



GREENWICH

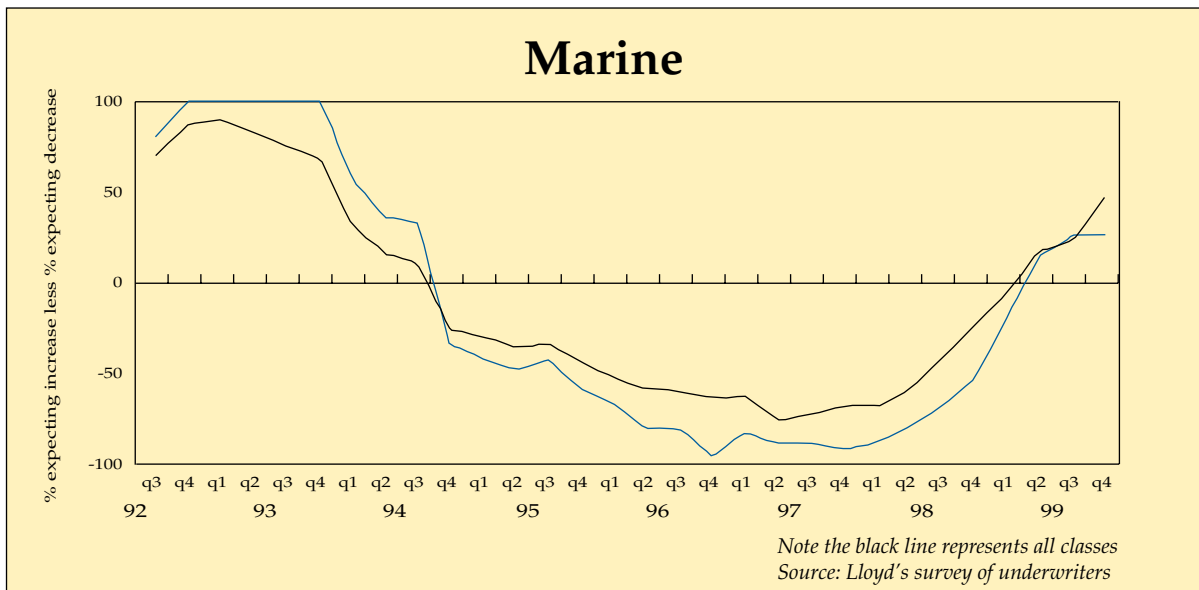
Greenwich Insurance Holdings Plc May 2000 Bulletin

1. *Market Conditions*

Each quarter Lloyd's conducts a broad survey of underwriters views with regard to Market conditions. We have recently received the latest report and this shows the following for each of the four key Markets:

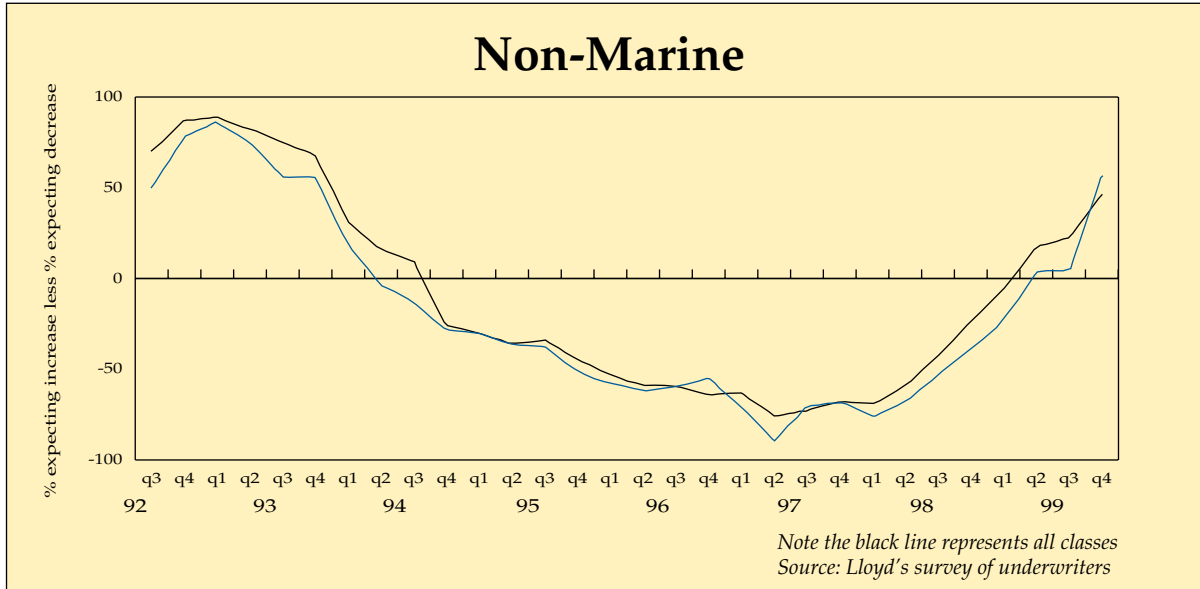
Marine

A lower percentage of Marine Underwriters are suggesting that rates will rise rather than fall over the next three months. There appears to be a range of views concerning the future performance of individual segments within this particular class, but most underwriters surveyed agreed that Energy and Hull rates have stabilised.



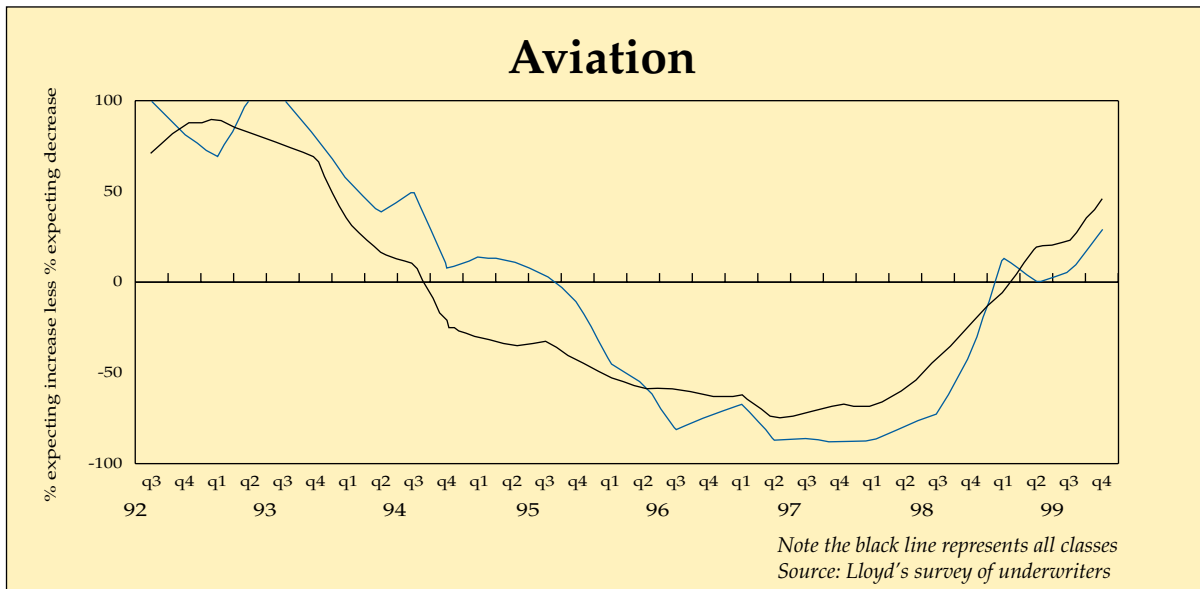
Non-Marine

The majority of Non Marine Underwriters continue to remain optimistic about rate movements and the overall balance of expectation is that rates are likely to rise over the next quarter, especially in the Property class of business.



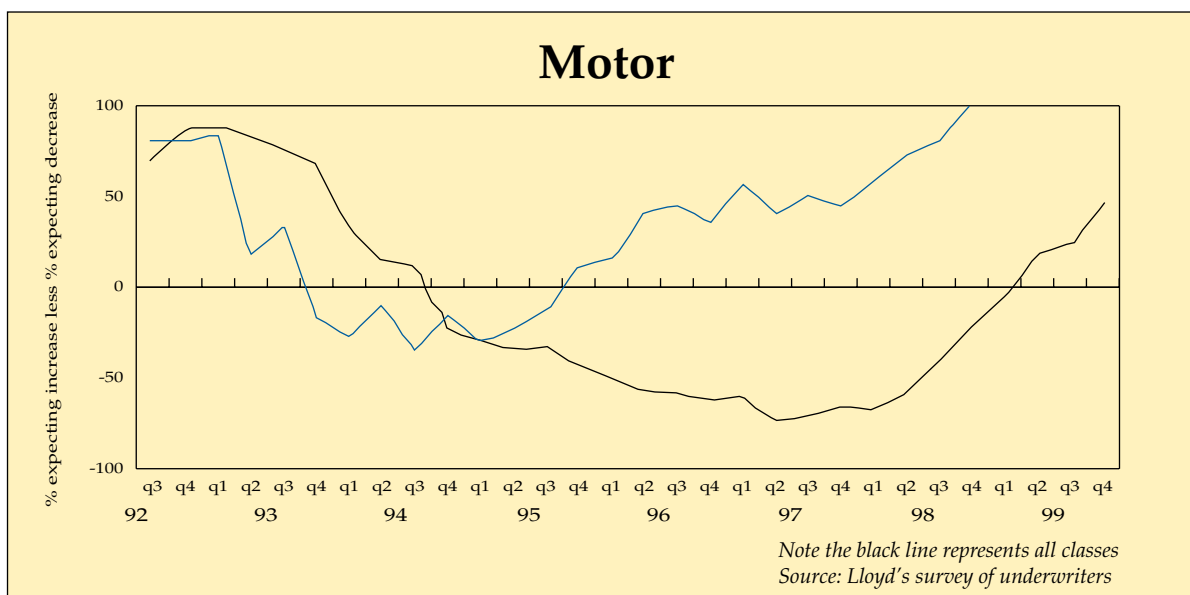
Aviation

Although Aviation rates are still around their previous year's level, the previous quarter's degree of optimism has continued into this quarter with an even greater percentage of underwriters surveyed expecting rates to rise in the next quarter.



Motor

Motor Underwriters continue to expect rates to increase over the next three months across all categories, a trend that is also being seen with the larger composites.



Lloyd's Policy Signing Office Analysis

The analysis of transaction volumes processed by the Lloyd's policy signing office after the fourth quarter of 1999 shows a similar number of transactions overall as in 1998. Pecuniary Loss, Ships Legal Liability, Non Marine General Liability and Energy have recorded increases in the number of transactions of 10% or more, whilst Aviation Combined and Long Term have recorded decreases of over 10% when compared to 1998. Premiums per Transaction, another proxy for rate movements, shows an increase for all classes except Energy, Ships Legal Liability and Goods in Transit. Aviation Combined recorded an increase of 59%.

1999 Year of Account gross premiums after twelve months have increased by 16.1% on the previous year. Premiums ceded by reinsurance have increased by a similar level with the result that net premiums are 17% higher than the previous year at the same stage. Indications are that 1999 will produce gross premiums of £7.9 billion and net premiums of £5.3 billion.

2. Commentary by the Underwriter of Syndicate 994 (Cliff Simmonds)

Non-Marine Syndicate 994 came under the management of Greenwich Managing Agency Limited in the latter part of 1999. We have asked the Underwriter, Cliff Simmonds, for a report of current underwriting conditions as they apply to Syndicate 994.

"Underwriting conditions in the Non-Marine Market continue to improve, and Syndicate 994 is currently taking full advantage of the more favourable underwriting climate.

In general terms, Non-Marine rates during the second quarter of 2000 have been firmer than those of the first quarter. However, rate increases are still patchy, being restricted to particular classes or certain geographical areas. There is a widespread perception in the Market that significant across-the-board improvements have now been deferred until later this year – in time for the 2001 year of account.

For the 2000 underwriting year, Syndicate 994 has operated a policy of "no rate reductions". It is indicative of the improving market conditions that the Syndicate has only declined a handful of risks as a result of this policy; the vast majority of risks written have either been renewed as expiring or,

increasingly so, with rate improvements for 2000. This general rating trend, and the determination of Non-Marine Underwriters to return to profitability after a difficult period 1997 – 1999, certainly augur well for the Non-Marine Market in 2001 and 2002.

Syndicate 994 splits its account into a number of business classes – direct property, accident and health, treaty reinsurance, liability and contingency. Each of these classes is written by one or more specialist class underwriters who report to the active underwriter.

The merger of Syndicates 947 and 994 for the 2000 year of account, and the change of managing agent to Greenwich, have been well received by supporting brokers, and the flow of business to the Syndicate is particularly encouraging. The syndicate is a market leader of many of the classes written, with the exception of liability which is the smallest section of our portfolio.

Syndicate 994 has a particularly high profile in the contingency market, where – although rates are largely static – the Syndicate will be aiming to maintain its record of profitability. Recent developments in the treaty reinsurance portfolio have been mildly disappointing, with only modest rate increases achieved at 1st April from Japanese Insurers following the losses incurred last year from Typhoon 18 (Bart).

However, the best news in 2000 relates to the Syndicate's two largest accounts – direct property (including other short tail classes such as Fine Arts and Auto Physical Damage), and personal accident. For the direct property account, underwriters around the market have plainly concluded that rates must rise in 2000, particularly in areas exposed to catastrophe perils. This upward trend is certainly expected to continue, and indeed accelerate, as the year progresses. In addition, the recruitment late last year of Keith Thorogood as the Syndicate's new Accident and Health underwriter could not have been better timed. Keith has attracted an excellent showing of new business to the Syndicate, and our accident and health portfolio has doubled in size at a time when market conditions are excellent.

The Syndicate is currently working on its 2001 business plan and, with market conditions clearly favourable and rates increasing, it is not difficult to envisage a significant increase in the projected premium income and profitability of Syndicate 994 next year. At the same time, the syndicate continues to look at appropriate opportunities in other areas – for example, by recruiting teams of specialist underwriters to complement the existing team.

It is perhaps no surprise to report that the most difficult area of the Non-Marine Market is the purchase of reinsurance of reinsurance business, known as retrocession reinsurance. This protection has increased significantly in price and is less available than it was, with reinsurance capacity contracting in the face of significant market losses during 1998 and 1999. The last time the retrocessional market faced such difficulties was in 1992, a year that triggered dramatic rate increases across many classes and prefaced a sustained period of underwriting profitability. Let us hope that we have reached a similar point in the cycle now."

In next month's Bulletin Beverley Shreeve will be reporting on the prospects for Motor Syndicate 1222.

3. *Warrants*

Many shareholders have asked us for a further explanation regarding the Warrants issued with our April Bulletin. These Warrants were issued to Names who converted to limited liability underwriting through Grenville I, II or III Conversion Schemes. They were issued on the basis of:

One "S" Warrant for every 20 Ordinary 50p Shares (i.e. shares issued in respect of the entrance fee)

One "L" Warrant for every £20 Convertible Loan Stock (i.e. loan stock issued in respect of Funds at Lloyd's made interavailable)

These warrants can be exercised for subscription at £1.10 at anytime up to 31st December, 2004. Currently there is no quoted share price for ordinary shares in Greenwich Insurance Holdings plc and, accordingly, no action is required. If, however, at any time prior to 31st December, 2004 the quoted share price should exceed £1.10p, these Warrants will become of value to the holders.

4. *Inland Revenue RITC Dispute*

As you may know, the Inland Revenue has decided not to appeal the decision of the Inland Revenue Commissioners in favour of Lloyd's where it is argued that Syndicates must discount reinsurance to close (RITC) for tax purposes. This decision clears the way for a review of the tax computations for the years of account 1994, 1995 and 1996 as soon as possible. Lloyd's has requested the 1994 year should be treated as a priority in view of the repayment position for that year. However, because of the backlog in tax computations, Names should not expect any recovery, where they have paid tax at the level demanded by the Inland Revenue, until early next year. Such repayments will include interest which will not be taxable.

At the same time as the Inland Revenue decided not to appeal, the Government announced in the Budget that it intended to legislate to impose discounting on the whole U.K. insurance industry in the future. Accordingly, this new legislation will apply to the Lloyd's year of account 1998 and onwards.

5. *Currency Risk*

Many of you will have noted that over the past month the dollar has appreciated significantly. Accordingly there is the potential for the final result of your underwriting for the year ending 31st December, 1999 to have deteriorated as it is anticipated that US dollars will make up a substantial part of the final result. When we sent estimates to you, we utilised a conversion rate of US \$1.60 as against a current business rate of \$1.49. If you intend to cover the dollar proportion of the loss by forwarding sterling you will need to provide sufficient funds to cover settlement at the current exchange rate. Lloyd's can only convert the funds once they are in the Premiums Trust Fund and therefore it is the rate of exchange on the date of conversion which is applicable. Unfortunately this means that your final result could vary from our estimate through factors outside of our immediate control.

6. *AGM*

The Annual General Meeting will be held on Friday, 7th July commencing at 11.00 a.m. in the offices of Denton Wilde Sapte, 1 Fleet Place, London, EC4M 7WS. Formal notice of the AGM will accompany the Reports and Accounts which will be issued early in June. A reply paid card will be enclosed for those wishing to attend. Besides conducting the formal business of the Annual General Meeting there will be a short Presentation by the Executive Directors.



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