GREENWICH

Greenwich Insurance Holdings PLC
July 2002 Bulletin

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1. *New Capital Backing*

On behalf of Greenfield Underwriting Limited, Greenwich has reached agreement with National Indemnity Company, part of the Berkshire Hathaway Group (BHG) to provide additional capital to increase the underwriting capacity of Syndicate 994. This increase will be implemented by way of a pre-emption and will be retrospective to 1st January, 2002. It is a pre-requisite of the proposal that the current capital supporters of Syndicate 994 agree to the pre-emption: Greenwich has consulted each of the members on the proposal and they have given their agreement in principle, subject to the formal procedures being completed. The current supporting members include Grenville Underwriting I Ltd, Grenville Underwriting III Ltd, Grenville Underwriting IV Ltd and Walsham Corporate Capital Ltd who will not be taking up their pre-emption rights. Greenfield Underwriting Ltd, which only underwrites on Syndicate 994 will be taking up its pre-emption entitlement and, additionally, the entitlement of the other corporate members: this will have the effect of increasing Greenfield's underwriting limit from £7M to £37M.

The Board of Greenwich Insurance Holdings PLC is delighted to announce this development, which it sees as a substantial endorsement of the underwriting policy of Syndicate 994. The Board is currently seeking further capital backing for the 2003 Account and the endorsement by BHG can only assist this process.

2. *LMAS Transfer/Tim Gunter*

Consistent with the Group's policy of winding up our Members' Agency, Greenwich Lloyd's Underwriting Ltd, we have approached Lloyd's Members Agency Services Ltd (LMAS) with regard to the future administration of the remaining Names' affairs. Subject to Lloyd's agreement, it is proposed to invite those Names who only have Run-Off Syndicates to transfer to LMAS in August whilst those Names whose last underwriting account was 1999 will be invited to transfer their remaining underwriting to LMAS later this year. There will be no cost to the individual Names involved in this transfer process. Subject to these transactions being completed we would seek to de-register Greenwich Lloyd's Underwriting Ltd as a Members' Agents at the earliest opportunity.

These developments resulted in Tim Gunter leaving the Greenwich Group in July. Tim has been Managing Director of Greenwich Lloyd's Underwriting Ltd since June 1999: he has also been a Director of Greenwich Insurance Holdings PLC from the time of its formation in 1996. Throughout his time at Greenwich, Tim has worked assiduously on behalf of Shareholders and Names, particularly those who originated from Holmans. His colleagues at Greenwich will miss his cheerful disposition and wise counsel: we wish him well.

We understand that Tim will retain an interest in the insurance world via a role within a new broking firm, Io Risk Solutions Ltd but will, in the first instance, dedicate most of his time to a new business providing miniature disposable radios at sports events.

3. *Chairman's Strategy Group*

This Bulletin presents an opportunity to update shareholders on the progress of the Chairman's Strategy Group (CSG): the Bulletins of February and April also covered this important subject.

In releasing the formal Consultation Document on 18th July, Sax Riley stated:

"This document sets out in detail the route-map to a new Lloyd's. The proposals we are formally consulting on now are radical, but sensible, they represent the best opportunity of transferring Lloyd's into a modern, transparent and profitable Market".

The consultation phase will continue until 16th August to be followed by an Extraordinary General Meeting on 12th September.

The long awaited proposals are the result of six months of informal consultation in the Lloyd's Market by the CSG and are designed to increase transparency and modernise Lloyd's bringing it in line with its competitors.

Central to the reforms is the introduction of a franchise structure, which Lloyd's says will create a disciplined Marketplace of "distinct, independent businesses and will place clear obligations on the franchisor (Lloyd's) to promote overall profitability in the Market". The proposals will redefine the relationship between Lloyd's as the franchisor and managing agents as the franchisees, all under the auspices of a Franchise Board.

As franchisor, Lloyd's will publish guidelines on underwriting and service standards, set long-term profitability targets, approve Syndicate Business Plans and monitor each Syndicate's performance against its Business Plan.

Other key reforms are changes to the capital structure of Lloyd's, designed to improve transparency, principally through the move from three-year to one-year accounting with a target date of 1st January, 2005. The initial proposals for the ending of unlimited liability Membership of Lloyd's have been dropped, although no new unlimited liability Names will be able to join Lloyd's after 1st January, 2003.

Also proposed is the support of new investment in the Market, including investment on a Non-Membership basis and the support of the transition of Syndicates from spread to Integrated Lloyd's Vehicle status.

Greenwich had identified at an early stage that there was a need for a sub-Group of CSG to be established to cover the vital area of run-off Syndicates. Unfortunately the proposals contained within the Consultation Document are limited and, at this early stage, appear to be little practical benefit to reducing this problem. As at 31st December, 2001 there are 75 run-off years of account, with the losses on the 2000 & 2001 years of account likely to cause a further increase in the number of run-off years. Specifically, the CSG proposes to allow resigned Members, only on run-off years, to cease their Membership. Additionally CSG is looking to "facilitate prompt closure of the 1996 & prior years of account through an RITC proposal covering all these years" and "develop a structure to facilitate the equitable and prompt closure of the late years".

Clearly, there is much still to be done in this area, which is of specific interest to most Greenwich shareholders and we will be monitoring progress very carefully.

4. *Lord Levene*

Lloyd's has announced that Sax Riley will be succeeded as Chairman of Lloyd's by Lord Levene of Portsoken. The choice of Lord Levene, who has a broad commercial and City background, combined with a good knowledge of Whitehall, has been welcomed: at present he is Deputy Chairman of Deutsche Bank. He will be the first Chairman to have been selected from outside of Lloyd's although to be eligible for the Chairmanship, he will become a non-underwriting Working Member. On receiving confirmation of his appointment by the Council of Lloyd's he said:

"I am honoured and delighted to have been nominated as the next Chairman of Lloyd's. This is a world famous insurance market, and is a major element of the UK's international trade in financial services. Events like September 11 serve to remind us just how vital a role Lloyd's plays in the United States, Europe and most other developed economies. This is a fascinating time to be joining the team at Lloyd's. Sax Riley, Nick Prettejohn and their colleagues have set the market firmly on the course towards reform and wholesale modernisation. My task, working alongside Nick, is to ensure that we do not fail to complete the voyage. Lloyd's has already succeeded in making a series of major improvements to its operation since the mid-1990s. The goal of a modern, transparent and profitable business for the 21st century is well within our grasp. My priority is to ensure we achieve it."

Besides being Chairman, Lord Levene will also take up the Chairmanship of the newly created Lloyd's Franchise Board once it is established in the Autumn. In the meantime, he will be increasing his knowledge of the Lloyd's Market by taking up an appointment at the broking firm, Benfield Greig.

There are strong indications that Lord Levene will spend a significant amount of his time promoting Lloyd's with Governments and Regulators. In particular, his political connections could prove invaluable in improving the perception of Lloyd's in Whitehall.

5. Asbestos

In May the House of Lords produced a decision, described as a "landmark judgement" in relation to compensation to UK victims exposed to asbestos. Five Law Lords overturned an Appeal Court ruling saying that victims could not claim compensation for illness resulting from asbestos exposure, unless they could prove which employer was responsible.

Some estimates of this decision project that the UK insurance industry could be called to meet compensation claims of up to £8BN. Among claimants are retired shipbuilding employees and several generations of marine engineers who worked on British Merchant Ships.

Research suggests that most of the potential liability lies with UK composite insurance companies who provided employer's liability insurance in the period concerned. Any Lloyd's exposure would fall to Equitas, but is thought that the involvement is small in that Lloyd's syndicates were not a provider of much, if any, employer's liability coverage prior to 1980.

In a separate development, Equitas has refused to contribute to a proposed $1.7BN asbestos settlement trust with the American corporation PPG, which filed for bankruptcy two years ago following a rise in the tide of asbestos liabilities. The agreed settlement with more than 30 insurers involves PPG contributing around $550M with insurance providing the balance. Equitas's refusal to participate in this settlement is part of its hardening attitude to paying claims: they have submitted that the proposed settlement includes non-product liabilities, which would have the effect of setting a bad precedent.

In announcing results for its recent year-end, Equitas has not increased its gross discounted provisions for future asbestos claims after upping its reserves last year to £8BN. The Chairman, Hugh Stevenson, said that, after taking into account claims management strategies and a favourable assessment of inwards reinsurance, it did not deem it necessary to adjust the level of reserves. However, he went on to warn that "asbestos claims continued to be the greatest single threat to the stability of Equitas".

The company accounts note that the number of claims filings have increased again, although some studies suggest that up to 80% of new claim filings are made by "unimpaired people". As previously announced, Equitas have taken a robust policy in regard to this category of claimant and the Finance Director, Jane Barker, commented that "the success of unimpaired claims encourages more unimpaired claims".

Overall, the company's accumulated surplus dropped by £21M from £700M to £679M with gross claims paid dropping from £2.1BN to £1.4BN. However, the solvency margin improved from 9.5% to 10.3%.

6. World Trade Centre (WTC)

Attached to the April Bulletin was Cliff Simmonds' Underwriter's report, as taken from the Report & Accounts of Syndicate 994 at 31st December 2001. Included in that report was a section on pages 2 & 3 specifically related to the development of claims arising from the WTC. This identified the principal source of Syndicate 994's WTC losses as emanating from the cancellation of conferences and other events in the aftermath of the terrorist attacks. A recent update provided by Syndicate 994 claims staff produced the following information in relation to the Contingency loss:

- A total of 214 claims have been made, of which 55 have been settled.
- The total gross paid so far by Syndicate 994 amount to $25.6M.

- Of the 159 outstanding claims, LeBoeuf, Lamb, Green & McRae (LLGM) have requested further information from 110 claimants, of which 45 have never followed up an initial indication of a potential claim.
- In 33 instances, LLGM find no reason to reject the claim but require a financial review of the amount claimed.
- In 6 instances, LLGM recommend that only partial coverage in respect of the claim exists.
- In 5 instances, LLGM are conducting a specific review.
- In 5 instances, LLGM recommend denial of claim.
- The majority of the payments paid so far has fallen under the 2000 year of account.

2002 AGM

The date of the AGM of Greenwich Insurance Holdings PLC has been provisionally set for Thursday 5th September at 11.00am. Formal notice will be issued with the Report & Accounts which will be sent out later this month.

www.greenwichgroup.co.uk

Please remember to visit our new-look web site. Your comments are always welcomed.

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