Reinsurance contracts	450.0	414.3
Employee benefits	21.9	14.7
Assets held for sale	-	1.9
Financial investments	2,275.9	2,312.1
Derivative contracts	12.7	1.1
Insurance and other receivables	382.3	353.4
Cash and cash equivalents	312.8	300.9
Total assets	**3,630.2**	**3,572.5**
Liabilities and equity		
Liabilities		
Insurance contracts	2,593.9	2,561.3
Borrowings	133.4	133.3
Current taxation	10.6	12.6
Deferred taxation	4.2	-
Provisions	2.4	4.4
Derivative contracts	11.1	1.8
Insurance and other payables	187.2	175.0
Total liabilities	2,942.8	2,888.4
Equity		
Called up share capital	219.7	214.3
Share premium account	415.9	415.9
Retained earnings	51.8	53.9
Total equity attributable to owners of the parent	687.4	684.1
Total liabilities and equity	**3,630.2**	**3,572.5**

Condensed Consolidated Statement of Changes in Equity
for the 12 months ended 31 December 2013

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2013	**214.3**	**415.9**	**53.9**	**684.1**
Total comprehensive income for the year	-	-	103.2	**103.2**
Equity dividends	-	-	(100.0)	**(100.0)**
Exchange difference on retranslation of share capital	5.4	-	(5.4)	**-**
Share-based payments	-	-	0.1	**0.1**
At 31 December 2013	**219.7**	**415.9**	**51.8**	**687.4**

Condensed Consolidated Statement of Changes in Equity
for the 12 months ended 31 December 2012

	Called up share capital £m	Share premium account £m	Retained earnings £m	Total equity attributable to owners of the parent £m
At 1 January 2012	**219.7**	**615.9**	**140.6**	**976.2**
Total comprehensive income for the year	-	-	77.8	**77.8**
Equity dividends	-	(200.0)	(170.0)	**(370.0)**
Exchange difference on retranslation of share capital	(5.4)	-	5.4	**-**
Share-based payments	-	-	0.1	**0.1**
At 31 December 2012	**214.3**	**415.9**	**53.9**	**684.1**