GREENWICH

Greenwich Insurance Holdings Plc
July 2000 Bulletin

Annual General Meeting

The Annual General Meeting of Greenwich Insurance Holdings PLC took place on Friday 7th July in the offices of Denton Wilde Sapte, 1 Fleet Place. In addition to the Board and senior management there were twenty shareholders. The contents of the meeting are covered by reproducing the reports of Christopher Hodgson (Group Chief Executive), Graham Nash (Group Financial Director) and Richard Thynne (Chairman).

Developments at Greenwich – Christopher Hodgson

I make no apology for briefly going over old ground if one can call Greenwich's evolution between the years 1997 to date old ground!

Greenwich Origins and Developments 1996-2000

"The Metamorphosis of Greenwich"

Dec, 1996	Formation of Greenwich as a Members' Agency
Jan, 1997	First Lloyd's Collective Conversion Scheme – Grenville I
Jan, 1998	Largest Lloyd's Collective Conversion Scheme – Grenville II
	Creation of first Integrated Spread Vehicle
Sept, 1998	Acquired Service Managing Agency & Motor Syndicate 1222
July, 1999	Appoint Managing Agents to csma Syndicate 1923
Nov, 1999	Acquired Non-Marine syndicate 994
Jan, 2000	Run-off Names to LMAS
March, 2000	Active Names to Hampden
Jan, 2001	? Greenwich becomes fully Integrated Lloyd's Vehicle (ILV)

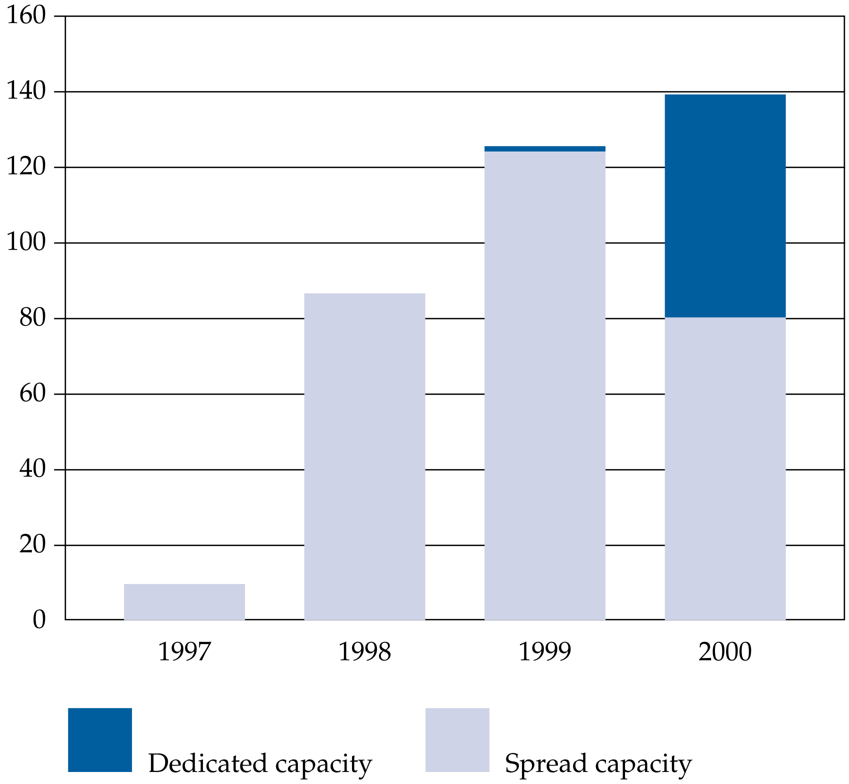
However as you can see we have been very busy and in that time have completed a metamorphosis from being an entirely advisory business in the form of a Lloyd's Members' Agent to a structure which permits us to qualify as an Integrated Lloyd's Vehicle next year.

Briefly I should just mention recent developments in relation to Greenwich Lloyd's Underwriting Limited, our Members' Agency. Effectively this part of our business, having transferred the run-off Names to LMAS and the active unlimited liability Names to Hampden, leaves Greenwich Lloyd's Underwriting with the Grenville Names in run-off. In addition the Members' Agency continues to act as an adviser to the **csma** who chose Greenwich to manage their Lloyd's Syndicate 1923 and as an adviser to a NameCo, D2000, which provides support to Syndicate 1222. Accordingly, the activities and resources of the Members' Agency have been substantially reduced and I believe that the decision to sell what remains of this business with a background to a continuing contraction in private unlimited liability involvement at Lloyd's, to be entirely correct and in the best interests of all Shareholders. However emotional it might be for those of us who have been in the Members' Agency business all our lives, the reality is that the Lloyd's Market has changed and the methods of underwriting participation have changed.

The same period, that is 1997 to 1999, has coincided with a substantial deterioration in underwriting conditions throughout the world's insurance markets. All three years have produced underwriting losses with those for 1998 and 1999 expected to be around 8% of allocated Premium Limits. As is so often the case with insurance cycles, it is only when the first losses are actually paid that the Market reacts. The combination of closing the 1997 Account this year combined with some cash calls on the Open Accounts has brought about the next, more positive stage, in the underwriting cycle. Accordingly, as Managers of your company, we have very deliberately started a process which will allow the company to benefit by the allocation of underwriting capacity to our own Syndicates.

Greenwich Origins and Developments 1996-2000

Grenville Capacity 1997-2000 (£m)



Back in 1997 and 1998 all Grenville capacity was allocated to other Syndicates. The acquisition of the Service Managing Agency that year and the first signs of improvement in the Motor Insurance Market justified a very small allocation of £1.4m of Grenville capacity to the Service Motor Syndicate 1222 for 1999, part of an overall premium limit for the Syndicate that year of £20.7m. The subsequent year shows a marked increase in our support for in-house underwriting. An improving reinsurance market and the acquisition of the business I referred to earlier saw Grenville increase its combined support for Syndicates 994 and 1222 to £58m, part of £139m.

Let me show you how this is reflected on each of the two Syndicates.

Greenwich Origins and Developments 1996-2000

Syndicate Capacity Support

	994		*1222*
Grenville	90.0%	Grenville	20.8%
Unlimited Names	3.3%	D2000	2.3%
Gerling	6.7%	SCCL	76.9%
	100.0%		100.0%

You will note that in the case of Syndicate 994 with Grenville supplying £54m or 90% of the Syndicate's capacity, we have a majority controlling interest. Similarly, a combination of Grenville's £4.5m capacity on Syndicate 1222 combined with Service Corporate Capital Limited, a company which is owned by Greenwich and supported by international reinsurers, we again have a controlling interest. More importantly, however, and we will look at both Syndicates in more depth in a moment, we have 42% of Grenville's 2000 capacity allocated to our own Syndicates in underwriting markets which have shown recovery signs much earlier in the cycle than Syndicates whose main line of business is Marine or Aviation. In addition you should note, however, that we continue to support 18 Syndicates managed by other Agents for a total of £80.6m or 58% of our capacity. By this definition, we continue as we have set out, to have a spread portfolio of underwriting. By choosing deliberately to increase the amount that that we allocate to our own underwriting in an improving underwriting cycle, we can achieve higher net returns for our Shareholders than by allocating that capacity to other parties who will charge for the privilege.

The acid test of the extent of our spread support is confirmed by this class analysis for Grenville's 2000 underwriting which shows no particular variance other than where expected given my earlier description.

2000 Combined Classes of Business Summary

Aviation Legal Liability	1%	3%
Aviation Combined Policies	1%	1%
Aviation Physical Loss or Damage	3%	5%
Ships Physical Loss or Damage	2%	4%
Ships & Other Marine Liability	2%	3%
Goods in Transit	3%	3%
Non-Marine Property Loss	23%	18%
Non-Marine General Liability	10%	16%
Pecuniary Loss	8%	4%
Specific Inwards XOL Reinsurance	1%	1%
Motor	16%	17%
Whole A/c XOL Reinsurance	18%	13%
Energy	4%	4%
Other	–	1%

You can see from this summary that we are lighter than the Market average in relation to Aviation and Marine and that is a deliberate policy given the weakness in those Markets. Conversely we are higher in some Non-Marine categories where conditions are more favourable.

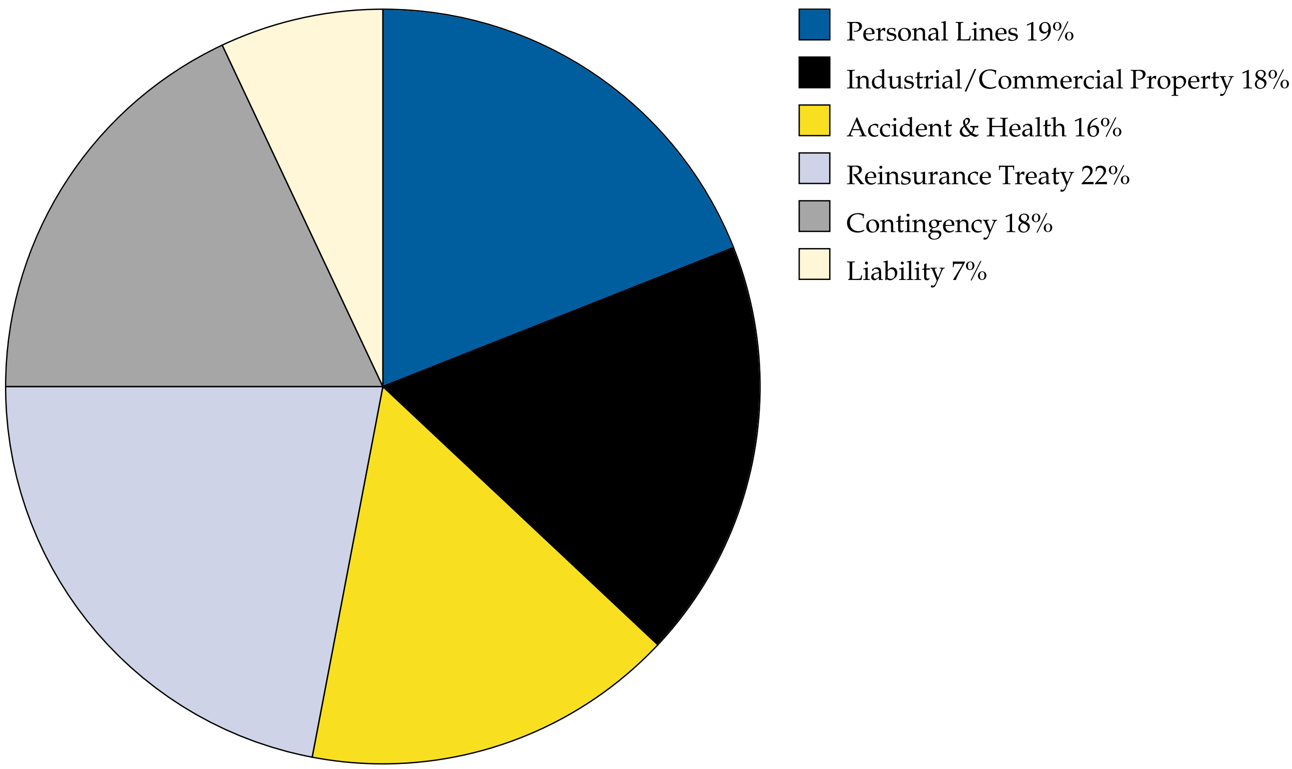
Now reverting to our period of change. In the first instance, the Grenville Conversion Schemes in 1996 and 1997 gave us the crucial platform to acquire the Service Managing Agency in September 1998. The next quantum leap was the acquisition of the business of Syndicates 947 and 994 and this was achieved in November last year.

Looking into the crystal ball for 2001 and beyond, we would look to retain a spread approach but to increase support for our own underwriting and that brings me onto a quick description of the core business we are now in.

Our core business is now Greenwich Managing Agency which manages the affairs of three Syndicates. I referred just now to the **csma** and on their behalf we manage Britannia Motor Rescue Syndicate 1923. They provide the capital; we provide the Lloyd's administration and the Underwriter, Beverley Shreeve. They pay us a fee: it is in effect non-risk income but we are actively looking for opportunities with the **csma** to develop other underwriting products at Lloyd's.

Lets look at the Service Motor Syndicate first. We know only too well that Motor insurance has performed badly in the recent underwriting cycle. We also know that it is the first to have recovered and in the case of Service which underwrites "non-standard Motor business", the recovery has been that much stronger. Beverley tells us that she has been able to achieve increased levels of premium in the first quarter of this year to justify a projected increase in stamp capacity for 2001 which will take the Syndicate from £21.7m capacity to £32m. This does not involve moving into new lines of business. It involves a combination of increasing rates and developing existing lines of business. As many of you know, Beverley's Syndicate is run from Tunbridge Wells and employs 20 people.

Now turning to Cliff Simmonds Syndicate 994. As I said earlier, this is a Syndicate with a broad base of short-tail Non-Marine business.



The pie chart shows the up-to-date position of the Syndicate's written business this year. You will note the spread of underwriting that I referred to earlier. The planned areas of expansion for 2001 are in the reinsurance and accident and health accounts, which we believe, represent the best opportunities in an improving Market. Looking ahead Cliff's business plan anticipates a planned increase in capacity to £72m for 2001. Over a longer period we are looking to develop a composite style Syndicate but only expanding into those areas where we are entirely satisfied that satisfactory levels of profitability can be achieved. It is our belief that as this year progresses, opportunities will arise in other classes of business such as Marine reinsurance. We will look to take advantage of these opportunities.

Before leaving the Managing Agency, which as I said is our core business, I would just like to comment on one very important aspect, that of Lloyd's regulation.

A combination of factors has led to a very substantial increase in the quantum of regulation. While as Shareholders you will no doubt be comforted by this development, you should also understand that it is both costly and very exacting on management. Led by Richard we have a team of five who ensure that we comply with all the necessary Lloyd's and non-Lloyd's regulations. Lloyd's now has powers to effectively curtail underwriting operations and consequently high standards of reporting and monitoring are now vital and I would particularly like to mention Duncan Deacon who as Group Compliance Officer has to ensure we reach these high standards.

Finance Director's Report – Graham Nash

I am sure that most of you, when receiving your copy of the latest Greenwich accounts wondered what on earth you were looking at. Indeed, I spent a considerable portion of this year producing them, and yet I still think the same thing. The main reason that our accounts are so confusing is that we are required to produce them in accordance with the provisions of Schedule 9A of the Companies Act of 1985. This means that we are required to produce figures which include our share of the gross premiums, reinsurance premiums, claims etc., in respect of all the syndicates on which we participate. We are also required to account for our share of their assets and liabilities. This is why there are columns within both the consolidated profit and loss account and balance sheet representing our syndicate participations and our corporate involvements (these you can find on pages 12 – 14 of our Accounts). Furthermore, you will have noticed that we produce a technical account which shows the results of our participation in insurance activities, the balance of which is carried forward to the non-technical account to arrive at our result for the year, which is itself split between syndicate and corporate. What this means is that, at first glance, Greenwich appears to be a company with a turnover of some £190M and total assets of £282M. This needs some further explanation.

This first slide analyses the profit and loss account between Syndicates and Corporate activities.

Greenwich Insurance Holdings PLC

Analysis of 1999 Account – Profit and Loss Account

	£m's
Syndicates	
Share of syndicates turnover	189.8
Expenses and claims	(209.1)
	(19.3)
Investment income	1.2
Syndicates result	(18.1)
Corporate Activities	
Turnover	7.2
Expenses	(3.3)
	3.9
Investment income	0.1
Corporate result	4.0
Loss before tax	(14.1)

As you will see, the Groups share of underwriting results amounts to an £18.1M deficit whereas the Corporate result is a £4M profit resulting in a loss before tax of £14.1M.

Greenwich Insurance Holdings PLC

Analysis of 1999 Balance Sheet

	Syndicates £m's	*Corporate £m's*	*Total £m's*
Tangible assets	3.6	0.5	4.1
Intangible assets		2.4	2.4
Investments	34.1	1	35.1
	37.7	3.8	41.6
Current assets	197.7	34	231.7
Cash	4.7	4.4	9.1
	240.1	42.2	282.3
Current liabilities	(260.3)	(5.5)	(265.7)
Total net assets	(20.1)	36.7	16.6
Shareholders funds	(20.1)	5.4	(14.7)
Loan stock		31.3	31.3
Shareholders funds and non equity interests	(20.1)	36.7	16.6

This next slide summarises the Group's assets and liabilities, and as you can see the net corporate assets of the Group amount to £36.7M whereas our share of syndicate net liabilities amount to £20.1M giving us a combined net assets figure of £16.6M.

Greenwich Insurance Holdings PLC

Summary of 1999 Result

	£000's
1997 underwriting result	(0.32)
Provisions for open year loss making syndicates	(14.18)
Provision for gearing reinsurance charge	(3.62)
	(18.12)
Profit on other activities	3.99
Loss before tax	(14.13)
Tax	(0.68)
Loss after tax	(14.81)
Minority interest	(0.17)
Loss after tax and minority interest	(14.98)

The next question you may well have asked yourself on looking at these accounts is: "How have Greenwich managed to achieve a loss after tax of close to £15M?"

This is largely another facet of complying with the relevant Companies Act provisions. This slide breaks down the 1999 result into its component parts and is a simplified version of the table shown in the Chairman's Statement, on page 2 of our Accounts. As Christopher said in his introduction, we are required to provide for any losses predicted by syndicates without taking any credit for profitable syndicates. This means that we have needed to make provisions amounting to £18.12M in respect of open years and yet take no credit for any profitable syndicates.

The next slide summarises the underwriting results at 31st December 1999.

Greenwich Insurance Holdings PLC

Summary of underwriting results 31.12.99

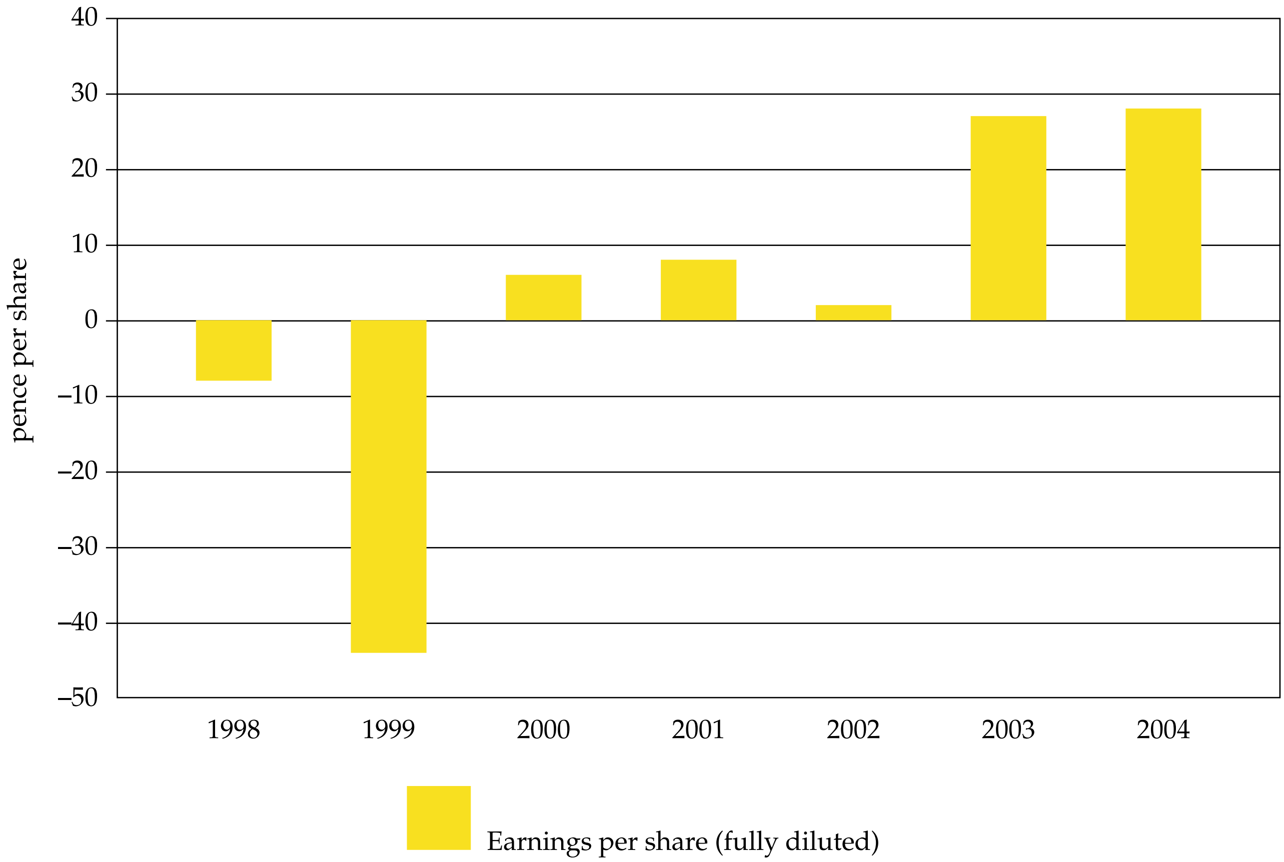
	%	*1998 £m's*	%	*1999 £m's*	*Total £m's*
Estimated underwriting result	8.0	(7.54)	6.31	(6.84)	(14.38)
Gearing costs		(1.47)		(1.95)	(3.42)
Estimated underwriting result after gearing costs		(9.01)		(8.79)	(17.8)
Losses accounted for	10.35	9.76	8.94	9.69	19.45
Estimate of future balance		0.75		0.9	1.65

What this shows is that the estimated losses for the 1998 and 1999 years of account are 8% and 6.31% of capacity respectively. This gives a total loss for the two underwriting years of slightly less than £14.4M. When we add the costs of gearing reinsurance to this we come to an overall loss for the two underwriting years of £17.8M. We have already accounted for £19.4M and therefore we should have a surplus of £1.65M on the closure of the 1998 and 1999 years of account, assuming no further deterioration. It is worth noting that we have already raised £6.2M from the sale of underwriting capacity from last year and will be seeking to raise additional funds this year from further sales.

Whilst I hope this explanation is of some interest; I am sure that you are thinking – how do all of these provisions and accounting practices affect the future of my investment.

Greenwich Insurance Holdings PLC

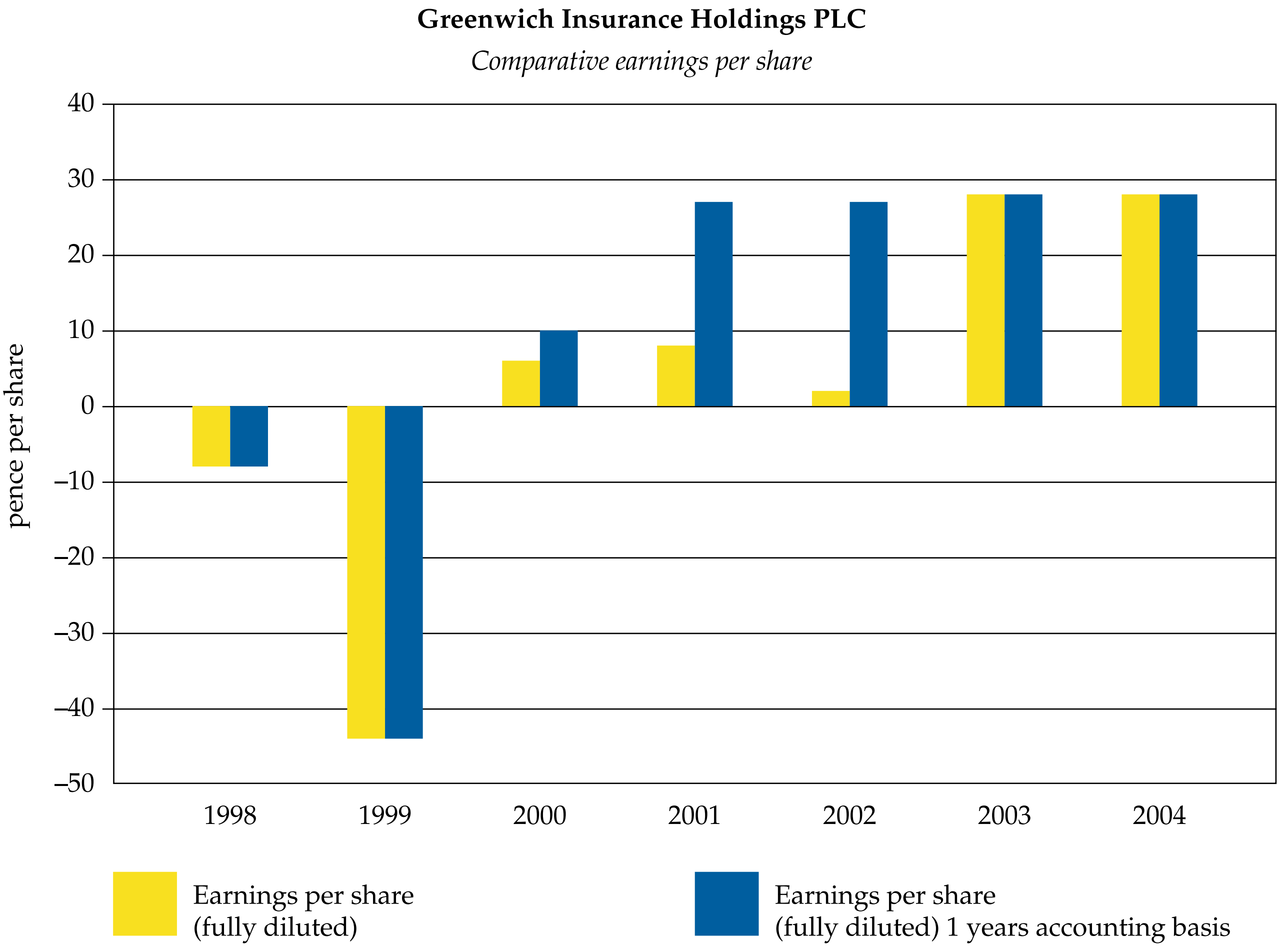
Projected earnings per share



In this slide I have calculated future earnings per share based on certain assumptions – these include a breakeven Lloyd's result for 2000 followed by a 10% return for the years 2001-2004 and a 30% tax rate. I have to stress that these figures have been calculated for illustrative purposes only and are not in any way meant to represent a forecast of future profits. However, I think it is not unreasonable to assume that Lloyd's will return to profitability in 2001 as most current evidence points this way. The effect of having already provided for the 1998 and 1999 year account losses means that Lloyd's return to breakeven and then profitability will have a marked effect on the Group's results. I have used earnings per share as the best guide to profitability and these have been calculated on a fully diluted basis – i.e. assuming full conversion of all outstanding loan stock.

Over the past few months, we have started the implementation of a move from our current three-year accounting basis to one-year accounting. In simple terms this means that, rather than account for the results of our syndicate participations in the year in which we receive them, we will account for profits and losses on the same basis as other insurance (and other) companies, i.e. in the year in which they arise.

In this slide I have attempted to illustrate how a change to one-year accounting during 2000 would affect our earnings per share.



The same assumptions regarding Lloyd's returns and tax have been used for these figures. The yellow column represents the same earnings per share figures as shown on the previous slide, whereas as the blue column represents earnings per share calculated on a one-year accounting basis. As you can see the effect of changing to a one-year accounting is that earnings are reported earlier and as a result we see a faster improvement in earnings per share than under the three-year accounting basis. As I have already said this is a change we are looking to make as soon as practicable. However, I must stress that whilst the theory might be fairly straightforward, the practice may take a little longer. It is our current plan to produce figures on a one-year accounting basis at the end of this year for internal use only and to produce statutory accounts on a one-year basis for the year-ended 31st December 2001.

Evidently the improvement in earnings which would result from a change to one-year accounting improves Greenwich's ability to pay dividends. However, any decisions on dividend policy have to be made by the Board of Greenwich in the light of trading conditions and the Group's cash position.

Chairman's Statement – Richard Thynne

Christopher has outlined for us how Greenwich has been successful in bringing about the strategic changes necessary to transform the Business from that of a Members' Agency to one of an integrated Lloyd's Business.

Fundamental to your Board's strategy is the pursuit of maximising shareholder value and clearly the way forward in achieving that goal is the development of our underwriting capability.

The Syndicates that we now have under our management have been restructured and are clearly focused on the task ahead and are looking forward to capitalising on the improved underwriting conditions that lie before them.

Significant cost savings have already been achieved following the disposal of our Members' Agency and that process will continue as layers of regulatory cost synonymous with a business dependent on third party capital will disappear as we achieve our aim of controlling all of our underwriting capacity.

I would like to touch on the issue of liquidity and eventual exit route for shareholders.

Your Board is acutely aware of the importance of this issue to shareholders and I will re-emphasise that this has always been a key objective of the overall Greenwich strategy.

In my letter to shareholders of the 13th June that accompanied the Report and Accounts I have set out clearly your Board's approach to the pursuit of achieving liquidity for your investment and the prospects for attaining an eventual exit route. Having monitored the share price performance of the Lloyd's quoted vehicles it was clear to us that a flotation on a public market at the time of depressed share prices and the underwriting cycle at its nadir clearly did not present a viable option. It is, however, interesting to note that the share pricing of some of the Lloyd's quoted companies has begun to improve, giving further credence, to the fact that underwriting conditions really are improving and a greater confidence has begun to return to the sector. In recognition of this we recently tested the investment markets in regard to the introduction of a strategic partner from the Insurance industry which might lead to an offer for shareholders.

Two significant points emerged from our investigations:

- Firstly, there is an appetite for investment in Lloyd's.
- Secondly, we would be underselling the company if we were to progress this strategy at the present time.

Let me elaborate further. Lloyd's is a powerful franchise providing any entrant with probably the best brand name in insurance, coming as it does with licences to trade in up to 70 territories throughout the world. When we combine that with our underwriting strengths and an improving Market, we have, Ladies and Gentlemen, a business where the value will emerge. The situation as we see it, having carried out this survey, is that we would not achieve proper value for Shareholders at this time if we sought a strategic partner. However, we also had confirmation that Lloyd's continues to be an attractive Market for international insurance evidenced by the fact that Mitsui from Japan and Sorema from France have recently invested in the Market. Others are clearly waiting in the wings not prepared to commit themselves until there is tangible evidence that the Market has turned. From where we are sitting "the Market has turned" and we are of the belief that a higher value can be placed on our business once there is further evidence that there are pipeline profits. We believe that the next 18 months will see a notable appreciation in the value of this business.

There is one other strategic matter I would like to address you on relating to our stance on reducing costs to the Company. When we acquired Service Managing Agency Strand Associates made £1.25m available to us in return for our issuing them with preference shares. There is no doubt that this transaction has been of enormous benefit to Greenwich in providing us with the core structure essential for the development of your Company. The coupon on these shares is 20% and your Board is anxious to redeem them ahead of their natural redemption date, particularly as effective borrowing rates are considerably lower. I am pleased to report that we have recently concluded discussions with Strand who have agreed to their immediate redemption. The legal process of redemption is complex and will necessitate us holding an Extraordinary General Meeting. I will be writing to you shortly outlining the requirements and I am sure you will agree that this course of action can only be in the best interest of the Company and its shareholders.

Following questions, the formal part of the meeting was conducted and the meeting was then concluded.

Exeat Quotations

Those Names for whom the 1997 Underwriting Account was their last year, with unlimited liability, should by now have received a quotation from Centrewrite Limited. As we have previously indicated the premiums are higher than anticipated. In discussion with Names we have looked at individual circumstances including the ongoing costs which should be taken into account before making a final decision. Amongst these costs are MSU charges, accountancy costs and, where applicable, bank guarantee charges. **If you have not already spoken to somebody at Greenwich about your Exeat quotation, we strongly recommend that you do so.**

Release of Funds

Following conversion Grenville II Names are entitled to a release of their Lloyd's funds. If an Exeat policy has been taken out then we will apply for a total release of funds. If, however, such a policy has not been effected then a partial release may be possible for the balance of the fund after the Glass Test retention.

In both instances we will initiate the release immediately post conversion, although it should be recognised that the Members' Services Unit will be processing many similar applications, so you should not anticipate transfers of securities to be completed much before the end of September.

Those funds which will be released first include that part of your Lloyd's Deposit which has not been made interavailable. Unfortunately, due to the complexities of the conversion process, you should note that in regard to those funds which are interavailable there may be a slight delay in releasing that part of the fund representing capital appreciation since the establishment of the interavailable fund. This element may need to be retained until Grenville II has completed, in November, the coming-into-line process for the 2001 Account.

GREENWICH

Greenwich Lloyd's Underwriting Limited
33 Lombard Street, London EC3V 9HY

Telephone: 020 7335 6000 Facsimile: 020 7335 6060
email: central@greenwichgroup.co.uk
website: www.greenwichgroup.co.uk

Produced by Stephen Duke Ltd 020 7422 0040 (6647)