**BRIT INSURANCE HOLDINGS BV**
**PRESS RELEASE**
**FOR IMMEDIATE RELEASE**

**29 FEBRUARY 2012**
**2011 FULL YEAR RESULTS**

## SOLID PERFORMANCE IN A WEAK MARKET

## SIGNIFICANT PROGRESS ON REPOSITIONING FOR THE FUTURE

**Financial highlights**

- Profit before tax was £75.8m (2010: £116.4m).
- Return on equity of 8.6% (2010: 14.4%).
- Gross written premiums were £1,489.4m (2010: £1,530.2m).
- Premium rate increases of 1.8% (2010: 1.0%).
- Combined ratio of 99.6% (2010: 97.1%) including 11.3% for major catastrophes and claims (2010: 4.4%).
- Underlying attritional claims ratio improved by 3.8% to 58.2%, with improvement since 2009 of 8.7%.
- Underlying management expenses (excluding deal and project costs) reduced by 19.2% to £144.9m.
- Investment return of 2.8% (2010: 3.2%) and no European sovereign debt exposure.
- Total value created[1] after all expenses of £79.4m (2010: £117.5m) with closing net tangible assets (NTA) of £897.2m (2010: £889.8m).

**Strategic highlights**

- Since the acquisition by Achilles, the group has undertaken a significant reorganisation to optimise performance and position the group for the future.
- Key management and senior hires across underwriting and investments, to create an organisation more focused on effectively managing risk and return through the cycle.
- Creation of Global Specialty by combining Global Markets and Reinsurance business units into an integrated, more efficient and nimble unit focused on underwriting excellence and rigour across lines.
- Active management of the investment portfolio to generate solid returns against a low interest rate environment and uncertain macroeconomic climate, especially in Europe.
- Investing in better operating practices and systems, including an outsourcing contract to respond better to underwriting needs and manage costs more effectively.

**Mark Cloutier, Group CEO of Brit Insurance said:**

"Brit delivered a solid result in 2011 against a weak market, while at the same time making good progress in our efforts to reposition the Group for the future. With record natural catastrophe and other large losses, low interest rates, volatile investment markets and a broadly flat pricing environment in a weak macroeconomic environment, 2011 was an extremely challenging year for the sector.

We are very pleased to have delivered a return on equity of 9% against this backdrop. The significant changes we have made during the year are already yielding results, with a 4% improvement in the attritional loss ratio and core expenses falling by 19% year over year.

The creation of Brit Global Specialty, a combination of Global Markets and Reinsurance, led by Matthew Wilson will enable us to focus harder on underwriting excellence across insurance and reinsurance, and positions our Lloyd's franchise well for prudent growth with a clearer mission statement and brand in the market. The focus on investments including key hires introduces a new level of expertise into our asset management efforts.

We look forward to seeing further benefit from these initiatives in the years ahead irrespective of any real improvements in the (re)insurance pricing environment as Brit concentrates on establishing a leading position as a global specialty (re) insurance player with a key presence at Lloyd's, in the United States and internationally."

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1 Total value created represents the increase in net tangible assets during the year, before capital distributions and dividends

## 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 two underwriting strategic business units – Brit Global Specialty (aligned to our Lloyd's syndicate, Brit Syndicate 2987) and the UK (aligned to Brit Insurance Limited).

www.britinsurance.com

## Disclaimer

## FULL YEAR REVIEW

### Financial highlights and key performance indicators

| | Year ended 31 December 2011 | Year ended 31 December 2010 |
|---|---|---|
| Gross written premium (£m) | 1,489.4 | 1,530.2 |
| Profit before tax excluding the effect of foreign exchange on non-monetary items (£m) [1] | 66.0 | 119.2 |
| Profit before tax (£m) | 75.8 | 116.4 |
| Profit after tax (£m) | 76.0 | 110.5 |
| Net assets (£m) (After payment of £72.0m dividends during 2011) | 976.2 | 971.6 |
| Net tangible assets (£m) (After payment of £72.0m dividends during 2011) | 897.2 | 889.8 |
| Combined ratio [2] | 99.6% | 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 result would decrease by £9.8m (2010 result increase by £2.8m).
[2] Excluding the effect of foreign exchange on non-monetary items.

### Premiums

Gross written premium (GWP) for the year ended 31 December 2011 decreased by 2.7% to £1,489.4m (2010: £1,530.2m). At constant exchange rates the movement was a reduction of 1.4% (2010: 10.4% reduction). 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 year were 1.8% (2010: 1.0%). Rate increases were seen across each of our SBUs with the UK seeing the largest increase at 5.9%. The Reinsurance SBU increased by 2.3% and Global Markets by 0.7%.

### Underwriting performance

The Group combined ratio excluding the effect of foreign exchange on non-monetary items increased to 99.6% (2010: 97.1%). The headline claims ratio increased by 1.6 percentage points over 2010. However, the improvement first seen in 2010 in the underlying attritional claims ratio continued in 2011, with a further improvement of 3.8 percentage points to 58.2%, reflecting the ongoing initiatives at Brit Insurance. The total improvement since 2009 is 8.7 percentage points, equivalent to an increase in the underwriting result of £109m.

The period saw a significant level of natural catastrophes, the effect of which on the Group, net of reinsurance recoverable, was £141.9m (2010: £58.7m).

| **2011 Major loss events** | **Net effect £m** |
|---|---|
| Brisbane floods and Hurricane Yasi | 8.4 |
| Christchurch earthquake | 41.6 |
| Japanese earthquake and tsunami | 31.6 |
| US tornados | 19.4 |
| Hurricane Irene | 9.8 |
| Thailand floods | 31.1 |
| **Total** | **141.9** |

These events added 11.3 percentage points to the Group claims ratio (2010: 4.4 percentage points) and are equivalent to 15.9% of opening NTA.

As part of the Group's standard reserving process, the Group released £89.9m of claims reserves from prior years, the equivalent of 3.8% of opening net claims reserves. This maintains Brit Insurance's historic record of prior year releases (2010: £72.4m / 3.2%).

### Investment return

Throughout 2011 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 £90.8m (2010: £113.4m). This return has been driven by the Group's fixed interest portfolio (£91.4m return), partly offset by equities (negative £4.9m).

The investment yield for the year was 2.8% (2010: 3.2%).

The Groups continues to have low primary exposure totalling £21.8m across all asset classes to Italy and Spain, none of which relates to Government debt. The Group has no primary exposure to Portugal, Ireland or Greece.

### Foreign exchange

The Group experienced a foreign exchange benefit of £11.4m in the period (2010: £21.3m).

This was made up of a £1.6m (2010: £24.1m) 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 £9.8m 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 31 December 2011, the difference between recognising non-monetary assets and liabilities at historic rather than closing exchange rates was an additional £6.1m net asset. At 31 December 2010, the respective amount was an additional net liability of £3.7m. The benefit in 2011 of £9.8m is the movement between the differences at 31 December 2010 and 31 December 2011.

The total foreign exchange related benefit of £11.4m is made up of a £3.7m 'Net foreign exchange gain' loss per the face of the income statement and a reclassification of £7.7m of the foreign exchange translation on non-monetary items to premium and acquisition costs.

### Expenses

During 2011 we undertook a number of initiatives aimed at improving our efficiency and reducing our expense base. These initiatives have resulted in underlying management expenses for the Group of £144.9m (2010: £179.4m), a reduction of 19.2%. After including one off costs associated with the acquisition of Brit Insurance by Achilles and other projects, the 2011 figure increases to £166.4m.

### Result before tax

The Group's profit before tax excluding the effect of foreign exchange on non-monetary items was £66.0m (2010: £119.2m). Including the effect of foreign exchange on non-monetary items, the profit before tax rose to £75.8m (2010: fell to £116.4m profit).

### Tax

The Group's effective tax charge was a credit of 0.2% (2010: charge of 5.1%). The rate continues to reflect the initial benefit of the Group reorganisation in late 2009. In 2011 the charge was affected by a small number of one off items.

### 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 31 December 2011 £128.0m was drawn. This amount was repaid by 28 February 2012, leaving the facility undrawn at this date.

The Group's gearing ratio was 25.0% on 31 December 2011 (2010: 16.5%), reflecting a higher draw down on the Group's revolving credit facility at that date. The level of subordinated debt in issue was unchanged. Following repayment of the revolving credit facility on 28 February 2012 the gearing ratio has reduced to 12.9%.

**Underwriting platforms**

Syndicate 2987's (2987) Gross Written Premiums for the period were £940.3m (2010: £895.4m) and its profit was £47.5m (2010: £66.7m). Syndicate 2987 continues to benefit from the Lloyd's rating.

Brit Insurance Ltd's (BIL) Gross Written Premiums for the year were £550.5m (2010: £633.7m) and its profit after tax was £26.7m (2010: £31.4m). The financial strength of BIL was recognised in the affirmations of it rating by Fitch and AM Best as mentioned above.

**Business development**

***Brit Global Specialty***

In late January 2012, Brit Insurance announced a proposal to bring together its Global Markets and Reinsurance strategic business units to form a single specialty underwriting franchise, called Brit Global Specialty, under the leadership of Matthew Wilson. Brit Global Specialty will underwrite exclusively through the Group's Lloyd's platform, Brit Syndicate 2987 which increased its stamp capacity to £940m for 2012 (2011: £760m). This change will make Brit Insurance stronger, better shaped for the future and with a clearer brand in the market.

***Underwriting***

The continued 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 immediate opportunity has been identified, for instance in our Property and Energy classes and through our Chicago headquartered US service company, Brit Insurance Services USA Inc.

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. 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.

Brit Insurance continues to attract new underwriting talent 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 and have included:

- Jon Sullivan to lead the Property treaty team. Jon joined from Torus where he was Senior Vice President, International Reinsurance.
- Brian Randall as director of the new Energy & Power division. Brian joined from the Watkins syndicate where he was responsible for Energy business underwritten in London.
- In late 2011 John Higham joined from Travelers as senior yacht underwriter and Mike Wimbridge joined from Chartis as yacht underwriter.
- In February 2012, we announced that Bob Clarkson was joining from QBE as senior Marine hull underwriter.

***Overseas network***

There has been further development of the Group's overseas network. In October 2011, Brit Insurance opened a new office in Richmond, Virginia to underwrite First Dollar package business for the public entity sector. This office forms part of Brit Insurance Services USA Inc. (BISI), which is the company's wholly-owned service company based in Chicago, Illinois. The Richmond office is headed by Sharon Wright. Sharon joined from HCC where she was Senior Vice President of Public Risk Eastern Division. Sharon and her team's experience and expertise have allowed us to complete our already extensive range of products for US public entities.

***Investments***

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 three new fund managers.

In January 2012 we announced the appointment of John Stratton to the newly created role of Chief Investment Officer (CIO). As CIO, John will oversee all of the group's investment and asset management activities. John joins Brit Insurance from Insurance Australia Group (IAG) and brings with him a wealth of asset management experience in the insurance industry.

***Operational effectiveness***

In keeping with the objective of continually improving operational effectiveness the Group 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 has seen a range of non-customer facing operational and IT activities transfer to Infosys during 2011. 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.

**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.

Dane Douetil stood stand down as Chief Executive Officer and he resigned from the Board on 14 October 2011. He was succeeded by Mark Cloutier on 27 October 2011. Scott Egan, Chief Financial Officer, was appointed to the Board on 27 October 2011 and will step down in early summer 2012 when he leaves the Group. The search for his successor is underway.

**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.

**Outlook**

Conditions remain highly competitive across the majority of Brit’s core markets. However, the Group remains well positioned to take advantage profitable opportunities as they arise. Our continuing focus achieving positive rate increases, exiting unprofitable lines of business and reducing operating costs is expected to result in improved profitability.

Looking forward into 2012, recent changes to our structure including the merging of our Reinsurance and Global Markets functions to form a single speciality underwriting franchise (Brit Global Specialty) will bring greater focus and clarity to our operations, with a clear presence in our chosen markets.

Amsterdam
28 February 2012

Nicholas Edward Tucker Prettejohn
Mark Bertrand Cloutier
Scott Egan
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

**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.

# CONDENSED CONSOLIDATED ACCOUNTS

**Condensed Consolidated Income Statement**
for the year ended 31 December 2011

| | **Year ended 31 December 2011 £m** | Year ended 31 December 2010 £m |
|---|---|---|
| **Revenue** | | |
| Gross premiums written | **1,489.4** | 1,530.2 |
| Less premiums ceded to reinsurers | **(252.2)** | (251.8) |
| **Premiums written, net of reinsurance** | **1,237.2** | 1,278.4 |
| | | |
| Gross amount of change in provision for unearned premiums | **34.5** | 20.5 |
| Reinsurers' share of change in provision for unearned premiums | **(4.7)** | 3.4 |
| Net change in provision for unearned premiums | **29.8** | 23.9 |
| **Earned premiums, net of reinsurance** | **1,267.0** | 1,302.3 |
| | | |
| Investment return | **90.8** | 113.4 |
| Return on derivative contracts | **5.3** | (1.9) |
| Disposal of associated undertakings | **-** | (0.4) |
| Net foreign exchange gains | **3.7** | 29.3 |
| Other income | **0.1** | - |
| **Total revenue** | **1,366.9** | 1,442.7 |
| **Expenses** | | |
| **Claims incurred:** | | |
| **Claims paid:** | | |
| Gross amount | **(911.2)** | (926.2) |
| Reinsurers' share | **177.7** | 181.6 |
| **Claims paid, net of reinsurance** | **(733.5)** | (744.6) |
| | | |
| **Change in the provision for claims:** | | |
| Gross amount | **(99.3)** | (38.5) |
| Reinsurers' share | **49.6** | (13.5) |
| **Net change in the provision for claims** | **(49.7)** | (52.0) |
| | | |
| Claims incurred, net of reinsurance | **(783.2)** | (796.6) |
| Acquisition costs | **(387.1)** | (396.1) |
| Other operating expenses | **(105.3)** | (117.8) |
| **Total expenses excluding finance costs** | **(1,275.6)** | (1,310.5) |
| | | |
| **Operating profit** | **91.3** | 132.2 |
| | | |
| Finance costs | **(15.1)** | (14.0) |
| Share of loss after tax of associated undertakings | **(0.4)** | (1.8) |
| **Profit on ordinary activities before tax** | **75.8** | 116.4 |
| Tax income/(expense) | **0.2** | (5.9) |
| **Profit attributable to owners of the parent** | **76.0** | 110.5 |

**Condensed Consolidated Statement of Comprehensive Income**
for the year ended 31 December 2011

| | **Year ended 31 December 2011 £m** | Year ended 31 December 2010 £m |
|---|---|---|
| **Profit for the year** | **76.0** | 110.5 |
| **Other comprehensive income** | | |
| Actuarial (losses)/gains on defined benefit pension scheme | **(4.6)** | 8.1 |
| Tax relating to actuarial (losses)/gains on defined benefit pension scheme | **1.2** | (2.2) |
| Effect of associates' capital movements | **0.2** | 0.3 |
| **Other comprehensive income for the year net of tax** | **(3.2)** | 6.2 |
| **Total comprehensive income for the year attributable to owners of the parent** | **72.8** | 116.7 |

**Condensed Consolidated Statement of Financial Position**
at 31 December 2011

| | **31 December 2011 £m** | 31 December 2010 £m |
|---|---|---|
| **Assets** | | |
| Property, plant and equipment | **5.3** | 6.5 |
| Intangible assets | **79.0** | 81.8 |
| Deferred acquisition costs | **156.7** | 166.7 |
| Investments in associated undertakings | **15.4** | 15.3 |
| Current taxation | **24.4** | 19.5 |
| Reinsurance contracts | **565.8** | 519.5 |
| Employee benefits | **18.9** | 9.6 |
| Financial investments | **3,206.2** | 2,921.0 |
| Derivative contracts | **0.3** | 0.4 |
| Insurance and other receivables | **520.3** | 540.8 |
| Cash and cash equivalents | **444.8** | 623.4 |
| **Total assets** | **5,037.1** | 4,904.5 |
| | | |
| **Liabilities and Equity** | | |
| | | |
| **Liabilities** | | |
| Insurance contracts | **3,555.0** | 3,485.3 |
| Borrowings | **257.4** | 168.4 |
| Current taxation | **-** | 10.3 |
| Deferred taxation | **25.7** | 15.6 |
| Provisions | **1.4** | 1.6 |
| Derivative contracts | **0.3** | - |
| Insurance and other payables | **221.1** | 251.7 |
| **Total liabilities** | **4,060.9** | 3,932.9 |
| | | |
| **Equity** | | |
| Called up share capital | **219.7** | 221.9 |
| Share premium account | **615.9** | 615.9 |
| Own shares | **-** | (9.8) |
| Retained earnings | **140.6** | 143.6 |
| **Total equity attributable to owners of the parent** | **976.2** | 971.6 |
| | | |
| **Total liabilities and equity** | **5,037.1** | 4,904.5 |

**Condensed Consolidated Statement of Changes in Equity**
for the year ended 31 December 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 year | - | - | - | 72.8 | **72.8** |
| Equity dividends | - | - | - | (72.0) | **(72.0)** |
| Exchange difference on retranslation of share capital | (5.6) | - | - | 5.6 | **-** |
| 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 31 December 2011** | **219.7** | **615.9** | **-** | **140.6** | **976.2** |

**Condensed Consolidated Statement of Changes in Equity**
for the year ended 31 December 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 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** |