GREENWICH

Greenwich Insurance Holdings Plc
October 2000 Bulletin

1. *Open Year Forecasts Results*

Revised forecasts have been published by Moody's and Lloyd's during the past month for the Lloyd's Market as a whole:

Year of Account	*Moody's Forecast*	*Lloyd's Mid-Point Forecast*
1998	-10.7%	-9.46%
1999	-12.6%	-8.41%

Both Moody's and Lloyd's acknowledge the improvements in underwriting conditions in 2000 but neither are sufficiently confident to forecast a profit, particularly as we are still in the middle of the hurricane season. These unwelcome forecasts are less surprising when taken in context with the results of Reinsurance Companies. A recent report by Reinsurance Global Risk Analysis showed that 72 Reinsurance Companies, out of a total of 87, made a reported underwriting loss in the 1999 calendar year. Standard and Poor's, in their survey of European Reinsurers for the same period, reported an average combined loss ratio for European Reinsurers of 131%.

In relation to Grenville, Moody's and Lloyd's have mid-point forecasts as follows:

Year of Account	*Moody's Forecast*	*Lloyd's Mid-Point Forecast*
1998	-9.37%	-8.87%
1999	-8.99%	-7.15%

Those Names who underwrite through the Greenwich MAPA 7058 for the relevant years can expect a similar result.

Final results for both 1998 and 1999 will be influenced by the US dollar exchange rate. Evidently the recent strengthening of the dollar against sterling increases the cost of purchasing dollars to pay claims. Conversely, increased underwriting profitability in the dollar account improves the overall result.

2. *Current Market Conditions*

The latest Lloyd's Quarterly Business Report contains further evidence of a hardening of rates in all classes. A survey of each of the major classes demonstrates an expectation of higher rates which is consistent with a further tightening in the reinsurance market. All major Reinsurers were recently represented at the Monte Carlo Rendezvous where the discussion ranged round the percentage increase in rates for reinsurance programme renewals at 1st January, 2001. Whilst Motor underwriting had experienced improved conditions for the past year and Non-Marine underwriting has improved, Marine and Aviation has lagged behind the other classes. However, there is anecdotal evidence that this situation is coming to an end and there is every expectation that the latter part of this year will see substantial improvements in those areas of the underwriting market which have been sheltered by advantageous reinsurance arrangements. Both Lloyd's Brokers and Underwriters are anticipating a "difficult reinsurance season" which is synonymous with a tightening in underwriting capacity and improved prospects.

3. *Commentary by Keith Thorogood (Syndicate 994)*

Keith Thorogood joined Greenwich at 1st January, 2000 to underwrite the Accident and Health Account for Non-Marine Syndicate 994. Keith writes:

"In recent years it was said in the Accident and Health market that if a broker misplaced a slip then by the time he found it, it would have 200% subscribed. Today's market tells a very different story!

With a reduction in capacity and a hardening in the purchase of reinsurance we are seeing a totally different market giving us a tremendous opportunity to develop a larger book of business that will also provide us with the type of profit we expect to see from Accident and Health, typically 15% to 20%.

Underwriters now have to look to make a gross profit on the business they are seeing. Gone are the days of underwriting for premium and market share all on the back of low retentions coupled with cheap rated reinsurance. Today the risk must be rated for the risk at hand.

Rate reductions are now unheard of, but it must be said that you cannot just increase all rates by say 10% across the board. We have to underwrite each risk selectively, renewing some at expiry terms but increasing others by say 25%. In addition we have to look at the conditions of placement, for example it may be better to achieve a larger policy excess.

The additional show of business to the syndicate gives us the opportunity to cherry pick the type of risk we wish to accept. This has been achieved, not just due to lack of capacity elsewhere in the market, but also as it is my intention to continue to play a leading role in the market, and to build on my excellent long-term relationships with many brokers.

Malcolm Smart joined the syndicate in June of this year to assist me in the underwriting of the account. This demonstrates to the market our willingness to encourage brokers to the box as we offer the service that is needed to maintain our account.

The foresight of Greenwich in increasing the Syndicate's involvement in Accident and Health Insurance for the year 2000 could not have been timed better. We have established ourselves with many brokers and built a balanced book to take forward into 2001. I expect the market to harden again for next year and we are well positioned to take full advantage of the highly favourable underwriting conditions."

4. *Service Motor Syndicate 1222*

We are pleased to report that Syndicate 1222 has been selected by Virgin to offer insurance on their car importing web site – virgincars.co.uk

5. *Grenville II Conversion*

Last year 26 Names were involved in our first Conversion Scheme, Grenville I, providing shareholder funds of £2.4m and underwriting capacity of £9.6m. Grenville II with 195 Names and underwriting capacity of £78.8m is not only the largest collective Conversion Scheme at Greenwich but also within the Lloyd's Market. Pledged funds now total over £18m and mark the latest and most significant change in Greenwich's status from an adviser to a Lloyd's Underwriting Company.

6. *Release of Funds at Lloyd's*

Where the Grenville II conversion has been completed and an Exeat Policy has been taken out, an application for the release of Funds at Lloyd's is now being processed. Where conversion has been completed but funds are required to cover any Open Syndicates, an application for a partial release of Funds at Lloyd's is now being processed. Please note that there may be a slight delay in releasing that part of the fund representing capital appreciation since the establishment of the interavailable fund (see July, 2000 Bulletin).

We recognise the importance to all parties that this exercise is completed as swiftly as possible, particularly where a Guarantee is involved. We seek to monitor very regularly the performance standards set by the Members' Services Unit to ensure a timely release. If you do encounter any specific delays, please contact one of us so that we can investigate the latest status for you.

7. *Auctions*

The headline results for the four auctions that have taken place this year are indicative of a downward trend in capacity value:

Auction Number	*Volume of Capacity*	*Average Price*
1	£ 40m	5.68p
2	£112m	7.54p
3	£111m	5.88p
4	£126m	3.58p
5	£198m	4.60p

It is clear that an absence of buyers is effecting auction prices this year: last year's average auction price was 8.8p. The Managing Agents are exercising extreme care in their acquisitions within the auction and with sellers willing to release capacity at a lesser price than last year, lower levels of pricing are being seen.

Grenville Holdings Limited took advantage of buoyant auctions last year to sell underwriting capacity with a total value of £6.1m and, with the benefit of hindsight, this has proved to be beneficial to shareholders. So far this year a further £31m of capacity has been sold yielding £1.61m. It will be the policy of the Board to continue to seek value at realistic levels whilst retaining some select spread underwriting for the 2001 Account.

8. *Integrated Lloyd's Vehicles*

As shareholders will know, it is the stated aim of Greenwich Insurance Holdings plc to achieve Integrated Lloyd's Vehicle (ILV) status. We have always recognised that this could not be achieved in the short-term: for 2000 Grenville supports Syndicates which are 60% "other Syndicates", 40% "Greenwich Managed Syndicates". It is currently anticipated that for 2001 this will move to 25% "other Syndicates", 75% "Greenwich Managed Syndicates" with a target of achieving full ILV status in 2002. However, as stated at the Greenwich AGM on 7th July (please refer July, 2000 Bulletin), "we continue as we have set out, to have a spread portfolio of underwriting".

The main attraction of ILV status is lower costs and a higher net return to shareholders. Not least as a factor in reducing costs would be the reduction in regulatory requirements that arises from a capital base which is aligned with all of the underwriting. We believe ILV status also makes Greenwich more attractive to an external investor and, as stated at the AGM, we will be looking to achieve liquidity in Greenwich shares within a timeframe of 18 months to 2 years so that an exit can be created for those shareholders seeking to achieve value for their shares.

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