

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take you should immediately seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services Act 1986.

Applications under the Open Offers must be made on the accompanying relevant Application Forms, which are personal to the Qualifying Holder(s) named thereon and may not be assigned, transferred or split, except to satisfy *bona fide* market claims.

If you have sold or transferred all of your Brit Shares, please forward this document together with the accompanying Application Forms and Form of Proxy to the stockbroker, bank or other agent through or to whom the sale or transfer was effected for transmission to the purchaser or transferee or for splitting as appropriate. However, such documents should not be forwarded or transmitted in or into any other jurisdiction including, but not limited to, the United States of America, Canada, Japan or Australia or their respective territories or possessions. If you have sold or transferred part of your holding of Brit Shares, you are advised to consult your stockbroker, bank or other agent through or to whom the sale or transfer was effected.

Copies of this document, which comprises a prospectus relating to the Company prepared in accordance with the Listing Rules made under section 142 of the Financial Services Act 1986, have been delivered for registration to the Registrar of Companies in England and Wales as required by section 149 of that Act. Application has been made to the UK Listing Authority for the New Ordinary Shares and the Loan Stock to be admitted to the Official List. Application has also been made to the London Stock Exchange for the New Ordinary Shares and the Loan Stock to be admitted to trading on the London Stock Exchange. It is expected that Admission will become effective and that dealings in the New Ordinary Shares and the Loan Stock will commence on 18 December 2001.

BRIT INSURANCE HOLDINGS PLC

*(Incorporated in England and Wales under the Companies Act 1985
with registered number 3121594)*

Placings and Open Offers of 180,683,054 New Ordinary Shares at 64p per share and of 45,170,763 Units of 8.5 per cent. Convertible Unsecured Subordinated Loan Stock 2008 at 100p per Unit

Notice of Extraordinary General Meeting

Numis Securities Limited, which is regulated by The Securities and Futures Authority Limited, is acting solely for the Company in connection with the Placings and Open Offers and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Numis Securities Limited, or for providing advice in relation to the Placings and Open Offers.

Collins Stewart Limited, which is regulated by The Securities and Futures Authority Limited, is acting solely for the Company in connection with the Placings and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Collins Stewart Limited, or for providing advice in relation to the Placings and Open Offers.

Notice of an Extraordinary General Meeting of Brit Insurance Holdings PLC to be held at 55 Bishopsgate, London EC2N 3AS at 10.00 am on 17 December 2001, is set out at the end of this document. To be valid, the accompanying Form of Proxy for use at the EGM should be completed and returned, in accordance with the instructions printed on it, to Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex EG1 1NQ as soon as possible and, in any event, so as to arrive no later than 10.00 am on 15 December 2001.

If you are a Qualifying Shareholder and wish to apply for New Ordinary Shares and/or Loan Stock under the Open Offers, you should complete the enclosed white Application Form for New Ordinary Shares and the blue Application Form for Loan Stock, and return them with the appropriate remittance to New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH by no later than 3.00 pm on 14 December 2001. A reply-paid envelope is provided for your convenience. The right to apply for New Ordinary Shares and/or Loan Stock may not be assigned, transferred or split except to satisfy *bona fide* market claims.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Record Date for entitlement under the Open Offers	Close of business on 20 November 2001
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only where Shareholders have sold part of their shareholding prior to the ex entitlement date)	3.00 pm on 12 December 2001
Latest time and date for receipt of completed Application Forms and payment in full under the Open Offers	3.00 pm on 14 December 2001
Latest time and date for receipt of Form of Proxy	10.00 am on 15 December 2001
Time and date of Extraordinary General Meeting	10.00 am on 17 December 2001
Admission and first day of dealings in the New Ordinary Shares and Loan Stock	18 December 2001
CREST accounts credited	18 December 2001
Expected despatch by post of New Ordinary Share and Loan Stock certificates	27 December 2001

PLACINGS AND OPEN OFFERS STATISTICS

Number of Brit Shares in issue before the Placings and Open Offers	240,910,739
Number of Brit Shares available under the Share Placing and Share Open Offer	180,683,054
Amount of Loan Stock available under the Loan Stock Placing and Loan Stock Open Offer	£45,170,763
Number of Brit Shares in issue after the Share Placing and Share Open Offer	421,593,793
Number of Brit Shares in issue after the Placings and Open Offers (assuming conversion of all the Loan Stock)	472,925,848

In order to subscribe for New Ordinary Shares and/or Loan Stock, you will need to complete the enclosed white Application Form for New Ordinary Shares and the blue Application Form for Loan Stock. If you have any queries on the procedure for application and payment you should contact New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH on 0870 162 3100 or, if calling from outside the United Kingdom, on (00 44) 20 8639 2157.

DIRECTORS AND ADVISERS

Directors	Jo Mark Pole Welman, <i>Executive Chairman</i> Andrew Shone, <i>Executive Deputy Chairman</i> Neil David Eckert, <i>Chief Executive Officer</i> Andrew Holland, <i>Chief Operating Officer</i> Matthew Scales, <i>Finance Director</i> Simon Dudley Clapham, <i>Executive Director</i> Dane Jonathan Douetil, <i>Executive Director</i> Donald Cecil McCrickard* Paul Gaunt* George Franklin MacAulay* John Anthony Victor Townsend* Philip Richard Withers Green* *Non-executive all of 55 Bishopsgate London EC2N 3AS		
Company Secretary	Peter John Goddard		
Registered Office	55 Bishopsgate London EC2N 3AS		
Financial Adviser, Sponsor and Stockbroker to the Company	Numis Securities Limited Cheapside House 138 Cheapside London EC2V 6LH	Joint placing agent under the Placings	Collins Stewart Limited 9th Floor 88 Wood Street London EC2V 7QR
Auditors to the Company	Mazars Neville Russell Chartered Accountants 24 Bevis Marks London EC3A 7NR		
Solicitors to the Company and to Numis	Dechert 2 Serjeants' Inn London EC4Y 1LT	Solicitors to Collins Stewart	Gouldens 10 Old Bailey London EC4M 7NG
Bankers	Barclays Bank PLC 54 Lombard Street London EC3V 9EX National Westminster Bank PLC City of London Office 1 Princes Street London EC2R 8PA		
Registrars and Paying Agents	Capita IRG Plc Balfour House 390-398 High Road Ilford Essex IG1 1NQ	Receiving Agents	New Issues Department Capita IRG Plc PO Box 166 Bourne House 34 Beckenham Road Beckenham Kent BR3 4TH
Loan Stock Trustee	The Law Debenture Trust Corporation p.l.c. Fifth Floor 100 Wood Street London EC2V 7EX		

DEFINITIONS

(NB Glossaries of terms used in the insurance market and of certain classes of insurance business are set out on pages 98 to 103 inclusive of this document)

The following definitions apply throughout this document, unless the context requires otherwise:

“Act”	the Companies Act 1985, as amended
“Admission”	admission of the New Ordinary Shares and of the Loan Stock to the Official List and to trading on the London Stock Exchange becoming effective
“Application Forms”	the application forms relating to the Open Offers being sent to Qualifying Shareholders with this document, being a white form in the case of the Share Open Offer and a blue form in the case of the Loan Stock Open Offer
“Articles of Association”	the articles of association of the Company
“Associates”	shall bear the same meaning given to that expression in any of section 96C of the Insurance Companies Act 1982, paragraph 1(a) of the Underwriting Agents Byelaw (No. 4 of 1984) and paragraph 2 of the Schedule to the Membership Byelaw (No. 17 of 1993) (such byelaws being byelaws promulgated by Lloyd’s)
“Benfield”	Benfield Group plc
“BIL” or “Brit Insurance”	Brit Insurance Limited, a wholly owned subsidiary of the Company
“Board” or “Directors”	the directors of the Company
“Brit” or “the Company”	Brit Insurance Holdings PLC
“Brit Group” or “Group”	Brit and its subsidiary and associated undertakings
“Brit Shares” or “Ordinary Shares”	ordinary shares of 25 pence each in the Company
“Brit Syndicates”	syndicates 250, 389, 735, 800 and 1202
“Brit UW”	Brit UW Limited, a wholly owned subsidiary of the Company and the Group’s corporate member
“Collins Stewart”	Collins Stewart Limited, a company regulated by the Securities and Futures Authority Limited
“Composite Syndicate”	syndicate 250 (which will be renumbered syndicate 2987), being the syndicate into which syndicates 735, 800 and 1202 are to be merged with effect from 1 January 2002
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 1995) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 1995 (SI 1995/3272)
“Dealing Day”	a day on which dealings may take place in New Ordinary Shares and the Loan Stock on the London Stock Exchange
“EPAM”	EPIC Asset Management Limited, an investment management company
“EPIC”	The Equity Partnership Investment Company PLC
“EPL”	The Equity Partnership Limited, the holding company of EPAM
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company convened for 10.00 am on 17 December 2001 by the notice set out at the end of this document, and any adjournment thereof
“Form of Proxy”	the form of proxy, for use by Shareholders in connection with the EGM, which accompanies this document
“FSA”	the Financial Services Authority
“Interim Statement”	the unaudited interim report of the Group for the six month period ended 30 June 2001 and which is set out in Part Six
“Life Syndicates”	syndicates 389 and 429

“Listing Rules”	the listing rules of the UK Listing Authority
“Lloyd’s” or “the Society”	The Society and Corporation of Lloyd’s created and governed by the Lloyd’s Acts 1871-1982, including the Council of Lloyd’s (and its delegates and other persons through whom the Council may act), as the context may require
“Loan Stock”	the £45,170,763 8.5 per cent. convertible unsecured subordinated loan stock 2008 to be issued by the Company in Units pursuant to the Loan Stock Placing and Loan Stock Open Offer and having the rights and being subject to the restrictions set out in the Trust Deed
“Loan Stock Open Offer”	the invitation for Qualifying Shareholders to apply for their entitlement to Loan Stock on and subject to the terms and conditions set out in Part Four of this document and in the blue Application Form
“Loan Stock Placing”	the conditional placing of the Loan Stock by Numis and Collins Stewart on behalf of the Company on and subject to the terms and conditions of the Placing Agreement, as described in this document
“London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	the 180,683,054 new Ordinary Shares to be issued by the Company pursuant to the Share Placing and Share Open Offer
“Non Life Syndicates”	syndicates 250, 735, 800 and 1202
“Numis”	Numis Securities Limited, a company regulated by The Securities and Futures Authority Limited
“Offer Price”	64p per New Ordinary Share
“Official List”	the Official List of the UKLA
“Open Offers”	the Share Open Offer and the Loan Stock Open Offer
“Peoples Choice”	Peoples Choice (Europe) Limited, in which the Company has a controlling interest of approximately 82 per cent
“Placings”	the Share Placing and Loan Stock Placing
“Placing Agreement”	the conditional agreement dated 23 November 2001 between the Company, Numis and Collins Stewart relating to the Placings and Open Offers and which is summarised in paragraph 10(a)(xi) of Part Seven of this document
“Qualifying Shareholders”	Shareholders on the register of members of the Company on the Record Date, except for overseas Shareholders and certain other Shareholders as described in paragraph 7 of Part Four of this document
“Record Date”	the record date for the Open Offers, being the close of business on 20 November 2001
“Resolutions”	the resolutions to be proposed at the EGM
“Shareholders”	holders of Brit Shares
“Share Incentive Schemes”	the Brit Insurance Holdings PLC 1998 Approved Executive Share Option Scheme, the Brit Insurance Holdings PLC 1998 Unapproved Executive Share Option Scheme, the Wren Approved Share Option Scheme 1998, the Wren Unapproved Share Option Scheme 1998, the Brit Long Term Incentive Plan 1999 and the Brit Insurance Holdings PLC Employee Share Ownership Plan 2001
“Share Open Offer”	the invitation for Qualifying Shareholders to apply for their entitlement to New Ordinary Shares on and subject to the terms and conditions set out in Part Four of this document and in the white Application Form
“Share Placing”	the conditional placing of 180,683,054 New Ordinary Shares by Numis and Collins Stewart on behalf of the Company on the terms and conditions of the Placing Agreement, as described in this document
“Stock Unit” or “Unit”	a unit of 100p nominal of the Loan Stock
“Syndicate Merger”	the merger into syndicate 250 of syndicates 735, 800 and 1202 to form the Composite Syndicate for the 2002 year of account
“Syndicates”	syndicates 250, 389, 429, 735, 800, 1202, 2040 and 2400
“third party non-managed syndicate”	a syndicate managed by a managing agent other than WSM

“Trust Deed”	the trust deed constituting the Loan Stock to be entered into between the Company and the Trustee, particulars of which are set out in Part Five of this document
“Trustee”	The Law Debenture Trust Corporation p.l.c.
“UK Listing Authority” or “UKLA”	the UK Listing Authority, a division of the FSA
“United States” or “US”	the United States of America, its territories and possessions, any State in the United States and in the District of Columbia and all other areas subject to its jurisdiction
“US terror attacks”	the attacks on the World Trade Center in New York (including the collapse of the World Trade Center Towers) and the Pentagon in Washington DC and the aviation crash in Pittsburgh, all of which occurred on 11 September 2001
“Wren Products”	a division of the Group formed to market, distribute and sell the Group’s commercial and personal lines insurance business to insurance intermediaries in the United Kingdom
“Wren Syndicates Management” or “WSM”	Wren Syndicates Management Limited, an indirect wholly owned subsidiary of the Company

PART ONE

Letter from the Chairman

Brit Insurance Holdings PLC

Incorporated and Registered in England and Wales Company Number 3121594

Jo Welman, *Executive Chairman*
Andrew Shone, *Executive Deputy Chairman*
Neil Eckert, *Chief Executive Officer*
Andrew Holland, *Chief Operating Officer*
Matthew Scales, *Finance Director*
Simon Clapham, *Executive Director*
Dane Douetil, *Executive Director*
Don McCrickard, *Non-executive Director*
Paul Gaunt, *Non-executive Director*
Glyn MacAulay, *Non-executive Director*
Anthony Townsend, *Non-executive Director*
Richard Withers Green, *Non-executive Director*

Registered and Head Office
55 Bishopsgate
London EC2N 3AS

23 November 2001

To Shareholders, and, for information only, to the holders of options under the Share Incentive Schemes

Dear Shareholder

Issue of New Ordinary Shares and Loan Stock by way of Placings and Open Offers and notice of Extraordinary General Meeting

Introduction

It was announced today that Brit proposes to raise approximately £160.8 million (before expenses) by means of the issue of 180,683,054 New Ordinary Shares and £45,170,763 nominal of 8.5 per cent convertible unsecured subordinated loan stock 2008. £42,420,763 nominal of the Loan Stock has been conditionally placed by Numis and the remaining £2,750,000 nominal of the Loan Stock has been conditionally placed by Collins Stewart in each case with certain institutions and with certain existing Shareholders. Numis has also agreed to use reasonable endeavours to procure placees for 65,000,000 of the New Ordinary Shares and Collins Stewart has agreed to use reasonable endeavours to place the remaining 115,683,054 New Ordinary Shares. Numis has underwritten the Loan Stock Placing and Collins Stewart has underwritten the Share Placing. Qualifying Shareholders have the right to subscribe for New Ordinary Shares and/or Loan Stock in accordance with the terms of the Open Offers, details of which are set out in the letter from Numis contained in Part Four of this document.

The purpose of this document is to explain to Shareholders the reasons behind the Placings and Open Offers and to convene an Extraordinary General Meeting of the Company to seek the Shareholder approvals which are necessary to allow the issue of the New Ordinary Shares and the Loan Stock to take place and to make certain changes to the Articles of Association. In addition, this document explains why the Board considers the issue of the New Ordinary Shares and the Loan Stock is in the best interests of the Company and its Shareholders as a whole.

History of Brit

Brit was listed on the Official List of the London Stock Exchange in 1995 as The Benfield & Rea Investment Trust PLC with the principal focus of investing in Lloyd's investment vehicles and unquoted insurance investments, and was granted investment trust status for its first accounting period. In 1996, it acquired HCG Lloyd's Investment Trust plc, a Lloyd's spread vehicle. In 1999, Brit acquired Wren plc, an emerging integrated Lloyd's vehicle. As a consequence of that acquisition, Brit ceased to qualify as an investment trust and re-listed as a trading company. In 1999, the Group also completed the acquisition of Brit Insurance, a London market insurance company.

Since then, the Group has evolved as a specialist underwriter of direct and reinsurance business. It has rationalised its Lloyd's underwriting activities by disposing of all of its third party non-managed syndicate participations and consolidating its Lloyd's underwriting into one corporate member, Brit UW. As at 22 November 2001, being the latest practicable date prior to the publication of this document, Brit's market capitalisation was approximately £171 million.

Currently, the Group's principal operating subsidiaries are Brit Insurance, Brit UW and Wren Syndicates Management, a Lloyd's managing agent which is shortly to change its name to Brit Syndicates Limited.

Historical Financial Information

For the 12 months ended 31 December 2000, the first financial period for which the Group adopted annual accounting for the Brit Syndicates, the Group reported a profit on ordinary activities before tax of £1.5m on gross premiums written of £249.0 million and diluted earnings per Ordinary Share of 0.27 pence. This compares with a restated loss on ordinary activities before tax of £27.4 million for the nine months ended 31 December 1999 on gross premiums written of £100.0 million and a diluted loss per Ordinary Share of 8.62 pence. As at 31 December 2000, the Group had shareholders' funds of £247.4 million (31 December 1999: £254.3 million (restated)).

As at 30 June 2001, the Company had shareholders' funds of £251.5 million (at 31 December 2000: £247.4 million), equivalent to net assets per share of 104p (at 31 December 2000: 104p). Net tangible assets at 30 June 2001 amounted to 93p per share (at 31 December 2000: 95p).

Set out below is a summary of the Group's audited balance sheet as at 31 December 2000, and of the Group's unaudited balance sheet as at 30 June 2001, in each case including syndicate assets and liabilities.

Group Balance Sheets

	31.12.2000	30.06.2001
	£m	£m
Goodwill	19	25
Syndicate participation	2	2
Investments	458	442
Cash	66	91
Reserves	(41)	(43)
Brit Insurance – Net technical provisions	(36)	(44)
Other net technical provisions	(390)	(484)
Financing	(24)	(31)
Other	193	293
Shareholder Funds	247	251

Shareholders are reminded that they should read the whole of this document and not rely solely on the above extracted information when making a decision to invest in the Company. Shareholders are also referred to the Interim Statement set out in Part Six and to the Brit Report and Accounts for the year ended 31 December 2000 from which the figures in the table above are obtained.

Current Trading and Prospects of the Group

In common with many other insurers and reinsurance companies, the Group's current trading has been affected by the US terror attacks and recent volatility in the equity markets and the consequent impact on the Group's solvency requirements. These matters are dealt with in more detail in this document, including in the sections in this letter headed "Funds at Lloyd's", "US Terror Attacks", "Investments" and "Dividend Policy". Investors' attention is also drawn to the Interim Statement set out in Part Six. The Group's estimated gross written premium for 2001 has increased by £37.5 million since publication of the Interim Statement.

Premium rates had generally been increasing in many classes and conditions were being tightened prior to the US terror attacks. The difficult underwriting conditions experienced in the market in recent years had also contributed in part to some well publicised profit warnings in the UK in the sector, as well as some high-profile failures of insurance companies. These, in turn, combined with the difficult trading conditions, had contributed to shrinking capacity in the global insurance market.

The Directors believe that the insurance market is now experiencing an extraordinary rating environment and that the effects of the US terror attacks will cause a significant shift both in terms of immediate price increases in many classes of business and duration of the cyclical upturn in premium rates.

Furthermore, investment returns are now at levels where insurers can no longer rely on bond and equity markets to provide consistent growth in their capital base or high levels of investment income on retained insurance premiums. In the Directors' opinion, this is likely to contribute to further improvements in pricing and terms. The Directors consider that the Group is well positioned to take advantage of the current situation.

The Directors have decided to raise additional funds for the Company by the Placings and Open Offers.

Use of Proceeds

The net proceeds of the Placings and Open Offers will be £154.5 million and will be applied as to approximately £130 million to funds at Lloyd's supporting the Composite Syndicate, £10 million towards repayment of the Group's borrowings and the balance in working capital towards developing and investing in the Group's distribution businesses and the other core elements of the Group's business, and to meet the Group's operational expenses. This will enable Brit UW to underwrite for the 2002 year of account with capacity of approximately £450 million.

The Group is also currently exploring a number of other non-equity financing opportunities to allow the Group to increase further the level of its underwriting activities. The opportunities being explored include secured borrowings of up to approximately £130 million of which some £28 million would be used to replace the Group's existing borrowings, including a letter of credit facility of up to £30 million. Any such further finance, if raised, would be used, *inter alia*, to increase or substitute the Group's funds at Lloyd's, to provide additional capital to BIL or as additional working capital.

Funds at Lloyd's

The coming-into-line date (the date by which a member must ordinarily have provided its funds at Lloyd's) for the 2002 year of account is 29 November 2001. However, Lloyd's has extended this date in the case of Brit UW to 21 December 2001. This will enable the Group to utilise part of the proceeds of the Placings and Open Offers as funds at Lloyd's for the 2002 year of account, as described above under the heading "Use of Proceeds".

As at 13 November 2001, the Group's funds at Lloyd's are estimated to be approximately £102.0 million, of which approximately £50.5 million has been set aside for underwriting losses. The net figure of £51.5 million has been calculated after deducting Brit UW's current solvency deficits which are a net amount of £14.9 million. These deficits, as at 31 December 2000, which are Brit UW's known and estimated liabilities as at 31 December 2000 arising out of the 2000 and prior years of account, amount to £27.9 million for the 1999 year of account, £1.3 million for the 2000 year of account and £0.6 million for the 1998 year of account. The net figure of £14.9 million is calculated after deducting (to the extent permitted by Lloyd's) amounts already paid in respect of these liabilities.

The net figure of £51.5 million includes £5.3 million of capital provided by a third party that supported underwriting on Syndicate 250 during the 2001 year of account through a reinsurance arrangement. The third party will not be underwriting through this arrangement for the 2002 year of account. The capital will, however, remain in Brit UW's overall FAL and is available, therefore, to support Brit UW's prior year reserving and solvency requirements until the 2001 year of account of Syndicate 250 closes.

The net figure of £51.5 million is also computed after making a further provision of £35.6 million in respect of Brit UW's anticipated open year solvency deficiencies for the 2001 year of account and deterioration in relation to 2000 and prior years of account. Brit UW, from its participation on the Brit Syndicates, has estimated a net loss of £57.3 million arising from the US terror attacks (see below). The £35.6 million provision has been arrived at after taking into account this estimated loss. In the second quarter of 2002, Lloyd's is due to issue a solvency statement as at 31 December 2001 for Brit UW, which will contain the open year solvency deficiencies which will be deducted in calculating the amount of Brit UW's FAL which is available to support underwriting for the 2003 year of account.

The solvency statement, which is derived from underwriting figures reported on by a consulting actuary, will reflect liabilities in respect of open years up to 31 December 2001. Accordingly, it is not possible to state now with any certainty or accuracy the amount of these open year solvency deficiencies. Investors are referred to the risk factor headed "Lloyd's Market Risks – *Solvency and Coming into line*" in Section B of the Risk Factors in Part Two which explains the solvency process in more detail.

US Terror Attacks

The US terror attacks are widely believed to constitute the worst catastrophe ever to have affected the insurance market. Market estimates of insurance liabilities arising from the US terror attacks range up to US\$70 billion (£50 billion). On 26 September 2001, Lloyd's estimate of the net loss to the Lloyd's market was £1.3 billion (this estimate was the latest available at the date of this prospectus). The Group estimates that the effect of the attacks on the Group will result in gross losses before reinstatements of £182.9 million and net losses after reinsurance recoveries but before reinstatements of £77.4 million (£82.5 million after reinstatement premiums, equivalent to 34.2p per Ordinary Share (before tax)).

Of the overall net loss estimate after reinstatements, £25.2 million is attributable to Brit Insurance Limited and the balance of £57.3 million is attributable to Brit UW's participations on the Brit Syndicates. The Group's estimates are based on an exchange rate of US\$1.49:£1.

The Directors believe that BIL will be able to meet its US terror attack losses out of BIL's existing capital and reserves. The Directors also believe that these losses will not impact BIL's ability to underwrite to its planned level of £64 million for the financial year ending 31 December 2002. This would represent a 68.5 per cent increase in the level of its underwriting in the financial year ended 31 December 2000.

For the Lloyd's operations, the losses are expected to fall, for the most part, to the 2001 year of account but part will fall to the 2000 year of account (particularly those relating to the aviation portfolio). The effect of the US terror attacks on the Group's FAL and ongoing Lloyd's solvency requirements is discussed in the section above headed "Funds at Lloyd's".

The impact of the US terror attacks will be reported in the Group's profit and loss account for the year ending 31 December 2001.

The Group's estimate of the net losses arising from the US terror attacks does not take into account, *inter alia*, the original premium income on the policies which have given rise to the US terror attacks claims. Accordingly, the estimate is not an estimate of the Group's financial position resulting from those policies.

Some 96 per cent of the Group's potential reinsurance recoveries on the US terror attacks are placed with counterparties rated within the single "A" range and above by AM Best and/or Standard & Poor's.

The US terror attacks are expected to give rise to the most complex interaction of possible claims which the insurance market has ever seen. There can, therefore, be no certainty as to the ultimate losses which will result to the Group and the position is being regularly reviewed. It could be a long time (possibly years) before the true nature, scale and payment of the claims will be known. In providing an estimate of these losses, the Group does not make any admission of liability.

For further information on the potential effect on the Group of the US terror attacks, including matters which should be taken into account by Shareholders and investors when considering the Group's net loss estimates and an explanation of the assumptions and the methodology adopted by the Group in preparing the gross and net loss estimates set out above, please refer to Section A of the Risk Factors in Part Two.

Investments

The table set out below shows the Group's cash and investments supporting its underwriting as at 30 June 2001 and, net of realisations made, as at 31 October 2001 (being the latest practicable date prior to the publication of this document for the calculation of the relevant figures). The table also shows the valuation of the Group's strategic and other investments (not including those held within Premium Trust Funds) as at 30 June 2001 and, net of realisations, as at 31 October 2001.

	30.06.2001	31.10.2001	Net capital gain/ (loss) for period 30.06.2001 to 31.10.2001
	£m	£m	£m
FAL	127.4	114.1	(9.7)
BIL	115.1	126.1	0.2
Strategic and other	55.2	41.3	(12.3)
	<u>297.7</u>	<u>281.5</u>	<u>(21.8)</u>

Notes:

1. The movement in the market value of the above investments and cash for the period 30 June 2001 to 31 October 2001 comprises net realised and unrealised capital losses of £21.8 million, purchases of £41.2 million, sales proceeds of £46.1 million and net transfers into these categories of £10.5 million.
2. Since 31 October 2001 the Group has paid cash calls of £18.5 million.
3. Investments have been valued at the middle market quotation of the securities concerned on the relevant dates where the securities are listed or quoted on a stock exchange. In all other cases, investments are valued at the Directors' valuation.
4. Net capital gain/(loss) represent both realised and unrealised amounts.

Dividend Policy

Following the US terror attacks, the Company decided not to pay an interim dividend in respect of the six months ended 30 June 2001 and the Board indicated that it would review the position on dividends at the time of publication of the results for the 12 months ending 31 December 2001. The Board does not now anticipate that the Company will be paying a final dividend in respect of the 12 months ending 31 December 2001 and it further expects that the Company will not be able to resume payment of dividends until the Board considers that the Company's financial performance and condition is sufficiently strong to justify this.

The Placings and Open Offers

The Placings and Open Offers comprise a placing and open offer of 180,683,054 New Ordinary Shares at 64 pence per share and a separate placing and open offer of £45,170,763 nominal of Loan Stock at par. The Placings and Open Offers will together raise approximately £160.8 million before expenses. Numis, pursuant to its obligations under the Placing Agreement, has conditionally placed £42,420,763 nominal of the Loan Stock with certain institutions and existing Shareholders, subject to recall to satisfy valid applications by Qualifying Shareholders under the Loan Stock Open Offer, and has agreed to use reasonable endeavours to procure placees for 65,000,000 of the New Ordinary Shares, subject to recall to satisfy valid applications by Qualifying Shareholders under the Share Open Offer. Numis has also underwritten the Loan Stock Placing. In addition, Collins Stewart, pursuant to its obligations under the Placing Agreement, has conditionally placed the remaining £2,750,000 nominal of the Loan Stock with certain institutions and existing Shareholders, subject to recall to satisfy valid applications by Qualifying Shareholders under the Loan Stock Open Offer, and has agreed to use reasonable endeavours to procure placees for the remaining 115,683,054 New Ordinary Shares, subject to recall to satisfy valid applications by Qualifying Shareholders under the Share Open Offer. Collins Stewart has underwritten the Share Placing.

Qualifying Shareholders are being given the opportunity to subscribe under the Share Open Offer for New Ordinary Shares at the Offer Price and under the Loan Stock Open Offer for the Loan Stock at par, in each case free of expenses, *pro rata* to their existing holdings of Brit Shares, on the basis of

**3 New Ordinary Shares for every 4 existing Brit Shares
and
3 Units of Loan Stock for every 16 existing Brit Shares**

held at the close of business on the Record Date (and so in proportion for any other number of existing Brit Shares then held). The amount due in respect of each application for New Ordinary Shares and/or Stock Units is payable in full on application. Entitlements to New Ordinary Shares and/or Stock Units will be rounded down to the nearest whole share and unit and the fractions will be aggregated and placed under the Placings for the benefit of the Company. Qualifying Shareholders are entitled to apply for both New Ordinary Shares and Loan Stock, or just New Ordinary Shares or Loan Stock, up to their maximum entitlement(s). The maximum entitlement(s) of a Qualifying Shareholder are indicated on the Application Forms which accompany this document and which are personal to the Qualifying Shareholder(s) named thereon. Applications for New Ordinary Shares and/or Loan Stock in excess of such maximum entitlement will be treated as applications for the maximum *pro rata* entitlement.

The terms of the Open Offers are contained in the letter to Qualifying Shareholders from Numis set out in Part Four of this document, and in the enclosed white Application Form for New Ordinary Shares and blue Application Form for Loan Stock. The Open Offers will close at 3.00 pm on 14 December 2001. In order to be valid, completed Application Forms and payment in full for the New Ordinary Shares and/or Loan Stock applied for must be received by Capita IRG Plc by no later than 3.00 pm on 14 December 2001.

Qualifying Shareholders should be aware that the Open Offers are not rights issues and accordingly the New Ordinary Shares and Loan Stock not validly applied for will not be sold in the market for the benefit of Qualifying Shareholders who do not apply under the Open Offers, but will be placed, in the case of New Ordinary Shares, at the Offer Price or, in the case of Loan Stock, at par, pursuant to the terms of the Placings and otherwise in accordance with the Placing Agreement.

The Placings and Open Offers are conditional, *inter alia*, on:

- (i) the passing of the Resolutions;
- (ii) the Placing Agreement becoming unconditional, save for Admission, by no later than 18 December 2001 (or such later date, being no later than 28 December 2001, as the Company,

Numis and Collins Stewart may agree) and not having been terminated in accordance with its terms; and

- (iii) Admission becoming effective by no later than 8.00 am on 18 December 2001 (or such later time and date, being no later than 9.00 am on 28 December 2001, as the Company, Numis and Collins Stewart may agree).

Loan Stock

The Loan Stock carries a coupon of 8.5 per cent per annum which is payable six monthly in arrears on 30 June and 31 December in each year. The first payment of interest is to be made on 30 June 2002 in respect of the period from the date of issue to 30 June 2002 (both dates inclusive).

The Loan Stock, which will be unsecured and will be subordinated in a winding up to the claims of the secured creditors of the Company from time to time, is convertible into Ordinary Shares at the rate of 113.64 Ordinary Shares for every 100 Stock Units, subject to adjustment in certain circumstances. The conversion rights are exercisable at any time in May and October of each year from 2002 to 2005. Any Loan Stock which has not been previously converted will, subject to the terms of the Trust Deed, be redeemed on 31 December 2008 at par together with interest accrued up to and including the date of redemption. Particulars of the terms of the Trust Deed governing the Loan Stock are set out in Part Five.

New Ordinary Shares

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Brit Shares in issue including the right to receive and retain all dividends and other distributions declared, made or paid on such shares after the date of this document.

Controller Provisions

Each Qualifying Shareholder and prospective Loan Stockholder should note that if, following conversion of the Loan Stock into Ordinary Shares or his acquisition of New Ordinary Shares, he either alone or with his Associates would hold ten per cent or more of the issued Ordinary Shares, he will be deemed to become a controller of certain companies within the Group, including BIL, Wren Syndicates Management and Brit UW, and before doing so he must obtain both Lloyd's and the FSA's consent. In order to obtain such consents, the Loan Stockholder or Shareholder (as appropriate) may be required to provide information to the FSA and Lloyd's and to give them certain undertakings.

If a Shareholder fails to obtain Lloyd's or the FSA's consent, the Directors may invoke provisions contained in the Articles of Association which may result, *inter alia*, in a number of the Ordinary Shares held by the Shareholder ceasing to carry the right to vote at general meetings of the Company. Further details of these provisions are contained in the summary of the Articles of Association in paragraph 7 of Part Seven.

In addition, as referred to below, it is proposed to amend the Articles of Association to enable the Directors to require, *inter alia*, a Shareholder to sell Brit Shares so it is no longer a controller or no longer has a notifiable holding if such consents are not given.

Taxation

Your attention is drawn to paragraph 12 of Part Seven. If you are in any doubt as to your tax position, you should consult an appropriate professional financial adviser without delay.

Overseas Shareholders

The attention of Shareholders who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, is drawn to paragraph 7 of Part Four.

Amendments to the Articles of Association

The Directors are proposing to make certain amendments to the Articles of Association. No person may become a "controller" of, or obtain a "notifiable holding" in, a managing agent or a corporate member unless the Council (or, in the case of an insurance company, the FSA or, in the case of a managing agent, the Council and the FSA) has approved that person or if, within certain waiting periods, the Council (and/or, as the case may be the FSA) has not objected to that person being a controller or obtaining the notifiable holding. Accordingly it is proposed that the Articles of Association be amended, *inter alia*, to enable the Directors:

- to require Shareholders to provide information to enable the Board to determine whether or not that Shareholder is or may become a controller or has or may obtain a notifiable holding; and
- to give the Directors the power to require a Shareholder to sell shares such that the Shareholder would no longer be a controller or have a notifiable holding, unless the Council and the FSA have given their consent.

Furthermore, under the Lloyd's Act 1982 there are complex provisions which, subject to certain conditions, prohibit persons holding shares in both a managing agent and a Lloyd's broker or their holding companies. The proposed amendments to the Articles of Association are also therefore designed to enable the Company to ensure, so far as is possible, that the acquisition of shares in the Company by a person does not inadvertently result in a breach of these provisions.

In addition, in view of the proposed issue of the Loan Stock and the fact that the Group is currently exploring a number of other non-equity financing opportunities (as referred to in the paragraph above headed "Use of Proceeds") the opportunity is being taken to increase the borrowing limit in the Articles of Association to an amount not greater than 200 per cent of Adjusted Capital and Reserves (as defined in the Articles of Association) of the Group from 50 per cent of such figure and to exclude from such borrowing limit liabilities under certain letters of credit and bank guarantees or similar instruments in the ordinary course of insurance business and the Group's share of borrowings made on its behalf in connection with syndicate underwriting business.

Share Incentive Schemes

In accordance with the rules of the Brit 1998 Approved Executive Share Option Scheme, the Brit 1998 Unapproved Executive Share Option Scheme, the Wren Approved Share Option Scheme 1998 and the Wren Unapproved Share Option Scheme 1998, the Directors of the Company, may make adjustments to the number of shares subject to the schemes and/or comprised in any option and/or the subscription price relating to options to take account of the issue of New Ordinary Shares pursuant to the Placings and Open Offers. In respect of all the above schemes any adjustments will be subject to written confirmation from the auditors of the Company that such adjustments are, in their opinion, fair and reasonable. In respect of the Brit Long Term Incentive Plan 1999 the number of plan shares comprised in any allocation may be adjusted in such manner as the trustees, after consultation with the Remuneration Committee of the Board, may determine.

In addition, in respect of the Brit 1998 Approved Executive Share Option Scheme and the Wren Approved Share Option Scheme 1998 any adjustment will be subject to prior Inland Revenue approval.

Optionholders, or in the case of the Brit Long Term Incentive Plan 1999, participants, will be informed of any adjustments in accordance with the terms of the schemes listed above in due course.

Extraordinary General Meeting

Set out at the end of this document is a notice convening the Extraordinary General Meeting to be held at 10.00 am on 17 December 2001 to consider and, if thought fit, pass:

1. an ordinary resolution, subject to Admission, to:
 - (i) approve an increase in the authorised share capital of the Company from £78,750,000 to £155,000,000 by the creation of an additional 305,000,000 Ordinary Shares. This represents an increase of approximately 97 per cent over the current authorised Ordinary Share capital of the Company. The principal reason for this increase is to enable the Directors to issue the New Ordinary Shares and the maximum number of Ordinary Shares which may be required to be issued upon conversion of the Loan Stock; and
 - (ii) authorise the Directors under section 80 of the Act to allot relevant securities up to an aggregate nominal value of £93,125,000. If passed, this authority will expire on the earlier of 15 months after the passing of this resolution and the conclusion of the next annual general meeting of the Company and give the Directors authority to allot £93,125,000 nominal of relevant securities, representing approximately 155 per cent of the existing issued Ordinary Share capital. After accounting for the New Ordinary Shares and the Loan Stock to be issued in the Placings and Open Offers (and accordingly after reserving for the 51,332,055 Ordinary Shares which would be issued upon conversion in full of the Loan Stock), the Directors would have unutilised authority under section 80 of the Act to allot £35,121,223 nominal of relevant securities, representing one third of the issued Ordinary Share capital as enlarged pursuant to the Placings and Open Offers (assuming no conversion of the Loan Stock).

Save in respect of the issue of New Ordinary Shares and Loan Stock pursuant to the Placings and Open Offers and any issues of Ordinary Shares which may be required to be made pursuant to conversion rights under the terms of the Loan Stock or pursuant to the Share Incentive Schemes, the Directors currently have no plans to allot relevant securities but the Directors believe it to be in the best interests of the Company for the Board to be granted this authority to enable the Board to take advantage of appropriate opportunities;

2. a special resolution, subject to the ordinary resolution above being passed and becoming effective, to disapply the pre-emption rights provisions of section 89 of the Act in respect of the allotment of equity securities pursuant to the Placings and Open Offers, pursuant to rights issues and other pre-emptive issues, and in respect of other issues of equity securities for cash up to an aggregate nominal value of £5.25 million, being approximately 8.7 per cent of the current issued Ordinary Share capital and just under five per cent of the Ordinary Share capital in issue as enlarged pursuant to the Placings and Open Offers. If given, this authority will expire at the same time as the authority referred to in paragraph 1(ii) expires.

The Directors recommend that Shareholders vote in favour of this resolution as they consider it desirable due to the flexibility afforded by the power. Other than in relation to the issue of New Ordinary Shares and Loan Stock pursuant to the Placings and Open Offers they have no present intention of issuing any equity securities pursuant to this disapplication; and

3. a special resolution to amend the Articles of Association as referred to above.

Risk Factors

Shareholders' attention is drawn to the risk factors relating to the US terror attacks and other risk factors set out in Part Two.

Further information

Part Three contains summary information on the Brit Group. Shareholders' attention is drawn to the information in the other Parts of this document.

Action to be taken

In respect of the Open Offers

Qualifying Shareholders who wish to apply for New Ordinary Shares and/or Loan Stock should follow the instructions set out under paragraphs 4 and 5 in the letter from Numis set out in Part Four, and in the enclosed Application Forms.

In respect of the EGM

A Form of Proxy for use by Shareholders at the Extraordinary General Meeting is enclosed. Whether or not you propose to attend the meeting, you are requested to complete, sign and return the Form of Proxy to the Company's registrars, Capita IRG Plc, Balfour House, 390-398 High Road, Ilford, Essex, IG1 1NQ as soon as possible and in any event so as to be received no later than 10.00 am on 15 December 2001. The completion of the Form of Proxy will not preclude you from attending the meeting and voting in person should you subsequently wish to do so.

If you do not wish to apply for any New Ordinary Shares or Loan Stock, you should not complete or return either Application Form. You are nevertheless requested to complete and return the Form of Proxy.

Recommendation

The Board considers that the Placings and Open Offers and the Resolutions are in the best interests of the Group and its Shareholders as a whole. Accordingly, your Directors unanimously recommend that Shareholders vote in favour of the Resolutions as they intend to do in respect of the shareholdings registered in their own names which amount, in aggregate, to 7,712,184 Brit Shares, representing approximately 3.2 per cent of the existing issued share capital of the Company.

Yours sincerely

Jo Welman
Chairman

PART TWO

US Terror Attacks and other Risk Factors

This Part contains in Section A information on the potential effect on the Group of the US terror attacks, together with the risk factors which the Directors consider are specific to the US terror attacks. Section B contains what the Directors believe to be the other principal risk factors involved in an investment in the Company.

Section A – US Terror Attacks

This section explains, *inter alia*, the assumptions upon which the Group has based its estimates of the Group's gross and net losses arising out of the US terror attacks and the methodology which the Group has adopted in arriving at those estimates. In addition, a summary of the classes of business which the Directors believe may give rise to potential liability is given.

The estimates, and the information, assumptions and methodology from which they are derived, do not and may not be taken to constitute an admission that the Group is liable either in respect of a particular class of business or under any particular contract of insurance, reinsurance or retrocession. The Group has included the estimates in order to comply with the requirements relating to the Placings and Open Offers, but for no other reason. The Group's estimates relate to its participations on the Brit Syndicates and to its underwriting through BIL and do not include any potential exposure through its third party non-managed syndicate participations (see Section B below under the heading "Third party non-managed syndicates – Provisioning").

Investors should be aware that a number of factors will influence the eventual gross and net losses of the Group arising from the US terror attacks and that these losses could differ materially from the estimates contained in this document. The specific risk factors which the Directors consider are material in the context of the US terror attacks are set out at the end of this Section A.

1. Assumptions

1.1 For the purpose of calculating the amount of the Group's expected losses from the US terror attacks, the following assumptions were used:

- Aircraft losses were caused by terrorist activities;
- There were four separate aircraft losses: two at the World Trade Center and one arising from each of the Pittsburgh and Pentagon crashes;
- The policy limits under applicable aircraft policies will apply for each aircraft;
- There will be no UK/US Government financial support or intervention benefiting the Group;
- All reinsurance recoveries will be collected in full, with the exception of those which are anticipated to become due from one reinsurer, which constitutes less than one per cent of the total anticipated recoveries;
- No subrogation recoveries will be made by the Group;
- Events which have taken place after the US terror attacks and which may be covered by reinsurance protections have been ignored when estimating both exposure and reinsurance recoveries; and
- An exchange rate of US\$1.49:£1 (the rate used by the Lloyd's market at this time).

1.2 In addition WSM has also assumed, in relation to Brit UW's estimated losses, that:

- War exclusions will not apply;
- In certain classes of business, subrogation rights under policies not written by the Group will give rise to liability under policies written by the Brit Syndicates; and
- For the purpose of estimating losses and potential reinsurance recoveries, the losses arising from the attacks on the World Trade Center have (other than the aircraft losses) arisen from a single "occurrence".

1.3 BIL has, in addition to the assumptions set out at paragraph 1.1 above, made the following assumptions:

- The overall insured loss (i.e. before reinsurance) arising from the US terror attacks, for each relevant policy, will exceed the highest attachment point at which such policy could be triggered;

- The following Probable Maximum Loss (PML) factors will apply to BIL's anticipated maximum contractual limits:
 - 50% for reinsurance of direct insurers
 - 70% for retrocession business, where certain market-wide exclusion clauses apply
 - 100% for all other classes of business
- Other than the aircraft losses, all other losses arose out of one "event"; and
- War exclusions will not apply, but a clause (known as G51) specifically excluding losses arising out of terrorist activities will apply.

2. Methodology

The Group adopted the following methodology in analysing its exposures:

- Classes of business which had potential exposure to losses arising out of the US terror attacks were identified and, where appropriate, reviewed on a risk by risk basis;
- An estimate of the gross loss and (where applicable) the inward reinstatement premium for each relevant risk was established using information from placing brokers combined with the Group's own judgement;
- Exposures which were not analysed on a risk by risk basis were either not considered by the Directors to be material or did not relate directly to the US terror attacks; and
- Reinsurance protections were then reviewed in order to calculate the anticipated reinsurance recoveries and outwards reinstatement premiums. Due regard was taken of co-insurance, coverage restrictions and previous reinsurance erosion from earlier events. The amounts due from individual reinsurers were then calculated.

3. Loss Estimates

The Group estimates that its gross and net losses arising out of the US terror attacks are:

Gross loss	:	£182.9 million
Net loss	:	£77.4 million
Net loss (after reinstatement premiums)	:	£82.5 million

The net loss (after reinstatement premiums) of £82.5 million is allocated as follows:

BIL	:	£25.2 million
Brit UW	:	£57.3 million

The split of this net loss on a Group basis between direct and reinsurance business is:

Direct	:	£4.8 million
Reinsurance	:	£77.7 million

4. Classes of Business

The Group anticipates that its principal exposures will be in the following categories of business and estimates its gross losses as follows:

- Aviation, covering liabilities which may attach to the insurance or reinsurance of aircraft hulls, airport authorities and security companies – £40.1 million;
- Reinsurance, covering the reinsurance of:
 - (a) the direct insurers of both the property and casualty losses – £45.6 million; and
 - (b) other reinsurer's exposures to property, aviation and casualty losses – £96.5 million; and
- Direct personal accident, which covers personal injury, travel and related expenses – £0.8 million.

5. Direct Insurance Exposure

The Directors do not anticipate that the Group will have any material exposure as a direct insurer of either the airline or property losses arising out of the US terror attacks.

6. Cash Calls

On the basis of the Group's current estimated gross losses and the Brit Syndicates' current financial position (and assuming that there are no changes in relevant regulatory requirements), the Directors do not currently anticipate that cash calls will be made during 2002. Further, the Directors do not anticipate that cash calls attaching to the 2000 and 2001 years of account of the Brit Syndicates (being the years of account affected by the US terror attacks) will need to be made before mid-2003 and 2004 respectively.

7. US Terror Attacks Risk Factors

The estimates of the Group's net loss

Investors should recognise that the Group's net losses arising out of the US terror attacks may exceed the estimates set out in Part One and in paragraph 4 above. The estimates of the Group's losses have not been capable of independent verification.

Assumptions

The assumptions set out in paragraph 1 may ultimately not prove to be correct.

Number of "occurrences" or "events"

As mentioned in paragraph 1.1 above, within the Group's aviation account portfolio, it has been assumed that the US terror attacks constitute four separate losses. Other than those losses, WSM has assumed that the attacks on the World Trade Center (and the loss occasioned to the surrounding properties) constitute a single "occurrence" and BIL has assumed that they constitute one "event".

This means that an insurer or reinsurer with exposure to losses arising out of those attacks may only recover from its reinsurers on one occasion in respect of the ensuing losses. In the limited circumstances where an "occurrence" limit is not incorporated in a contract, an estimate of ultimate exposure has been made. Swiss Re is currently seeking a declaratory judgment that the attacks in respect of the World Trade Center (the Silverstein case) constitute one occurrence only. This action is being contested by the insureds. The Group is not a party to this action.

Should the attacks be determined to constitute more than one occurrence or event then the Group's exposure to gross and net losses could materially increase since its relevant policyholder may be able to reformulate its claims in respect of each occurrence or event.

Reinsurance recoveries

The Group has assumed that it will make full recovery from all but one of its reinsurers. The failure of any of its reinsurers to pay anticipated recoveries will have an adverse impact on the Group's net losses.

Policy terms and limits

The Group's exposures will be affected by the application of policy terms and limits, including as to whether certain losses are determined to have arisen as a consequence of war rather than terrorism.

Reinsured's liabilities

Further, the Group's reinsurance and retrocession exposures will ultimately be determined by the level of the reinsured's liability under the underlying insurance and reinsurance contracts.

Exchange rate risk

The losses arising from the US terror attacks are predominantly payable in US dollars. The Group, in estimating its net losses, has assumed an exchange rate of £1:US\$1.49. An adverse change in the dollar rate from this assumed rate may result in an increase in the Group's net loss arising from the US terror attacks.

The foregoing paragraphs are not an exhaustive description of either all of the assumptions underlying the Group's estimates of its gross and net losses arising from the US terror attacks or of the effect of those assumptions proving to be incorrect.

8. Mitigating Factors

The ultimate net losses to the Group arising out of the US terror attacks may be mitigated by certain of the assumptions turning out to be incorrect. In particular, the Group may benefit from subrogation recoveries, although the amount and timing of any such recoveries is uncertain.

Section B – Other Risk Factors

This section contains what the Directors believe to be the other principal risk factors involved in an investment in the Company.

Investment risk

The capital value of the Group's investments may fall as well as rise and the income derived from them may fluctuate. A fall in such capital values may result in a reduction in the level of premium income which the Group may underwrite.

Underwriting risk

The underwriting of insurance risks is, by its nature, a high risk business. In particular, the catastrophe reinsurance and satellite business written by the Group's insurance operations are volatile accounts. Earnings can vary accordingly and losses may be sustained which would have the effect of reducing shareholders' funds. Underwriting conditions in 1998, 1999 and 2000 have been, in general, extremely difficult. It is anticipated that the Lloyd's market as a whole will make an overall loss for the 1999 and 2000 years of account.

Furthermore, earnings (and the adequacy of the Group's reserves in respect of known and anticipated liabilities) can be affected by unpredictable events or circumstances. These may include (but are not limited to) matters such as natural or "man made" disasters, the emergence of latent risks, legal developments, as well as by changes in legal precedent (including in relation to the measurement of damages), public policy and fluctuations in either global insurance capacity or the investment markets. Areas of potential significant exposure to the industry include (but are not limited to) liability resulting from litigation concerning tobacco usage, breast implants, repetitive strain injuries and stress related and similar claims.

Group Risks

Key individuals

The business of the Group may be adversely affected if certain key individuals cease to be employed by the Group or if their services otherwise cease to be available to the Group.

Credit ratings

The ability of the Group's insurance operations to write certain classes of business, particularly reinsurance and financial risks, may be affected by a change in the rating issued by an accredited rating agency.

The Brit Syndicates benefit from the Lloyd's global credit rating, which could be affected by matters outside of the Group's influence or control.

BIL utilises credit ratings in order to conduct its insurance business. If BIL were to experience a downwards rerating from either of the rating agencies which presently rate it, then BIL may experience a material diminution in its business.

Regulation

The Group operates in a highly regulated industry. The principal operating companies within the Group are regulated by Lloyd's and the FSA. The ability of WSM and Brit UW to operate in the Lloyd's market is dependent on their continued authorisation by Lloyd's and the ability of BIL to carry on insurance business is dependant upon its continued authorisation by the FSA. These authorisations are of fundamental importance to the Group's business as currently conducted.

The nature and scope of regulation of the financial services and insurance industries continues to change and the impact of this change upon the Group is uncertain. In particular, with effect from 1 December 2001 WSM will be regulated by the FSA as well as by Lloyd's. The future regulatory framework and the division of regulatory responsibility between Lloyd's and the FSA, and the additional associated costs for the Group, are currently uncertain.

The Council has wide discretionary powers to regulate members' underwriting at Lloyd's. It may, for instance, vary the method by which the solvency ratio is calculated, or the investment criteria applicable to funds at Lloyd's. Either might affect the amount of the Group's underwriting capacity and consequently the return on an investment in the Group in a given year of account.

Similarly the FSA has wide regulatory powers, particularly certain powers of intervention. These include:

- the power to compel an insurance company to establish reserves to cover future liabilities; and

- a wide residual power to require an insurance company to take such action as appears to the FSA to be appropriate to protect policyholders against the risk that such company may be unable or unwilling to meet its liabilities.

Regulatory requirements may be changed in a manner which may adversely affect the business of the Group.

Reinsurance failure

Whilst the Directors believe that the Group has made prudent provisions in respect of the potential failure of reinsurers to pay their share of the Group's anticipated reinsurance recoveries, there can be no guarantee that such provisions will be adequate. In particular, the impact of the US terror attacks on the financial strength of the Group's reinsurers is currently uncertain and the financial failure of one or more such reinsurers could have an adverse effect on the Group's financial position.

Lloyd's market risks

The changing nature of Lloyd's

The last few years have seen considerable changes at Lloyd's, particularly in the composition and character of its capital base. It is likely that continuing change will remain a feature of the Lloyd's capital base for the foreseeable future. Such change may include alterations to the present annual venture basis for participating in syndicates, which could have fundamental implications for Lloyd's.

Fall in value of funds at Lloyd's

Lloyd's has the power to reduce the underwriting capacity of Brit UW or to prohibit Brit UW from underwriting if at any time during a year either:

- the value of the investments which are the subject of a fixed charge in favour of Lloyd's or which are otherwise in Brit UW's FAL falls by more than 10 per cent of the value used to calculate Brit UW's OPL for the year of account corresponding to that year; or
- the value of Brit UW's funds at Lloyd's is reduced by virtue of a withdrawal of FAL to meet underwriting and other relevant liabilities.

Risk based capital

The solvency ratio which is required by Lloyd's to be maintained in the form of funds at Lloyd's to support the underwriting activities of Brit UW is determined by a risk based capital assessment. The process and the method by which the solvency ratio is calculated may alter from year to year and the Group's future underwriting capacity may be reduced. Lloyd's has the power, in certain circumstances, to impose "capital loadings" upon syndicates, resulting in an increase in the solvency ratio for the members supporting that syndicate.

Solvency and Coming into Line

Prior to the start of a year of account (at the coming-into-line date) the amount of a member's funds at Lloyd's which are available to support underwriting for that year of account is determined. This amount is known as "net funds at Lloyd's" and is calculated by deducting solvency deficits from the aggregate value of that member's funds at Lloyd's. These solvency deficits include any cash calls which have been made by a managing agent but have not been paid by the member, run-off deficiencies and uncalled closed year losses, as well as any open year solvency deficiencies to the extent that they exceed open year solvency surpluses). The expressions "cash calls", "open year solvency deficiencies", "open year solvency surpluses", "uncalled run-off deficiencies" and "uncalled closed year loss" are explained in the glossary towards the end of this document.

Open year solvency deficiencies and surpluses, which are derived, *inter alia*, from the member's share of the assets and liabilities of all of the syndicates of which it is a member, are set out in a member's solvency statement. This statement is prepared (as a separate exercise to determining net funds at Lloyd's) as at the previous 31 December.

For the 2002 year of account, a member's net funds at Lloyd's will be determined at 29 November 2001 and the open year solvency deficiencies and surpluses will therefore be taken from the member's solvency statement as at 31 December 2000 and will reflect 2000 and prior years of account assets and liabilities. (Uncalled run-off deficiencies and uncalled closed year losses will be taken from the annual reports of the relevant syndicates as at 31 December 2000).

Accordingly, under Lloyd's rules for determining net funds at Lloyd's for the 2002 year of account, no deduction is required to be made for 2001 year of account losses (including those arising from the US terror attacks). Liabilities relating to the 2001 and prior years of account will be assessed during the solvency test as at 31 December 2001 and will appear in the member's solvency statements as at that date. Any deficiency relating to the 2001 year of account will, therefore, be deducted when calculating a member's net funds at Lloyd's for the 2003 year of account. However, the Group has decided, for the sake of prudence, to deduct an estimate of its possible open year solvency deficiencies in respect of the 2001 and prior years of account (being £35.6 million) when deciding how much of its net funds at Lloyd's to make available for the purpose of underwriting in 2002.

1992 and prior business

Equitas has reinsured to close 1992 and prior underwriting years on terms that if, at any time, its assets are insufficient to meet its liabilities it may make a proportionate cover plan and then pay claims at the appropriate reduced rate. Notwithstanding this ring fence established by Lloyd's, underwriting members may incur liability for losses arising in respect of 1992 and prior underwriting years in one or more of the following ways:

- (i) If Equitas were to fail, or were to invoke the proportionate cover plan, members' Premiums Trust Funds and funds at Lloyd's will continue to be available to make good their liabilities in respect of 1992 and prior underwriting years.
- (ii) If Equitas were to fail, or were to implement the proportionate cover plan, Lloyd's would be required to consider whether it wished to make good any shortfall or replenish the regulatory deposits which may have been used to meet policyholder claims. This might require the use of the New Central Fund following prior approval of members in general meeting. If the New Central Fund is used for either of these purposes an additional New Central Fund levy might be imposed, subject to approval by vote, on all members underwriting on the relevant year of account in proportion to their underwriting capacity and might be weighted towards continuing members having an exposure to any unpaid liability in respect of 1992 and prior underwriting years.
- (iii) Regulatory authorities in a number of jurisdictions require the maintenance of deposits for the protection of policyholders as a condition of their regulatory approval and accreditation of Lloyd's. If Equitas were to fail to meet its liabilities in full, the deposit in place at that time could be vulnerable to seizure by regulators or policyholders. The Lloyd's market would have to consider making good any part of the deposit required to be used to meet its liabilities, or risk being unable to continue to do business in the relevant jurisdiction.

Lloyd's market solvency test

The FSA requires Lloyd's to satisfy an annual solvency test. If Lloyd's fails to satisfy the test in any year, this may result in, *inter alia*, members being required to cease or reduce underwriting.

The New Central Fund

Despite the principle that each member of Lloyd's is only responsible for the proportion of risk written on his or its behalf, the New Central Fund acts, *inter alia*, as a policyholders' protection fund to make payments where other members have failed to pay valid claims. The Council may resolve to make payments from the New Central Fund for the advancement and protection of members, which could lead to additional or special levies being payable by the Group.

Fees and levies

Members are required to pay certain fees and levies in connection with their membership of Lloyd's. These include: an annual subscription fee, currently at the rate of 0.25 per cent of the member's OPL and a New Central Fund contribution currently at the rate of 1 per cent of OPL.

Additionally, members will be required to pay a levy at the rate of 2 per cent of written premium income (1 per cent in respect of UK motor business). This levy is to be used to support further the New Central Fund.

From time to time, Lloyd's may vary the rate of these levies. Lloyd's may also impose a special contribution to the New Central Fund if a majority (by capacity) of members underwriting during the year of account in which such contribution is proposed, vote in favour of any proposal relating to such contribution.

Further, Lloyd's may also call upon members underwriting for the 2002 and subsequent years of account to make additional contributions to the New Central Fund. For the 2002 year of account, the amount of this

callable contribution for a member may not exceed 3 per cent of the capacity which is allocated to syndicates on which that member participates for the 2002 year of account.

Lloyd's trading licences

Lloyd's worldwide insurance and reinsurance business is subject to local regulation. Changes in such regulation (such as requirements for increased deposits to support underwriting) may have an adverse effect on members generally and on the Group.

"User pays" principle

The Lloyd's Market Board's responsibility for the management and pricing of Lloyd's central services to the market is likely to give added impetus to the move towards the concept of user pays, whereby expenses will be allocated to those syndicates using them, rather than being spread across the market as a whole. It may be that, for any particular syndicate, additional costs incurred through the application of the "user pays" concept will outweigh any savings from intended reductions in Lloyd's subscriptions.

Lloyd's US trading arrangements

The US regulators require syndicates trading in certain business in the United States to maintain minimum deposits (which are the subject of various trusts established in the United States (the "US trust funds")) as protection for US policyholders. These deposits represent the underwriters' estimates of unpaid claims liability (less premium receivable) relating to this business, adjusted by provisions for potential bad debt on premium earned but not received and for any anticipated profit on unearned premium. No credit is allowed for potential reinsurance recoveries but the New York Insurance Department and the National Association of Insurance Commissioners ("NAIC") currently require funding of only 30 per cent of gross liabilities relating to business classified as 'Surplus Lines' (100 per cent for business classified as "Credit for Reinsurance"). The funds contained within the deposits are not ordinarily available to meet trading expenses.

Accordingly, in the event of a major claim arising in the United States, for example from a major catastrophe, syndicates participating in such US business may be required to make cash calls to meet claims payment and deposit funding obligations. Lloyd's regulations currently do not allow for the distribution of monies to members of a syndicate for a year of account until 36 months has expired, even if that distribution represents a previous cash call which is now surplus to requirements.

There is a limited ability for managing agents to withdraw funds from the US trust funds other than at the normal quarterly revision periods, provided that the amount to be withdrawn:

- is in respect of a specified loss event;
- represents value for liabilities previously reserved in respect of policyholders claiming for this event; and
- cannot be obtained from other US dollar assets held outside of the relevant US trust fund.

In relation to "Credit for Reinsurance", liabilities arising out of the US terror attacks, the NAIC has, in part, relaxed the regulations by allowing syndicates initially to fund 60 per cent of the relevant gross liabilities, with the balance to be funded during or shortly after the first quarter of 2002.

Litigation

The Settlement Offer and the Reconstruction and Renewal Plan generally brought an end to a substantial part of the non-claims litigation which affected the Lloyd's market during and prior to 1996. However, the Settlement Offer was not accepted by all Names and there is, therefore, a risk of residual litigation against the Group or Lloyd's itself. New litigation may be commenced by Names in respect of causes of action which are not time-barred. Furthermore, the regulatory position as regards the status of Lloyd's membership in certain US jurisdictions remains uncertain.

Certain Names have commenced legal proceedings against Citibank, as trustee of the Lloyd's American Trust Funds (LATFs), alleging that Citibank breached its duties as the trustee of the LATFs. The plaintiffs were individual Names who did not accept the Reconstruction and Renewal Plan but the US courts have now certified the proceedings as a class action. Citibank has stated that it strongly denies the allegations and will vigorously defend the proceedings. Under the terms of the Lloyd's American Trust Deed, Citibank has a right to reimbursement of expenses (including legal fees) properly incurred in its capacity as trustee and in certain circumstances a preferred lien for up to 1 per cent of the LATFs' principal income to cover reimbursable expenses and liabilities. At this time Citibank is not seeking to recover its fees and expenses from the LATFs.

Recent litigation (known as the “*Jaffray case*”) involving a number of Names who had not paid certain sums due to Lloyd’s in connection with the Reconstruction and Renewal Plan was decided in Lloyd’s favour. The defendant Names had alleged, *inter alia*, fraud on the part of Lloyd’s and certain of its officers. The result of the Jaffray judgement is that the defendant Names must now pay the sums due in connection with the Reconstruction and Renewal Plan. Whilst the defendant Names were refused the right of appeal from the High Court’s decision, they have applied to the Court of Appeal for leave to appeal the High Court’s decision.

The Directors also believe that a complaint to the European Commission has been made by or on behalf of certain Names, although the substance of the complaint is not known.

Third party non-managed syndicates

For the 2000 and prior years of account, Brit UW (and other corporate member subsidiaries within the Group) participate on a number of syndicates managed by third party managing agents. The closure of the years of account of these syndicates and the making of any cash calls to fund cash deficiencies are not within the control of any member of the Group as explained below.

Closure of years of account

In the event that a third party managing agent concludes, in respect of a particular year of account of a syndicate, that an equitable RITC premium cannot be established it must determine that the year of account will remain open and be placed into run-off. During a run-off, there can be neither a release of a member’s funds at Lloyd’s nor a release to such member of any profits arising in respect of that syndicate without the consent of the Council. There can be no assurance that any year of account of a syndicate in which any of the corporate member subsidiaries in the Group have participated will not go into run-off at some future time.

Cash calls

A third party managing agent may determine, in conjunction with the auditors of the relevant syndicate, what funds are required to meet a cash deficiency prior to the closure of the relevant year of account. In this event the managing agent may call on the members supporting that syndicate for funds. An early call for funds in this manner may adversely affect the cash flow of the Group, and in extreme circumstances impact earnings and dividends.

Provisioning

The Directors believe that the Group has made adequate provision in respect of its participations on the third party non-managed syndicates for the 1999 and 2000 years of account. This belief is based upon the information received to date from the managing agents of the syndicates concerned. Current information includes a serious deterioration on one of these syndicates for the 2000 year of account on which the Group has a participation of £5.1 million and which now shows a loss in excess of 75 per cent of capacity. The syndicate concerned is the only aviation third party non-managed syndicate (designated as such) to which the Group is exposed and which the Directors therefore believe is the most likely of all its participations to be exposed to the US terror attacks. There remains a risk that the results of the syndicate concerned will deteriorate further and that other syndicates’ results will also deteriorate as a result of the US terror attack losses (or otherwise). This could result in further provisions being required.

However, after allowing for the deterioration referred to above and on the basis of the last published forecasts of the remaining third party non-managed syndicates, at the mid-point, the Group retains unutilised provisions of in excess of £1m. The Group has no participations on and, therefore, exposure to third party non-managed syndicates for the 2001 year of account.

Past results

The past results of the Group (including for this purpose the Syndicates) are historical records and may not be a reliable guide to future prospects, particularly given the cyclical nature of the insurance industry.

Forward looking statements

The risks listed above do not necessarily comprise all those associated with an investment in the Company. In addition, this document contains forward looking statements which involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Factors that might cause such a difference include, but are not limited to, those discussed above in this Part Two.

PART THREE

Summary Information on the Brit Group

Underwriting – Lloyd's and London insurance company market

The Group's insurance underwriting is in the Lloyd's market and in the London insurance company market.

In respect of the year ended 31 December 2000, the Group reported a profit on its technical account of £2.8 million, £0.2 million in respect of its Lloyd's operations and £2.6 million in respect of BIL.

Premium split between Lloyd's and insurance company operations

The Group's Lloyd's operations accounted for approximately 85 per cent of the Group's gross written premiums for the year ended 31 December 2000 and the following table shows the breakdown of the Group's gross written premiums for that year:

	<i>Lloyd's</i>	<i>BIL</i>	<i>Total</i>
	<i>£m</i>	<i>£m</i>	<i>£m</i>
Gross premiums written	211.0	38.0	249.0
Net earned premiums	131.3	18.9	150.2

Source: Brit Report and Accounts year ended 31 December 2000

Brit Group's gross written premiums in 1999 and 2000

The Group's gross written premiums increased from £100.0 million for the nine months ended 31 December 1999 (restated) to £249.0 million for the year ended 31 December 2000, an increase of 149.0 per cent. The Group's combined ratio (calculated upon the assumption that the Group owned all the capacity on the Brit Syndicates for the relevant years of account, an assumption commonly applied by analysts when assessing the combined ratio of any integrated Lloyd's vehicle) improved over the same periods from 161.8 per cent to 106.0 per cent. (Source: *Brit Report and Accounts year ended 31 December 2000*). The combined ratio for these purposes comprises the sum of the claims ratio (net claims incurred and changes in other technical provisions/net earned premiums) and the expense ratio (net operating expenses/net premiums written).

Brit Group's projected gross written premiums for 2001

In its statement released at the time of the Company's annual general meeting in June 2001, the Company published a projection of the Group's gross written premiums for the year ending 31 December 2001. These projections were repeated in the Interim Statement. However, following a review by the Company, as foreshadowed in the Interim Statement, the Directors have now revised these projections as follows:

	<i>2001E</i>
	<i>£m</i>
Reinsurance	123.8
Motor	70.3
Space	22.4
Marine	35.6
Property	29.9
Professional Indemnity	24.0
Financial Risk	4.4
Financial Institutions	9.3
Aviation	29.1
Directors' & Officers'	14.6
Other	22.3
Total	385.7

Note: Figures shown net of brokerage, consortium arrangements and intra-group qualifying quota share arrangements. The above table includes £4.5 million in respect of Syndicate 429.

Source: Brit

Insurance company operations – Brit Insurance Limited

BIL is an insurance company which is rated A- ("Excellent" and "Very Good" respectively) by each of AM Best and Standard & Poor's, a rating which has been retained in each case since the US terror attacks. At

31 December 2000, BIL had a solvency margin (the ratio between shareholders' funds and net written premium) of 230 per cent. Investors' attention is drawn to the section headed US Terror Attacks in Part One of this document as to the impact of the US terror attacks on BIL.

For the year ended 31 December 2000, BIL made a pre-tax profit on ordinary activities of £6.2 million on gross written premiums of £38.0 million. This compares with a pre-tax loss on ordinary activities of £4.4 million for the year ended 31 December 1999 on gross written premiums of £23.0 million. As at 31 December 2000, BIL had shareholder funds of £57.1 million (31 December 1999: £55.6 million), which was increased by a £20 million capital injection in March 2001 (*Source: BIL Report and Accounts year ended 31 December 2000*).

BIL writes catastrophe excess of loss reinsurance, financial risks and, since the 2000 year of account, motor business. It also writes excess of loss business in the following categories: satellite, aviation, personal accident, crop and hail and political risk which, for the 2001 year of account, will account for less than six per cent of BIL's gross premium income. The financial risks written by BIL relate mainly to asset-backed structures and financial guarantees, particularly in mortgage-related insurance.

Lloyd's operations

Wren Syndicates Management manages capacity of £367.1 million for the 2001 year of account (£256.9 million for the 2000 year of account) and the Group's owned capacity for the 2001 year of account is £222.5 million representing 60.6 per cent of total managed capacity (£129.9 million for the 2000 year of account) (*Source: Brit*)

As described below, for the 2002 year of account, the Non-Life Syndicates are to be merged into one syndicate (the Composite Syndicate) and, in addition, the Life Syndicates are to be merged into a separate single syndicate.

Following purchases of capacity in the auctions earlier this year, the Group now owns 97.8 per cent of the capacity rights for the Composite Syndicate for the 2002 year of account, with the balance held by the corporate member subsidiary of a US reinsurer. Brit UW owns all of the capacity rights on Life Syndicate 389, but has not participated on Syndicate 429 (the other Life Syndicate) as this syndicate was not managed by WSM until October this year, as explained below. Following the merger of the Life Syndicates, Brit will own a majority of the capacity rights of the merged life syndicate.

WSM provides managing agency services to the remaining two syndicates, Syndicate 2040 and Syndicate 2400. Syndicate 2040 is backed entirely by third party capital provided by NEM (West Indies) Insurance Ltd and writes a motor account. Syndicate 2400, which underwrites a single personal lines product designed to cover most personal insurance needs (including motor, household, travel and personal accident covers), is supported by GE Frankona Capital Limited as to 95 per cent and Brit UW as to 5 per cent. Syndicate 2400 is the underwriting vehicle for Bluesure Limited, a joint venture between the Company, Benfield and GE Frankona Reinsurance Holdings APS and certain members of the Bluesure management team, which markets this personal lines product.

Brit Group managed capacity and ownership for the period 1998 – 2001

The following table sets out the development of the Group's managed capacity over the 1998 to 2001 years of account (and the amount of such capacity owned by the Group). It should be noted that the figures for 2001 include £51.9 million of managed capacity on Syndicates 429, 2040 and 2400.

	1998	1999	2000	2001
Total managed capacity	£254.3m	£242.6m	£256.9m	£367.1m
Owned capacity	£62.7m	£74.7m	£129.9m	£222.5m
% Ownership of capacity	24.7%	30.8%	50.6%	60.6%

Source: Lloyd's syndicate lists

The following table sets out the breakdown of (i) how capacity is divided between the Syndicates in respect of the 2000 and 2001 years of account and (ii) how much of the Syndicates' capacity is owned by Brit UW.

Syndicate	Class	2000			2001		
		£m Managed capacity	£m Owned capacity	% Ownership of capacity	£m Managed capacity	£m Owned capacity	% Ownership of capacity
Brit Syndicates							
250	Non-Marine	50.3	14.3	28.4%	100.0	55.3	55.3%
389	Life	7.6	7.2	94.7%	7.6	7.6	100.0%
735	Marine	85.1	41.4	48.6%	75.0	70.1	93.5%
800	Aviation/Space	62.4	29.6	47.4%	62.6	34.3	54.8%
1202	Motor	51.6	37.4	72.5%	70.0	53.7	76.7%
Total	—	257.0	129.9	50.6%	315.2	221.0	70.1%
Other Syndicates							
429	Life	—	—	—	7.9	—	—
2040	Motor	—	—	—	14.0	—	—
2400	Personal lines	—	—	—	30.0	1.5	5.0%
Totals		257.0	129.9	50.6%	367.1	222.5	60.6%

Syndicate Results for the years 1993 to 1998 (inclusive) and forecasts for 1999 and 2000

The table below sets out the results for the Syndicates for the 1993 to 1998 (inclusive) years of account and the forecasts for the Syndicates for the 1999 and 2000 years of account, in each case, after standard personal expenses for Names, expressed as a percentage of the relevant syndicate's stamp capacity.

	1993%	1994%	1995%	1996%	1997%	1998%	1999%	2000%
	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast
Syndicate 250	14.2	0.9	(7.7)	2.0	(17.4)	(8.3)	(2) – (7)	2.5 – (2.5)
Syndicate 389	(4.1)	(3.1)	0.9	12.4	4.1	(3.2)	2.5 – (2.5)	7.5 – 2.5
Syndicate 735	8.4	7.5	17.5	8.5	0.9	(20.4)	(27.5) – (32.5)	(10) – (15)
Syndicate 800	1.3	5.6	17.6	11.2	4.7	(5.3)	(7) – (12)	(15) – (20)
Syndicate 1202	—	3.3	1.8	(5.8)	(6.3)	(9.4)	3 – (2)	12.5 – 7.5

A weighted average of the Brit Syndicates' forecast result for the 2000 year of account produces a forecast result of (3.7) per cent to (8.7) per cent in respect of the Syndicates as a whole. No results or forecasts are provided for Syndicate 429 because the management of Syndicate 429 was only acquired by the Group in October 2001.

Note: There are no forecast results for Syndicates 2040 and 2400 as they only commenced underwriting during the 2001 year of account. Syndicate 1202 was created in 1994 by the merger of Syndicates 388 and 93.

Sources: Syndicate Report and Accounts for results to 1998, and Syndicate quarterly returns as at 30 September 2001 for forecasts.

Composite Syndicate (Syndicate 2987)

In August 2001 the Group received regulatory consent from Lloyd's to merge Syndicates 735, 800 and 1202 into Syndicate 250 (which will be renumbered Syndicate 2987), to form the Composite Syndicate for the 2002 year of account. Life Syndicate 389 is not included in the Syndicate Merger because syndicates writing life business are required to maintain separate trust funds. Furthermore, neither Syndicate 2040 nor Syndicate 2400 are included as they are supported as to 100 per cent and 95 per cent respectively by third party capital providers.

The Composite Syndicate will allow the Group, amongst other things, to utilise capital more effectively. In addition, it will allow the Group to manage the Brit Syndicates' reinsurances in what the Directors believe to be a more cost-effective way by taking advantage of the Composite Syndicate's size and its enhanced ability to retain, where appropriate, a greater degree of risk. In the Directors' opinion other anticipated benefits include: improvements in cash flow management leading to greater investment return; a single technical support team leading to improved efficiencies of process; and cost savings over the longer term.

Based on the 2001 syndicate capacities, the Composite Syndicate will have capacity of £307.6 million for the 2002 year of account. WSM has received regulatory approval to increase the Composite Syndicate's capacity to £450 million for the 2002 year of account and, following completion of the Placings and Open Offers, the Group expects the Composite Syndicate to have an underwriting capacity of approximately £450 million for that year of account.

Life Syndicate

Syndicate 389 writes term life assurance. On 12 October 2001, Wren Syndicates Management acquired the right to manage Syndicate 429 from SMSM Limited.

The Group has also obtained Lloyd's consent to merge Syndicate 429 into Syndicate 389 with effect from 1 January 2002. It is estimated that the capacity for the merged syndicate for the 2002 year of account will be £13.99 million, the majority of which will be owned by Brit.

Third party non-managed syndicates

The Group has participations on third party non-managed syndicates for the 1999 and 2000 years of account of £137.9 million and £58.7 million respectively. On the basis of the last published mid-point projections of the syndicates concerned for the 1999 and 2000 years of account (adjusted, in the case of the 2000 year participations, for cash calls and/or deteriorations reported following the US terror attacks), the Directors believe that the Group has adequately reserved against losses arising from these participations. The Group has no exposure to third party non-managed syndicates for the 2001 or 2002 years of account, having disposed of all its third party non-managed syndicate participations in the year ended 31 December 2000. Please also refer to the risk factor in Section B of Part 2 headed "Third party non-managed Syndicates – *Provisioning*".

Distribution

The Group's specialist distribution activities are currently conducted mainly through Peoples Choice. The Group has also recently formed Wren Products as a division to enable the efficient marketing, distribution and sale of the Group's commercial and personal insurance products to brokers in the UK under a single branding. Brief particulars of these businesses are set out below.

Wren Products

The Group has a number of products branded under the Wren name. Wren Products will distribute these products through a single network. The primary products are Wren Motor, (motor policies currently sold through a large network of UK brokers), Wren Life (term assurance distributed through independent financial advisers) and Wren Legal and Professional (professional indemnity, legal expenses and directors' and officers' insurance). The Group intends to exploit further the opportunities offered by these branded products.

Peoples Choice (Europe) Limited

Peoples Choice is a telesales and internet distribution business, sourcing business throughout the UK for a number of insurers. The majority of the business transacted by this company is motor, although it also operates in the homeowners, pet, travel and personal accident risks markets. Brit owns approximately 82 per cent of the ordinary shares in Peoples Choice, the remainder being owned by the Peoples Choice management team.

Ri3K Limited

Brit also owns approximately 33 per cent of the shares of Ri3K Limited. This is an online European reinsurance exchange, founded in early 2000, which allows global insurance and reinsurance risks to be traded electronically.

Non-core disposals

In pursuing its strategy of concentrating on its core activities the Group has rationalised some of its former operations and many investments. In December 2000 the Company closed down Wren Underwriting Agencies Limited, which resulted in annual cost savings of approximately £350,000. Also in 2000, the Company realised approximately £37.4 million from the sale of certain of its insurance investments which were a legacy of its original business as an investment trust and £2 million from other investments. In March 2001, the Company converted its interest in the underwriting vehicle Chaucer Dedicated Limited into ordinary shares of Chaucer Holdings PLC which, following other disposals in excess of £29 million, has resulted in net disposals of £23.3 million during 2001.

Investment management

In August 2001 the Group acquired, for nominal consideration, a 34.1 per cent interest in EPL. EPL is the holding company of EPAM, a newly formed investment management company established in conjunction with Benfield, EPIC and the management of EPL. EPAM acts as EPIC's investment manager. Further details of the Group's investment in EPL are set out in paragraph 14 of Part Seven.

PART FOUR

Letter from Numis Securities Limited



23 November 2001

To Qualifying Shareholders, and, for information only, to the holders of options under the Share Incentive Schemes

Dear Sir or Madam

Open Offers of 180,683,054 New Ordinary Shares at 64 pence per share and of £45,170,763 nominal of Loan Stock at par

1. Introduction

As explained in the letter from your Chairman in Part One of this document, the Company proposes to raise approximately £160.8 million before commissions and other expenses, by the issue of 180,683,054 New Ordinary Shares and of £45,170,763 nominal of Loan Stock. £42,420,763 nominal of Loan Stock has been conditionally placed by Numis with certain institutions and existing Shareholders subject to recall to satisfy valid applications from Qualifying Shareholders under the Loan Stock Open Offer. Numis has also agreed to use reasonable endeavours to procure places for 65,000,000 of the New Ordinary Shares, subject to recall to satisfy valid applications by Qualifying Shareholders under the Share Open Offer. Collins Stewart has conditionally placed the remaining £2,750,000 nominal of the Loan Stock with certain institutions and existing Shareholders, subject to recall to satisfy valid applications by Qualifying Shareholders under the Loan Stock Open Offer, and has agreed to use reasonable endeavours to procure places for the remaining 115,683,054 New Ordinary Shares, subject to recall to satisfy valid applications by the Qualifying Shareholders under the Share Open Offer. Numis has underwritten the Loan Stock Placing and Collins Stewart has underwritten the Share Placing.

This letter and the accompanying Application Forms contain the formal terms and conditions of the Open Offers.

Part Five of this document contains the particulars of the terms of the Trust Deed governing the Loan Stock.

2. The Share Open Offer

On behalf of and as agent for the Company, Numis hereby invites Qualifying Shareholders, subject to the terms and conditions set out below and in the enclosed white Application Form, to apply for New Ordinary Shares at the Offer Price payable in full on application and free of all expenses on the basis of:

3 New Ordinary Shares for every 4 existing Brit Shares

held at the close of business on the Record Date and so in proportion for any other number of Brit Shares then held. Fractional entitlements will be disregarded for the purposes of calculating Qualifying Shareholders' maximum entitlements under the Share Open Offer and entitlements will be rounded down to the nearest whole number of New Ordinary Shares, as appropriate. The resulting fractions of New Ordinary Shares will be aggregated and placed under the Share Placing for the benefit of the Company.

3. The Loan Stock Open Offer

On behalf of and as agent for the Company, Numis hereby invites Qualifying Shareholders, subject to the terms and conditions set out below and in the enclosed blue Application Form, to apply for Loan Stock at par, payable in full on application and free of all expenses on the basis of:

3 Units of Loan Stock for every 16 existing Brit Shares

held at the close of business on the Record Date and so in proportion for any other number of Brit Shares then held. Fractional entitlements will be disregarded for the purposes of calculating Qualifying Shareholders' maximum entitlements under the Loan Stock Open Offer and entitlements will be rounded down to the nearest whole number of Stock Units, as appropriate. The resulting fractions of Stock Units will be aggregated and placed under the Loan Stock Placing for the benefit of the Company.

4. The Open Offers – General

The Application Forms show the number of Brit Shares registered in your name on the Record Date, and also show (in the case of the white Application Form) the maximum number of New Ordinary Shares or (in the case of the blue Application Form) the maximum number of Stock Units for which you are entitled to apply under the Open Offers. You may apply for any number of New Ordinary Shares and/or Stock Units up to and including your maximum entitlements. No application for New Ordinary Shares and/or Stock Units in excess of this maximum *pro rata* entitlement will be met and any Qualifying Shareholder so applying will be deemed to have applied for his/her maximum entitlement.

Application may only be made on the enclosed white Application Form for New Ordinary Shares and blue Application Form for Loan Stock. Each Application Form, which is personal to the Qualifying Shareholder(s) named thereon, may not be assigned, transferred or split except to satisfy *bona fide* market claims. Qualifying Shareholders who have sold or transferred all or part of their registered holdings are advised to consult their stockbroker, bank or other agent through or to whom the sale or transfer was effected as soon as possible since the benefits arising under the Open Offers may be claimed from them by purchasers or transferees under the Rules of the London Stock Exchange. An Application Form represents a right to apply for New Ordinary Shares or Stock Units (as the case may be). It is not a document of title and cannot be traded. Qualifying Shareholders should be aware that under the Open Offers, unlike a rights issue, the New Ordinary Shares or Stock Units not validly applied for will not be sold in the market for the benefit of Qualifying Shareholders who do not apply under the Open Offers but will be placed at par in the case of the Loan Stock and at the Offer Price in the case of the New Ordinary Shares pursuant to the terms of the Placing Agreement.

The Loan Stock will constitute unsecured, subordinated indebtedness of the Company, and the holders of the Loan Stock will accordingly rank ahead of the holders of Brit Shares in a winding up of the Company (but behind any secured creditors).

The New Ordinary Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the existing Brit Shares in issue including the right to receive and retain all dividends and other distributions declared, made or paid on such shares after the date of this document.

Neither the New Ordinary Shares nor the Loan Stock are being made available in whole or in part to the public except under the terms of the Open Offers.

The Placings and Open Offers are conditional, *inter alia*, upon:

- (i) the passing of the Resolutions;
- (ii) the Placing Agreement becoming unconditional, save for Admission, by no later than 18 December 2001 (or such later date, being no later than 28 December 2001, as the Company, Numis and Collins Stewart may agree) and not having been terminated in accordance with its terms; and
- (iii) Admission becoming effective by no later than 8.00 am on 18 December 2001 (or such later time and date, being no later than 9.00 am on 28 December 2001, as the Company, Numis and Collins Stewart may agree).

The attention of overseas Shareholders is drawn to paragraph 7 below.

Your attention is drawn to paragraph 5 of this letter which gives details of the procedure for application and payment for the New Ordinary Shares and/or the Stock Units. Dealings in the New Ordinary Shares and Stock Units, fully paid, are expected to commence on 18 December 2001.

Details of the Placing Agreement are set out in paragraph 10(a)(xi) of Part Seven of this document.

If the conditions of the Placing Agreement are not fulfilled on or before the relevant time and date specified in the Placing Agreement (or such later time and date as the Company, Numis and Collins Stewart may

agree, being not later than 9.00 am on 28 December 2001), application monies will be returned to applicants, without interest, as soon as practicable thereafter.

It is expected that the definitive documents of title in respect of the New Ordinary Shares and Loan Stock, which will be in registered form will be delivered in uncertificated form under CREST by 18 December 2001 and will be despatched by post in certificated form by 27 December 2001. No temporary documents of title will be issued.

5. Procedure for Application

Each enclosed Application Form shows the number of Brit Shares registered in your name on the Record Date and also shows your maximum entitlement to New Ordinary Shares or Stock Units, as the case may be. Each Application Form incorporates further terms of the Open Offers and must be used if you wish to apply for New Ordinary Shares or Stock Units. You may apply for less than your maximum *pro rata* entitlement of New Ordinary Shares or Stock Units if you so wish.

If you wish to apply for all or any of the New Ordinary Shares or Stock Units represented by your entitlement, you must complete the relevant Application Form in accordance with the instructions printed thereon and return it to New Issues Department, Capita IRG Plc, PO Box 166, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TH (who will act as receiving agents for the Open Offers) with a cheque or banker's draft for the full amount payable on application.

Applications are irrevocable and will not be acknowledged.

Cheques or banker's drafts must be drawn in sterling on a bank or building society in the United Kingdom which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which is a member of either of the committees of the Scottish or Belfast clearing houses or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of either of those companies or committees. Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner and must be for the full amount payable on application.

Applications must be received by no later than 3.00 pm on 14 December 2001, after which time Application Forms will not be valid. Cheques should be made payable to "Capita IRG Plc a/c "BRIT" and crossed "A/C payee only". The Company reserves the right to have cheques presented on receipt and to instruct Capita IRG Plc to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Any person returning an Application Form with a remittance in the form of a cheque warrants that the cheque will be honoured on first presentation. The Company may elect to treat as invalid any acceptance in respect of which remittance is notified to it as not having been so honoured. An addressed envelope is enclosed for your use. No interest will be paid on payments made.

The Company may treat an Application Form as valid and binding on the person(s) by whom or on whose behalf it is lodged, even if it is not completed in accordance with the relevant instructions and is not accompanied by the required remittance or a valid power of attorney where required or verification of identity satisfactory to Capita IRG Plc to ensure that the Money Laundering Regulations 1993 (the "Money Laundering Regulations") would not be breached by acceptance of the payment submitted in connection with the Application Form.

Cheques and banker's drafts are liable to be presented for payment upon receipt. If they are presented before the conditions of the Open Offers are fulfilled, the application monies will be kept in a separate bank account and any interest earned on such monies will be retained for the benefit of the Company. If the conditions of the Open Offers are not fulfilled, the Open Offers will lapse and application monies will be returned without interest by crossed cheque in favour of the applicant(s) through the post at his/her (their) risk as soon as is practicable.

If you do not wish to apply for any New Ordinary Shares or any Stock Units you should not complete the enclosed Application Forms. You are nevertheless requested to complete and return the Form of Proxy for use at the EGM by no later than 10.00 am on 15 December 2001.

By completing and delivering an Application Form, you (as the applicant(s)):

- (a) agree that all applications, and contracts resulting therefrom, under the Open Offers shall be governed by, and construed in accordance with, English law; and
- (b) confirm that in making the application you are not relying on any information or representation other than such as may be contained in this document and you accordingly agree that no person responsible solely or jointly for this document or any part thereof shall have any liability for any information or representation not contained in this document.

6. Money Laundering Regulations

To ensure compliance with the Money Laundering Regulations, Capita IRG Plc may require, at its absolute discretion, verification of the identity of the person by whom or on whose behalf an Application Form is lodged with payment (which requirements are referred to below as the “verification of identity requirements”). The person (the “applicant”) who, by lodging an Application Form with payment, applies for New Ordinary Shares or Stock Units (the “relevant securities”) and any agent lodging such Application Form on his/her behalf shall thereby be deemed to agree to provide Capita IRG Plc with such information and other evidence as Capita IRG Plc may require to satisfy the verification of identity requirements.

If Capita IRG Plc determines that the verification of identity requirements apply to any application, the relevant securities will not be allotted to the applicant (notwithstanding any other term of the Placings and Open Offers) until the verification of identity requirements have been satisfied. If the verification of identity requirements have not been satisfied within a reasonable period following a request for evidence of identity the Company shall, at its sole discretion, be entitled to elect to treat the relevant application as invalid, in which event the monies paid by the applicant will be returned without interest to the account of the bank or building society on which the relevant cheque or draft was drawn.

Capita IRG Plc shall be entitled, at its sole discretion, to determine whether the verification of identity requirements apply to any applicant and whether such requirements have been satisfied and none of Capita IRG Plc, the Company or Numis will be liable to any person for any loss suffered or incurred as a result of the exercise of such discretion.

If the verification of identity requirements apply, failure to provide the necessary evidence of identity within a reasonable time may result in an application being treated as invalid or in a delay in the despatch of a New Ordinary Share certificate or a Loan Stock certificate.

The verification of identity requirements will not usually apply:

- (a) if the applicant is an organisation required to comply with the EU Money Laundering Directive (no. 91 308 EEC); or
- (b) if the applicant (not being an applicant who delivers his/her application in person) makes payment by way of a cheque drawn on an account in the name of such applicant; or
- (c) if the aggregate subscription price for the relevant New Ordinary Shares and Stock Units is less than £10,000.

In other cases the verification of identity requirements may apply. Satisfaction of these requirements may be facilitated in the following ways:

- (i) if payment is made by building society cheque (not being a cheque drawn on an account in the name of the applicant) or banker’s draft, by the building society or bank endorsing on the cheque or draft the applicant’s name and the number of an account held in the applicant’s name at such building society or bank, such endorsement being validated by a stamp and an authorised signature;
- (ii) if payment is not made by cheque drawn on an account in the name of the applicant and (i) above does not apply, the applicant should enclose with his/her Application Form(s) evidence of his/her name and address from an appropriate third party; for example, a recent bill from a gas, electricity or telephone company or a bank statement, in each case bearing the applicant’s name and address (originals of such documents (not copies) are required which will be returned in due course); and
- (iii) if the Application Form(s) is (are) lodged with payment by an agent which is an organisation of the kind referred to in (a) above, or which is subject to anti-money laundering regulation in a country which is a member of the Financial Action Task Force (the non-European Union members of which are Australia, Canada, Hong Kong, Iceland, Japan, New Zealand, Norway, Singapore, Switzerland, Turkey and the United States), the agent should provide with the Application Form(s) written confirmation that it has that status and that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Capita IRG Plc.

In order to confirm the acceptability of any written assurances referred to in (iii) above or in any other case, the applicant should contact the New Issues Department, Capita IRG Plc on 0870 162 3100 or, if calling from outside the United Kingdom, on (00 44) 20 8639 2157. If (an) Application Form(s) in respect of New Ordinary Shares and/or Stock Units with an aggregate subscription price of £10,000 or more is/are lodged by hand by the applicant in person, he/she should ensure that he/she has with him/her evidence of identity bearing his/her photograph (for example his/her passport) and evidence of his/her address. If an Application Form is delivered by hand and the accompanying payment is not the applicant’s own cheque,

the applicant should ensure that he/she has with him/her evidence of identity bearing his/her photograph, for example a valid full passport.

7. Overseas Shareholders

The Open Offers are not being extended to any Shareholder with a registered address outside the United Kingdom and Application Forms bearing the postmark of a jurisdiction outside the United Kingdom will not be accepted, unless the Company determines otherwise in its absolute discretion.

No person receiving a copy of this document and/or an Application Form in a territory other than the United Kingdom may treat the same as constituting an invitation or offer to him/her, nor should he/she in any event use any such Application Form. **It is the responsibility of any person outside the United Kingdom wishing to apply for New Ordinary Shares and/or Stock Units to satisfy himself/herself as to the full observance of the laws of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required, observing any other formalities needing to be observed in such territory and paying any issue, transfer or other taxes in such territory.** Persons (including, without limitation, nominees and trustees) receiving an Application Form in connection with the Open Offers must not distribute or send it in or into any other jurisdiction including but not limited to the United States, Canada, Japan or Australia or their respective territories or possessions (together the “prohibited territories”). If an Application Form is received by a person in any of the prohibited territories or by his/her agent or nominee of such a person, he/she must not seek to take up the New Ordinary Shares and/or Stock Units under the Open Offers. Any person who does forward an Application Form into any prohibited territory, whether pursuant to a contractual or legal obligation or otherwise, should draw the attention of the recipient to the contents of this letter.

The Company reserves the right to reject Application Forms received from Shareholders in any prohibited territory or from persons it believes are acquiring New Ordinary Shares and/or Stock Units for resale in any such territory or whose application under the Open Offers may, in the Company’s opinion, violate applicable legal or regulating requirements. A Shareholder who is in any doubt as to his/her position should consult an appropriate professional adviser without delay.

(a) United States

As the New Ordinary Shares and the Loan Stock are not being registered under the United States Securities Act of 1933 (as amended) (“Securities Act”), the New Ordinary Shares and the Loan Stock are not being offered in or for purchase by any US person pursuant to the Open Offers. Applications from any US person and Application Forms mailed from the United States of America will be deemed to be invalid. No Application Form will be sent to any Shareholder whose registered address is in North America. If any Application Form is received by any Shareholder whose registered address is outside North America but who is in fact a US person, he/she should not apply under the Open Offers.

For the purposes of this document, “US person” means persons resident in the United States or any territory or possessions thereof (“North America”) and any citizen or resident of North America including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of North America or any political sub-division thereof or the agent or nominee of the foregoing or any person whom Brit or Numis has reason to believe is a US person.

This document is being sent to Shareholders who are US persons solely in compliance with legal requirements relating to the Extraordinary General Meeting and is intended merely to inform such Shareholders about the matters to be voted on at the Extraordinary General Meeting and is not, nor is it intended to constitute, an offer to purchase any New Ordinary Shares.

The New Ordinary Shares and/or Loan Stock may be offered and sold in the Placings in the US pursuant to an applicable exemption from registration under the Securities Act to “accredited investors” (as defined in Rule 501(a) under the Securities Act) who are US Persons pursuant to the exemption provided by Section 4(2) of the Securities Act. Such New Ordinary Shares and/or Loan Stock cannot be resold or transferred in the US unless pursuant to an effective registration statement or pursuant to an applicable exemption from the Securities Act and in compliance with the securities laws of any applicable state.

Because of the following restrictions, US subscribers or purchasers of the New Ordinary Shares and/or Loan Stock are advised to consult legal counsel prior to making any offer, resale, pledge or other transfer of the New Ordinary Shares and/or the Loan Stock subscribed for under the Placings.

The offer and sale of New Ordinary Shares and/or Loan Stock has not been registered under the Securities Act and may not be offered or resold other than pursuant to an effective registration statement or pursuant to an available exemption from registration and in each case in accordance with the securities laws of any

applicable state. The Company can make no assurance of the availability of any exemption from registration. The certificates evidencing the New Ordinary Shares and the Loan Stock issued in the Placings to US subscribers or US persons will bear the following legend:

“THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “ACT”), OR ANY STATE SECURITIES OR IN COMPLIANCE WITH “BLUE SKY” LAWS, AND MAY NOT BE OFFERED, SOLD, ASSIGNED, TRANSFERRED, PLEDGED OR OTHERWISE DISPOSED OF UNLESS REGISTERED PURSUANT TO THE PROVISIONS OF SUCH ACT AND ALL BLUE SKY LAWS OR AN EXEMPTION THEREFROM IS AVAILABLE.”

(b) Canada

The relevant exemptions are not being obtained from the appropriate provincial authorities in Canada, and neither the New Ordinary Shares nor the Stock Units are being offered in or for purchase by persons resident in Canada or any territory or possessions thereof. Applications from any Canadian person who appears to be or whom the Company or Numis has reason to believe to be so resident or the agent of any person so resident will be deemed to be invalid. No Application Form will be sent to any Shareholder whose registered address is in Canada. If any Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a Canadian person or the agent of a Canadian person so resident, he/she should not apply under the Open Offers.

For the purposes of this document, “Canadian person” means a citizen or resident of Canada including the estate of any such person or any corporation, partnership or other entity created or organised under the laws of Canada or any political sub-division thereof.

(c) Australia

Neither this document nor an Application Form in relation to the New Ordinary Shares or the Stock Units has been lodged with, or registered by, the Australian Securities and Investments Commission. A person may not:

- (i) directly or indirectly offer for subscription or purchase or issue an invitation to subscribe for or buy or sell, the New Ordinary Shares or the Stock Units; or
- (ii) distribute any draft or definitive document in relation to any such offer, invitation or sale;

in the Commonwealth of Australia, its states, territories or possessions (“Australia”) or to any resident of Australia (including corporations and other entities organised under the laws of Australia but not including a permanent establishment of such a corporation or entity located outside Australia).

Accordingly, neither this document nor any Application Form will be issued to Shareholders with registered addresses in, or to residents of, Australia.

8. Admission, settlement and dealings

Application has been made to the UK Listing Authority for the New Ordinary Shares and the Stock Units to be admitted to the Official List and to the London Stock Exchange for the New Ordinary Shares and the Stock Units to be admitted to trading on the London Stock Exchange. Subject to the Placing Agreement becoming unconditional in all respects and not being terminated in accordance with its terms it is expected that Admission will become effective and that dealings in the New Ordinary Shares and the Stock Units, fully paid, will commence on 18 December 2001.

For those Qualifying Shareholders who validly elect to hold their New Ordinary Shares and/or Stock Units in a CREST stock account, it is expected that the relevant account will be credited with their New Ordinary Shares and/or their Stock Units on the day of Admission (against payment therefor). However, notwithstanding any other provision of this document or the Application Form(s), the Company reserves the right to issue any New Ordinary Shares and/or Stock Units in certificated form. In normal circumstances this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST), or on the part of the facilities and/or systems operated by the Company’s registrars in connection with CREST. This right may also be exercised if the correct details (such as participant ID and member ID details) are not provided as requested on the relevant Application Form in respect of *bona fide* market claims. For those Qualifying Shareholders who do not hold their Brit Shares in the CREST settlement system or do not elect to have New Ordinary Shares and/or their Stock Units credited to their relevant CREST stock account, definitive certificates in respect of the New Ordinary Shares and/or Stock Units are expected to be despatched by post on or before 27 December 2001. No temporary documents of title will be issued and, pending the issue of definitive certificates, transfers will be

certified against the register. All documents or remittances sent by or to applicants or as they may direct, will be sent through the post at their own risk.

9. UK taxation

Your attention is drawn to paragraph 12 of Part Seven. Shareholders who are in any doubt as to their tax position should immediately consult a suitable professional adviser.

10. Further information

Your attention is drawn to the particulars of the terms of the Trust Deed governing the Loan Stock set out in Part Five and to the other Parts of this document and to the terms and conditions set out in the enclosed Application Forms.

Yours faithfully,

for and on behalf of Numis Securities Limited

C.A. Crick
Director

PART FIVE

Particulars of the £45,170,763 nominal of 8.5 per cent. Convertible Unsecured Subordinated Loan Stock 2008

The £45,170,763 nominal of 8.5 per cent Convertible Unsecured Subordinated Loan Stock 2008 of the Company (in this Part Five, the “Stock”) will be created by a resolution of the Board and will be constituted as an unsecured obligation of the Company by the Trust Deed to be entered into between the Company and The Law Debenture Trust Corporation p.l.c. whose registered and head office is at Fifth Floor, 100 Wood Street, London EC2V 7EX as trustee for the holders of the Stock (the “**Stockholders**”). Copies of the Trust Deed will be available for inspection (during normal business hours) at the registered office for the time being of the Company, being at 55 Bishopsgate, London EC2N 3AS, from the date of this document until the date of Admission. The Trust Deed, which will be entered into following the passing of the Resolutions if the Placings and Open Offers are then wholly unconditional (save for the condition relating to Admission), will contain provisions (*inter alia*) to the effect set out below. The Stock will be subordinated in a winding up to the claims of the secured creditors of the Company from time to time (notwithstanding that the net proceeds of realisation of such security was or may be insufficient to extinguish such claims in full).

1. Definitions

- (A) “**Article 99 Borrowing Limit**” means Article 99 of the Articles of Association as proposed to be amended by resolution 3 to be proposed at the EGM and set out on page 105 of this document;
- (B) “**equity share capital**” means equity share capital as defined in Section 744 of the Act;
- (C) “**Further Stock**” means all further unsecured loan stock of the Company issued pursuant to the provisions of paragraph 6 below and constituted by a trust deed supplemental to the Trust Deed;
- (D) “**indebtedness for moneys borrowed**” means any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of (i) money borrowed, (ii) liabilities under or in respect of any acceptance or acceptance credit or (iii) any notes, bonds, debentures, debenture stock, loan stock or other non-equity securities offered, issued or distributed whether by way of public offer, private placing, acquisition consideration or otherwise and whether issued for cash or in whole or in part for a consideration other than cash;
- (E) “**Ordinary Share Capital**” means Ordinary Share capital of the class in issue on 23 November, 2001 and “**Ordinary Shareholders**” shall be construed accordingly;
- (F) “**Principal Subsidiaries**” means Brit Insurance Limited, Brit UW Limited, Wren Syndicates Management Limited and Masthead Insurance Underwriting Limited;
- (G) “**Subsidiary**” means any company which is for the time being a subsidiary (within the meaning of Section 736 of the Act) of the Company.

2. Interest

- (A) Interest at the rate of 8.5 per cent per annum (less income tax, where applicable) will be payable on the principal amount of the Stock outstanding from time to time by equal half-yearly instalments on 30 June and 31 December (each an “interest payment date”) in each year in respect of the half-years ending on those dates respectively, except that the first payment of interest on the Stock, which will be made on 30 June, 2002, will be in respect of the period from the date of issue to 30 June, 2002 (both dates inclusive) and will amount to £4.54 (less income tax, where applicable) per £100 nominal of Stock.
- (B) All payments in respect of the Stock shall be made without withholding for or deduction of any taxes, duties, assessments or governmental charges of whatever nature imposed or levied by or in the United Kingdom or any political subdivision thereof or by any authority thereof or therein, unless such withholding or deduction is required by law.

3. Conversion Rights

- (A) Each Stockholder shall (upon and subject to the provisions hereinafter mentioned) have the right (together the “conversion rights”) to convert the whole or such part (being an integral multiple of £1 nominal) of his Stock as he may specify into Ordinary Share Capital credited as fully paid at the rate (subject to adjustment under sub-paragraph (D) below) of £28.41 nominal of Ordinary Share Capital

(i.e. presently 113.64 Ordinary Shares of 25p each) for every £100 nominal of Stock converted (such rate as so adjusted from time to time being hereinafter called the “conversion rate”).

- (B) Each certificate for Stock which remains capable of being converted shall have endorsed thereon a conversion notice. The conversion rights shall be exercisable by sending to the transfer office of the Company at any time during the month of May or October in any of the years 2002 to 2005 (both inclusive) (each such month (subject as hereafter in this sub-paragraph (B) provided) and any other period during which conversion rights may be exercised being hereinafter called a “conversion period”) so as to be received on or prior to the last day of the relevant conversion period (the “May conversion date” and the “October conversion date” respectively and each a “conversion date”) the relevant Stock certificate(s) with the conversion notice(s) thereon duly completed and signed. The Company shall as at, and not later than 14 days after, the relevant conversion date allot Ordinary Shares in respect of Stock so converted and within 28 days after the relevant conversion date despatch to the persons entitled thereto certificates for the said Ordinary Shares and (if applicable) separate certificates for any balances of Stock not converted and remittances in respect of any fractional entitlements. If for any reason (i) the audited consolidated accounts of the Company and the Subsidiaries for their financial period then most recently completed or (ii) the unaudited consolidated interim accounts of the Company and the Subsidiaries in respect of any financial year shall not have been despatched to the Stockholders by 30 April, or as the case may be, 30 September in any of the years 2002 and 2005 (both inclusive), the relevant conversion period shall be postponed and shall (instead of the month of May or, as the case may be, October) to the period of 31 days immediately following the date of despatch of such accounts, the relevant conversion date shall be the last day of such period and the Company will inform Stockholders by 30 April or, as the case may be, 30 September in such year of such postponement by notice in writing in a form previously approved in writing by the Trustee and on the day the said accounts are posted the Company will notify Stockholders in a form previously approved in writing by the Trustee of the new conversion period and conversion date.
- (C) Interest on Stock converted shall be payable up to and including, but shall cease to accrue immediately after, the interest payment date last preceding the relevant conversion date. Ordinary Share Capital allotted on conversion shall be credited as fully paid and shall carry the right to receive (a) in the case of Ordinary Share Capital allotted on a May conversion date, all dividends and (unless adjustments shall have been made in respect thereof pursuant to paragraph (D) below) all other distributions (including, but not limited to, any allotment referred to in paragraph (D)(1) below) declared, paid or made on the Ordinary Share Capital in or in respect of the financial year of the Company in which the relevant May conversion date falls, other than dividends in respect of any earlier financial year of the Company and shall rank *pari passu* in all other respects and form one class with the Ordinary Share Capital in issue on the relevant May conversion date and (b) in the case of Ordinary Share Capital allotted on a October conversion date, all dividends and (unless adjustments shall have been made in respect thereof pursuant to paragraph (D) below) all other distributions (including, but not limited to, any allotment referred to in paragraph (D)(1) below) declared, paid or made on the Ordinary Share Capital by reference to record dates falling after the relevant October conversion date and shall rank *pari passu* in all other respects and form one class with the Ordinary Share Capital in issue on the relevant October conversion date.
- (D) (1) Upon any allotment of Ordinary Share Capital pursuant to a capitalisation of profits or reserves (including, without limitation, share premium account and capital redemption reserve) to any Ordinary Shareholders on the register on a record date being a date on which any Stock remains capable of being converted, the nominal amount of Ordinary Share Capital to be allotted in respect of Stock converted on any conversion date following such record date shall be increased in due proportion. No adjustment shall be made to the conversion rate by reason only of a holder of Ordinary Shares wholly or partially foregoing his entitlement to a cash dividend and in lieu thereof the Company making an issue to him of fully paid Ordinary Shares by way of capitalisation of an amount standing to the credit of the profit and loss account or revenue reserves equal to the amount of the cash dividend foregone, (a “scrip dividend”), PROVIDED THAT the market value of the Ordinary Shares issued pursuant to such scrip dividend does not exceed the amount of the cash dividend foregone and so that for this purpose “market value” means the price or value of the Ordinary Shares stated in, or calculated in accordance with the provisions and at the time of, the circular or other document relating to the relevant scrip dividend and used for the purpose of determining the nominal amount of Ordinary Shares to be issued by way of such scrip dividend.

- (2) If, whilst any Stock remains capable of being converted, the Company shall make any offer of Ordinary Shares ("New Shares") by way of rights to Ordinary Shareholders for which a listing on the Official List is obtained then, at the option of the Company, EITHER:

- (a) the conversion rate shall be adjusted with effect on and from the record date for each such offer so that the nominal amount of Ordinary Share Capital thereafter allotted in respect of every £1 nominal of Stock converted shall be increased by an amount (expressed in pence) equal to:

$$\frac{A \times C}{B + C}$$

where:

A equals the nominal amount (expressed in pence) of the New Shares which would have been offered to a holder of £1 nominal of Stock had his conversion rights been exercisable and exercised in full with effect immediately before the record date for such offer at the conversion rate then applicable (such nominal amount to include any fraction of a New Share notwithstanding that under the offer fractional entitlements may not be offered or allotted or may be disregarded);

B equals the price per share (expressed in pence) at which the New Shares are being offered to Ordinary Shareholder; and

C equals the average of the middle market quotations (expressed in pence) derived from the Daily Official List of the London Stock Exchange for the right to one New Share, nil paid, during the period in which the rights to the New Shares are dealt in on the London Stock Exchange, nil paid; or

- (b) the Company shall make, or use its best endeavours to procure that there is made, a like offer at the same time to each Stockholder as if his conversion rights had been exercisable and exercised in full with effect immediately before such record date at the conversion rate then applicable.
- (3) All adjustments to the conversion rate shall be rounded upwards if necessary to two decimal places. The Company will forthwith notify the Stockholders in writing in a form previously approved by the Trustee of any increases in the conversion rate pursuant to this paragraph (D).
- (E) If any offer (not being an offer falling within sub-paragraph (D)(2) above or (H)(10) below) or invitation is made to Ordinary Shareholders on the register on a record date being a date on which any Stock remains capable of being converted, the Company shall make, or use its best endeavours to procure that there is made, a like offer or invitation at the same time to each Stockholder as if his conversion rights had been exercisable and exercised in full with effect immediately before such record date at the conversion rate then applicable. Except for an offer falling within sub-paragraph (D)(2) above, the Company shall not make, or permit any Subsidiary to make, any offer or invitation to the Ordinary Shareholders unless it makes to each Stockholder at the same time a like offer or invitation as referred to in the preceding sentence of this sub-paragraph.
- (F) If any fractions of an Ordinary Share shall fall to be allotted on conversion the Ordinary Shares representing such fractions will not be allotted to the relative converting Stockholders but will be aggregated and sold and the net proceeds of sale will be distributed *pro rata* among the persons entitled thereto, except that, where the entitlement of any such person amounts to less than £2, the amount thereof shall not be distributed but shall be retained for the benefit of the Company.
- (G) The Company will use its best endeavours:
- (1) to maintain a listing for the Stock on the Official List and, for so long as any Stock remains capable of being converted, to maintain a like listing for the Ordinary Share Capital which is fully paid; and
- (2) to ensure that during such time as the Ordinary Share Capital is listed on the Official List and/or any other stock exchange all the Ordinary Share Capital allotted on conversion will, upon allotment, be admitted to the Official List and/or be listed or quoted on such other stock exchange.
- (H) The Company will covenant with the Trustee in the Trust Deed that so long as any of the Stock remains capable of being converted the following provisions (*inter alia*) shall apply:
- (1) the Company shall not:

- (a) distribute capital profits (whether realised or not) or capital reserves (including any share premium account or capital redemption reserve) or profits or reserves arising after 31 December, 2000 from a distribution of capital profits (whether realised or not) or capital reserves (including as aforesaid) by a Subsidiary except by means of a capitalisation issue permitted under (b) below or pursuant to any distribution described in sub-paragraph (12) below, and so that for the purposes of this sub-paragraph (H)(1)(a) insofar as the relevant audited accounts do not distinguish between capital and revenue profits or reserves the Company and the Trustee shall be entitled to rely upon a written estimate by the Auditors (as defined in the Trust Deed) as to the extent (if any) to which any part of any profits or reserves should be regarded as capital profits or capital reserves and for this purpose the Auditors shall apply United Kingdom generally accepted accounting principles;
 - (b) capitalise any profits or reserves other than by way of a capitalisation issue made only to the Ordinary Shareholders in the form of fully paid Ordinary Shares and (if so extended) in like proportions to the holders of any other class of equity share capital of the Company in the form of fully paid Ordinary Shares or shares of such other class of equity share capital, or for the purposes of a scrip dividend permitted under the second sentence of sub-paragraph (D)(1) above without adjustment to the conversion rate or involving such an adjustment; or
 - (c) except with the prior written consent of the Trustee or except where an adjustment to the conversion rate is made pursuant to paragraph (D)(1) above make or permit any Subsidiary to make any offer or invitation to Ordinary Shareholders of shares or allot any shares in pursuance of a capitalisation issue or make any distribution permitted by sub-paragraph (12) below, in each case during, or by reference to a record date falling within, a conversion period or following a conversion period by reference to a record date falling prior to such conversion period;
- (2) save as permitted by (1) above or (3) below, the Company shall not create or permit to be in issue any equity share capital which as regards voting, dividends, other distributions or capital has more favourable rights than those attached to the Ordinary Share Capital and (without prejudice to the right of the Company to consolidate or sub-divide shares or convert shares into stock) it shall not without the prior written consent of the Trustee (such consent not to be unreasonably withheld or delayed) in any way alter the rights attached to all or any part of its share capital in issue from time to time or attach any special rights, privileges or restrictions thereto or convert any issued share or loan capital into equity share capital except in accordance with the terms of issue thereof;
- (3) nothing in (2) above shall prevent the issue of any equity share capital pursuant to any employees' share scheme or any other employees' incentive scheme, including any long term incentive plan;
- (4) the Company shall not do any act or thing if, in consequence, the nominal amount of Ordinary Share Capital into which £1 nominal of the Stock would be convertible would exceed £1;
- (5) the Company shall not (except as authorised by Section 146(2) of the Act or, in respect of redeemable shares or of shares purchased by it as hereinafter mentioned, by sections 159, 160(4) and 162(2) of the Act (i) reduce its share capital or any uncalled or unpaid liability in respect thereof or (except as authorised by Sections 130(2), 160(2) and 170(4) of the Act or with the consent of the Trustee (such consent not to be unreasonably withheld or delayed) in respect of the writing off of accumulated losses against the Issuer's and/or any Subsidiary's share premium account any amount for the time being standing to the credit of any share premium account or capital redemption reserve or (ii) purchase any of its own shares, unless in the case of any reduction of capital involving repayment of capital or reduction of uncalled liability or purchase of its own shares such adjustment (if any) shall be made to the conversion rate in order to protect the conversion rights as a financial adviser appointed for such purpose by the Company and approved by the Trustee shall determine to be appropriate;
- (6) (a) if the Company commences liquidation (whether voluntary or compulsory) it shall forthwith give notice in writing thereof to all Stockholders in a form previously approved in writing by the Trustee and thereupon each Stockholder shall in respect of the whole or any part of his Stock be entitled within six weeks after the service of such notice to elect by notice in writing to the Company to be treated as if a conversion date had occurred on the

day immediately preceding the date of such commencement and his conversion rights had been exercisable and exercised in full with effect on that date on the basis (including rate) of conversion then applicable (after making any appropriate adjustments pursuant to sub-paragraph (D) above) and in that event, subject as hereafter in this sub-paragraph (H)(6)(a) provided, each Stockholder making such an election shall in lieu of the payments which would otherwise be due in respect of his Stock deemed to have been converted as a result of such election be entitled to participate in the assets available in the liquidation *pari passu* with the Ordinary Shareholders as if he were the holder of the Ordinary Shares (including any fraction of an Ordinary Share) to which he would have become entitled had that Stock in respect of which he shall have made such an election been converted as aforesaid by virtue of such exercise as at such deemed conversion date. Notwithstanding the foregoing, a Stockholder making such election shall be entitled to receive and retain any payment in respect of the Stock in relation to which he shall have made such election which shall have become due prior to such immediately preceding day as though he had not made such election. For the purpose of determining the assets in which any Stockholder making an election as aforesaid shall be entitled to participate, the provisions of sub-paragraph (C) above shall be deemed to apply as if such immediately preceding day were a conversion date, provided that if such Stockholder shall receive any payment on the Stock in relation to which he shall have made such an election in respect of interest falling due on the Stock on such immediately preceding day or any day thereafter up to and including the date of service of the aforesaid notice by the Company, he shall be entitled to retain such payment. Subject to this sub-paragraph (H)(6)(a) the conversion rights shall lapse in the event of the liquidation of the Company;

- (b) if the Stock shall become immediately due and repayable in accordance with the provisions of the Trust Deed (for any reason other than the liquidation of the Company) the Company shall forthwith give notice in writing thereof to all Stockholders in a form previously approved by the Trustee and thereupon each Stockholder shall in respect of the whole or any part of his Stock be entitled within six weeks after the service of such notice to exercise his conversion rights (such exercise to be with effect as on the day immediately preceding the date on which the Stock shall have become so due and repayable which day shall be deemed to be a conversion date) on the basis (including rate) of conversion then applicable (after making any appropriate adjustments pursuant to sub-paragraph (D) above) by completing and signing the conversion notice(s) on his relevant Stock certificate(s) and depositing the same at the transfer office of the Company prior to the expiry of such six weeks;
- (7) the Company shall not change the end of its financial period so that it falls otherwise than on 31 December or a day falling within 7 days before or after 31 December in each year unless the relevant conversion periods, conversion dates and interest payment dates shall be altered to such periods and dates, and such other modifications (if any) shall be made to the Trust Deed, in each case as the Trustee shall reasonably require;
- (8) the Company shall keep available for issue sufficient authorised but unissued Ordinary Shares to satisfy in full all rights for the time being outstanding of conversion into and subscription for and other acquisition of Ordinary Shares;
- (9) the Company shall send to all Stockholders a copy of every document sent to Ordinary Shareholders at the time the same is sent to Ordinary Shareholders and in addition shall send to all Stockholders not more than eight weeks and not less than four weeks prior to each conversion date a reminder in a form previously approved by the Trustee of the conversion rights then exercisable;
- (10) if any offer is made to all (or as nearly as may be practicable all) the Ordinary Shareholders (or to all (or as nearly as may be practicable all) such holders other than the offeror and/or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror) to acquire the whole or any part of the Ordinary Share Capital (the “**ordinary offer**”) and the Company becomes aware that the right to cast more than 50 per cent of the votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or any company controlled by the offeror and/or persons associated, connected or acting in concert with the offeror, the Company shall give notice of that fact in writing in a form previously approved by the Trustee to all Stockholders within 14 days of its becoming so aware and unless an offer, proposal, scheme or other arrangement

which is on terms as to consideration which are, in the opinion of a financial adviser approved for such purpose by the Trustee, fair and reasonable (having regard to the terms of the conversion rights and the periods during which they may be exercised and to the terms of the ordinary offer and any other circumstances which may appear to such financial adviser to be relevant) has already been, or not later than 45 days after the date of such notice is, made or put to all Stockholders then the Company shall forthwith thereafter give further notice in writing of that fact to all Stockholders in a form previously approved by the Trustee and each Stockholder may, within the period of 30 days after the date of such further notice:

- (a) exercise his conversion rights in respect of the whole or any part (being an integral multiple of £1 nominal) of his Stock as he may specify (and so that for this purpose such 30 day period shall be deemed to be a conversion period, the last day thereof shall be deemed to be a conversion date and the provisions of sub-paragraph (C) above shall apply accordingly) at the conversion rate applicable on such deemed conversion date (in respect of £1.00 nominal of Stock) multiplied by the average premium paid for £1.00 nominal of Stock over the twelve months up to but excluding the last completed calendar month prior to the date of the notice referred to above (or if the conversion date arises before Stock shall have had quoted prices for twelve months, for all months up to but excluding the last completed calendar month prior to the date of the further notice referred to above), the said premium being calculated for each day for which the London Stock Exchange publishes the Daily Official List falling within such twelve months (or less) as being equal to:

$$\frac{A}{B \times C}$$

where:

- (aa) A is the average of the highest and lowest quoted prices of £1.00 nominal of Stock derived from the Daily Official List of the London Stock Exchange for such period;
- (bb) B is the average of the highest and lowest quoted prices of an Ordinary Share derived from the Daily Official List of the London Stock Exchange for such period; and
- (cc) C is the conversion rate expressed as a number of Ordinary Shares per £1.00 nominal of Stock;

Provided that if for any day the premium as so calculated shall be less than one, such day shall be disregarded in calculating the average premium paid for £1 nominal of Stock over the relevant twelve months (or less) and further provided that no adjustment to the conversion rate shall be made pursuant to this sub-paragraph to the extent that, as a result thereof, the aggregate nominal amount of the Ordinary Shares into which the Stock may be converted will exceed the aggregate nominal amount of such Stock; and/or

- (b) give notice in writing to the Company requiring the Company to redeem the whole or any part (being an integral multiple of £1 nominal) of his Stock as he may specify (excluding Stock to be converted under sub-paragraph (a) above) in cash at a price equal to the highest of:
 - (i) the average of the middle market quotations of the Stock calculated by reference to the Daily Official List of the London Stock Exchange for the 14 consecutive dealing days next following the date of the announcement of the terms of the ordinary offer or, if such terms shall be subsequently revised, the date of the announcement of such revision;
 - (ii) the value of the Ordinary Shares (including any fraction) into which the Stock required to be redeemed as aforesaid would be converted if the Stockholder were to exercise his conversion rights pursuant to sub-paragraph (a) above in respect of such Stock, such value to be calculated by reference to the average of the middle market quotations of the Ordinary Shares for the dealing days specified in (i) above calculated by reference to the Daily Official List of the London Stock Exchange; and
 - (iii) par.

The amount of such redemption (together with interest on the nominal amount of the Stock so redeemed accrued up to and including the date of redemption) shall be paid on the day next

following the expiry of 15 days after the deemed conversion date referred to in sub-paragraph (a) above.

The publication of a scheme of arrangement under the Act providing for the acquisition by any person of the whole or any part of the Ordinary Share Capital shall be deemed to be the making of an offer;

- (11) the Company shall procure that no compromise or arrangement (within the meaning of Section 425 of the Act) affecting the Ordinary Share Capital shall be proposed unless the Stockholders shall be parties to the compromise or arrangement and unless the compromise or arrangement shall be subject to approval by the Stockholders in the manner prescribed by the said Section, provided that these provisions shall not apply (a) if an offer, proposal, scheme or other arrangement which is, in the opinion of a financial adviser approved for such purpose by the Trustee, fair and reasonable (having regard to the terms of the conversion rights and the periods during which they may be exercised and to the terms of such compromise or arrangement and any other circumstances which may appear to such financial adviser to be relevant) has already been, or not later than the date on which the document containing particulars of the compromise or arrangement shall first be issued to the parties thereto is, made or put to all Stockholders, (b) if the Trustee shall be of the opinion that implementation of such compromise or arrangement will not be prejudicial to the interests of the Stockholders, or (c) to a scheme or arrangement to which sub-paragraph (H)(10) above or (H)(12) below applies; and
- (12) if the Company shall propose any arrangement pursuant to which the Company is to make a distribution of the kind described in Section 213(3) of the Income and Corporation Taxes Act 1988 otherwise than by means of (i) an arrangement within the meaning of Section 425 of the Act permitted by sub-paragraph (H)(11) above or (ii) an arrangement to which the provisions of such sub-paragraph do not apply by reason of any of the provisos thereto or (iii) an arrangement made or put to all Stockholders which is, in the opinion of a financial adviser approved for such purpose by the Trustee, fair and reasonable (having regard to the terms of the conversion rights and the periods during which they may be exercised and to the terms of such first-mentioned proposed arrangement and any other circumstances which may appear to such financial adviser to be relevant), it shall give notice thereof in a form previously approved by the Trustee to all Stockholders not less than 45 days prior to the proposed record date in respect of the entitlement of Ordinary Shareholders to receive the relevant distribution (and/or shares in the company or companies to which any such distribution is to be made) and each Stockholder may, within the period of 30 days after the date of such notice:
 - (a) exercise his conversion rights in respect of the whole or any part (being an integral multiple of £1 nominal) of his Stock as he may specify (and so that for this purpose such 30 day period shall be deemed to be a conversion period, the last day thereof shall be deemed to be a conversion date and the provisions of sub-paragraph (C) above shall apply accordingly) at the conversion rate applicable on such deemed conversion date; and/or
 - (b) give notice in writing to the Company requiring the Company to redeem the whole or any part (being an integral multiple of £1 nominal) of his Stock as he may specify (excluding Stock to be converted under sub-paragraph (a) above) in cash at a price equal to the highest of:
 - (i) the average of the middle market quotations of the Stock calculated by reference to the Daily Official List of the London Stock Exchange for the 14 consecutive dealing days next following the date of the said notice from the Company or the date on which the Company shall announce to its members the terms of the first-mentioned proposed arrangement (whichever shall be the earlier);
 - (ii) the value of the Ordinary Shares (including any fraction) into which the Stock required to be redeemed as aforesaid would be converted if the Stockholder were to exercise his conversion rights pursuant to sub-paragraph (a) above in respect of such Stock, such value to be calculated by reference to the average of the middle market quotations of the Ordinary Shares for the dealing days specified in (i) above calculated by reference to the Daily Official List of the London Stock Exchange; and
 - (iii) par.

The amount of such redemption (together with interest on the nominal amount of the Stock so redeemed accrued up to and including the date of redemption) shall be paid on

the day next following the expiry of 15 days after the deemed conversion date referred to in sub-paragraph (a) above.

- (I) Following the first conversion date as at which, taking into account all conversion rights exercised on that date, 75 per cent. or more in nominal amount of the Stock (which expression for the purpose of this sub-paragraph (I) shall include the whole of the original nominal amount of the Stock issued and any Further Stock forming a single series therewith but exclude any of the Stock or such Further Stock purchased by the Company or any Subsidiary and cancelled) shall have been converted the Company shall be entitled by not less than 50 nor more than 60 days' notice in writing to all Stockholders in a form previously approved by the Trustee (a "compulsory conversion notice") given within 30 days after that or any subsequent conversion date, to convert, on the expiry date of such compulsory conversion notice, the whole (but not part only) of the Stock into Ordinary Share Capital at the conversion rate applicable on such expiry date and in the event of such notice being given as aforesaid the holding of Stock of each Stockholder shall, subject as hereafter in this sub-paragraph (I) provided, be automatically converted at such rate on such expiry date (and so that for this purpose such expiry date shall be deemed to be a conversion date and the provisions of this paragraph 3 shall apply accordingly save that if such notice be despatched by the Company not later than the second day before the interest payment date next following the conversion date first mentioned in this sub-paragraph (I) or, as the case may be, the relevant subsequent conversion date the interest otherwise payable on the Stock on that interest payment date shall be deferred pending the expiry date of such compulsory conversion notice and shall become due only in respect of that part of such Stock in relation to which the right specified in the proviso to this sub-paragraph (I) shall be duly exercised), provided that each Stockholder shall have the right by giving written notice to the Company within 30 days after the service of a compulsory conversion notice to require the Company, in lieu of converting, to repay the whole or such part as he may in such notice specify of his Stock at par on the expiry date of the compulsory conversion notice together with interest accrued up to and including such date and in that event the Company shall be bound to repay such Stock together with accrued interest accordingly.
- (J) If by the October conversion date in or in respect of the year 2005 the Company shall not have exercised its rights (if any) under sub-paragraph (I) above, the Trustee may at its absolute discretion and without any responsibility for any loss occasioned thereby, within the period of 21 days following such conversion date, exercise all conversion rights not exercised on or before such conversion date at the conversion rate applicable on the date of exercise and sell for the benefit of the Stockholders entitled thereto the Ordinary Shares allotted on such conversion, provided that the Trustee shall not exercise such conversion rights unless a financial adviser appointed for the purpose by it (acting as an expert and not an arbitrator) shall have stated in writing that in its opinion the exercise of such conversion rights and sale by the Trustee would be in the interests of the Stockholders concerned as a body. Such period shall be deemed to be a conversion period and the date of exercise of such conversion rights shall be deemed to be a conversion date and the provisions of sub-paragraph (C) above shall apply accordingly.
- (K) The Stock shall be known as "8.5 per cent. Convertible Unsecured Subordinated Loan Stock 2008" so long as any Stock shall remain capable of being converted. Thereafter the word "Convertible" shall be omitted from the title.
- (L) Stock for the time being unconverted shall pending its conversion be deemed to remain capable of being converted from the date of issue thereof up to and including the last date on which it could be converted or be treated as converted pursuant to any provision of this paragraph 3.

4. Purchase, Events of Default and Redemption

- (A) The Company or any Subsidiary may at any time purchase Stock on the London Stock Exchange or on any other recognised stock exchange or by tender (available to all Stockholders alike) or by private treaty, in each case (unless a tender or partial offer is made to all Stockholders on the same basis) at a price (inclusive of accrued interest but exclusive of all costs of purchase) which, if the Stock is then listed on the Official List, shall not exceed the average of the middle market quotations therefor calculated by reference to the Daily Official List of the London Stock Exchange during the period of 10 dealing days immediately preceding the date of purchase (or, in the case of a purchase by tender, immediately preceding the date of the relevant tender offer) or, in the case of a purchase on the London Stock Exchange, at the market price thereof provided that such market price is not more than 5 per cent. above such first mentioned average, and which, if the Stock is not then so listed, shall not exceed 105 per cent. of the nominal amount thereof, but not otherwise.

- (B) The Trust Deed will provide that the Trustee at its discretion may, and if so requested in writing by the holders of at least one fifth in principal amount of the Stock then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (subject in each case to being indemnified to its satisfaction), give notice to the Company that the Stock is, and it shall accordingly thereupon forthwith become, immediately due and repayable at its principal amount, together with accrued interest as provided in the Trust Deed, in any of the following events (each an “Event of Default”);
- (i) if default is made in the payment on the due date of any principal or premium due in respect of the Stock or for a period of ten days in respect of any interest due in respect of the Stock; or
 - (ii) if the Company fails to perform or observe any of its other obligations under the Trust Deed or if any event occurs or any action is taken or fails to be taken which is (or but for the provisions of any applicable law would be) a breach by the Company of any of the covenants contained in the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Company of notice requiring the same to be remedied; or
 - (iii) if any indebtedness for moneys borrowed of the Company or any Principal Subsidiary becomes due and repayable prematurely by reason of any event of default (however described) or the Company or any Principal Subsidiary fails to make any payment in respect of any indebtedness for moneys borrowed on the due date for payment or any security given by the Company or any Principal Subsidiary for any indebtedness for moneys borrowed becomes enforceable or if default is made by the Company or any Principal Subsidiary in making any payment due under any guarantee and/or indemnity given by it in respect of any indebtedness for moneys borrowed provided that no such event shall constitute an Event of Default unless the relevant indebtedness for money borrowed either alone or when aggregated with other indebtedness for moneys borrowed relative to all (if any) other such events which shall have occurred shall amount to at least £5 million (or its equivalent in any other currency); or
 - (iv) if any order is made by any competent court or resolution passed for the winding up or dissolution of the Company or any Principal Subsidiary, save (in the case of a Principal Subsidiary) for the purposes of a reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution; or
 - (v) if the Company or any Principal Subsidiary ceases or threatens to cease to carry on the whole or a substantial part of its business or the Company or any Principal Subsidiary stops or threatens to stop payment of or is unable to, or admits inability to pay its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law or is adjudicated or found bankrupt or insolvent; or
 - (vi) if (a) proceedings are initiated against the Company or any Principal Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made for the appointment of an administrative or other receiver, manager, administrator or other similar official or an administrative or other receiver, manager, administrator or other similar official is appointed in relation to the Company or any Principal Subsidiary or, as the case may be, in relation to the whole or any part of the undertaking or assets of any of them, or any encumbrancer takes possession of the whole or any part of the undertaking or assets of any of them, or a distress, execution, attachment or sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any part of the undertaking or assets of any of them and (b) in any case (other than the appointment of an administrator) is not discharged within fourteen days; or if the Company or any Principal Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with its creditors generally (or any class of its creditors) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors);

Provided, in the event of any Event of Default other than those described in sub-paragraphs (i) and (in the case of a winding up or dissolution of the Company) (iv) of this paragraph, the Trustee shall have certified

to the Company that the Event of Default is, in its opinion, materially prejudicial to the interests of the Stockholders.

- (C) All Stock not previously repaid, purchased or converted and in each case cancelled in accordance with any of the foregoing provisions will be redeemed on 31 December, 2008 at par together with interest accrued up to and including the date of redemption.
- (D) All Stock repaid, redeemed, purchased or converted in accordance with any of the foregoing provisions shall be cancelled and shall not be re-issued.
- (E) The Company may exercise its rights and powers of repayment, redemption, purchase and compulsory conversion as regards the Stock and any further unsecured loan stock which may be issued pursuant to paragraph 6 below (not being a series which is identical and forms a single series with the Stock) at its sole discretion and without obligation to maintain the ratio between the nominal amounts for the time being outstanding of stock of any series.

5. Restriction on Borrowing

- (A) The Company will procure that, so long as any of the Stock remains outstanding, it will at all times be in compliance with the Article 99 Borrowing Limit (as amended from time to time) and that no amendment shall be made to any of the provisions of the Article 99 Borrowing Limit except with the sanction of an Extraordinary Resolution.
- (B) The certificate or report of the Auditors as to compliance with the Article 99 Borrowing Limit at any time or in respect of any period may, in the absence of manifest error, be relied upon by the Trustee and, if so relied upon, shall be conclusive and binding on the Company and the Stockholders.

6. Issues of Further Unsecured Loan Stock

Subject to the terms hereof, provision will be made to enable further unsecured loan stock of the Company to be issued either so as to be identical in all respects with (or in all respects save for the first payment of interest thereon) and to form a single series with the Stock or on such terms, including rights as to interest, ranking, conversion, premium, repayment and otherwise as the Directors of the Company may determine. Such further unsecured loan stock shall if identical and forming a single series with the Stock and may in any other case with the consent of the Trustee be constituted by a trust deed supplemental to the Trust Deed and shall accordingly, if so constituted, be Further Stock. No additional loan capital of the Company or any Subsidiary shall be paid up in whole or in part by way of capitalisation of profits or reserves or be issued by way of collateral security without the Company receiving full value therefor.

7. Modification of Rights

- (A) Stockholders will have power by Extraordinary Resolution or by a written resolution signed by the holders of Stock representing not less than 95 per cent in principal amount of the Stock then in issue to sanction any modification, abrogation or compromise of or arrangement in respect of their rights against the Company and to assent to any modification of the provisions of the Trust Deed. In addition, the Trustee may from time to time without the consent or sanction of the Stockholders (but only if and insofar as in the opinion of the Trustee the interests of the Stockholders will not be materially prejudiced thereby) waive or authorise on such terms and subject to such conditions as it shall deem expedient any breach or proposed breach by the Company of any of the covenants or provisions of the Trust Deed, determine that any act or omission which would or might otherwise whether on its own or together with any other act or omission constitute an event of default under the Trust Deed shall not do so or agree to any modification of the Trust Deed. The Trustee may also agree, without such consent or sanction as aforesaid, to any modification of the Trust Deed which is of a formal, minor or technical nature or to correct a manifest or proven error. Provision will be made for convening separate meetings of the holders of the Stock and each series of any Further Stock when the Trustee considers this appropriate.
- (B) In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation or determination), the Trustee shall have regard to the general interests of the Stockholders as a class and shall not have regard to any interests arising from circumstances particular to individual Stockholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Stockholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to

require, nor shall any Stockholder be entitled to claim, from the Company, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Stockholders.

8. Trustee's Indemnification, Consents and Reliance

- (A) The Trust Deed will contain provisions for the indemnification of the Trustee and for its relief from responsibility in certain events. Any consent given by the Trustee may be given on such terms and subject to such conditions (if any) as the Trustee may in its absolute discretion think fit and, notwithstanding anything to the contrary in these Particulars contained, may be given retrospectively.
- (B) The Trust Deed will provide that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) in accordance with the provisions of the Trust Deed whether or not addressed to the Trustee and whether or not any such certificate or report or engagement letter or other document entered into by the Trustee and/or the Auditors in connection therewith contains any limit (whether monetary or otherwise) on the liability of the Auditors in respect thereof.

9. Removal, Retirement and Replacement of Trustee

- (A) The Trustee may retire at any time without assigning any reason. The Stockholders may by Extraordinary Resolution remove any trustee or trustees for the time being of the Trust Deed.
- (B) The Company will have the power to appoint a new Trustee but such new Trustee shall be subject to the approval of an Extraordinary Resolution of the Stockholders.

10. Transfer

- (A) The Stock will be registered and transferable in integral multiples of £1 nominal.
- (B) The Trust Deed will contain provisions enabling the Stock to be held and transferred in uncertificated form, and for conversion rights to be exercisable, by means of a relevant system in accordance with the Uncertificated Securities Regulations 1995 (the “**Regulations**”) and enabling the Company to issue Ordinary Shares in uncertificated form on conversion of any of the Stock. The Trustee may, without the sanction of an Extraordinary Resolution, concur with the Company in making modifications to the provisions of the Trust Deed in order to reflect changes in the Regulations or in the applicable law and practice relating to the holding or transfer of Stock in uncertificated form and the issue of Ordinary Shares in uncertificated form on conversion of Stock.

11. Registration

The Company shall cause to be kept at its registered office or at such other place as the Trustee may agree a register (the “Register”) showing the principal amount of the Stock and the date of issue and all subsequent transfers and changes of ownership thereof and the names and addresses of the Stockholders and the persons deriving title under them.

12. Governing law

The Trust Deed will be governed by, and construed in accordance with, English law.

Note:

The Trust Deed will not contain any provision precluding the Company and the Subsidiaries from disposing of any of their respective assets or from changing the nature of their respective businesses or, save as mentioned in paragraph 5 above, restricting borrowings or prescription periods.

PART SIX

Unaudited interim report for the Brit Group for the six months ended 30 June 2001

The following information has been extracted without material adjustment from the unaudited interim report of the Brit Group for the six months to 30 June 2001, published on 24 September 2001. It does not constitute financial information within the meaning of Section 240 of the Act.

Statutory accounts for the financial periods ended 31 December 2000, 31 December 1999, 31 March 1999 and 31 March 1998 have been delivered to the Registrar of Companies. The auditors of Brit, Mazars Neville Russell, Chartered Accountants of 24 Bevis Marks, London EC3A 7NR, gave an unqualified audit report within the meaning of Section 235 of the Act in respect of such accounts and such reports did not contain a statement under Sections 237(2) or (3) of the Act.

“Chairman’s Statement

On 11 September the world was direct witness to the tragic and appalling events in America. We extend our sympathies to the many affected including friends of our organisation.

As announced recently, these events will have major impact on our year end results. In the light of this the Board is not recommending an interim dividend.

After taking account of recoveries that would be made from its various reinsurance programmes, Brit estimates a net cost, before tax, of £69.7 million, which equates to a pre-tax cost of 29p per Brit share. The recent past has shown that Brit’s estimates of claims have been relatively conservative. We have applied the same approach to the assessment of what may potentially be the largest financial loss in the history of the insurance industry.

First half highlights

Over the six-month period ending 30 June 2001 your Company generated a profit before tax of £1.261 million compared with a loss of £13.669 million for the first half of 2000.

The first half of the year has seen progress in all core areas. On the underwriting side we have generated greater efficiency through increased co-ordination of our existing syndicates prior to the formation of a composite syndicate from 1 January 2002, and our Lloyd’s business is already working closely with Brit Insurance Limited, particularly within areas of reinsurance.

The distribution division is implementing the co-ordination of the Group’s distribution and marketing capabilities, aiming to develop retail and commercial products distribution through high street and regional brokers, telesales and e-commerce. We have continued to invest in Peoples Choice, our telesales and internet distribution subsidiary.

In pursuit of our stated aim to develop investment management as part of the Group’s strategy, Brit has since the period end, acquired for nominal consideration, a 34.1% interest in The Equity Partnership Limited (“EPL”). EPL is the holding company of a newly formed fund management business established in conjunction with Benfield Group PLC, The Equity Partnership Investment Company (“EPIC”), a recently launched investment company quoted on the Official List, and the management of EPL.

Although the Group continues to benefit from a relatively defensive investment strategy, returns have been depressed by weak equity markets. We have, however realised a net £18.9 million over the period under review from sales from our insurance investment portfolio.

Current Trading and Prospects

Premium rates had been increasing and conditions were being tightened prior to the US events. The US catastrophe will cause a significant shift both in terms of immediate price increases and duration of the cyclical upturn in premium rates. Investment returns are now at levels where insurance companies can no longer rely on bond and equity markets to provide consistent growth in their capital base and high levels of investment income on retained insurance premiums. This is likely to result in further upward pressure on pricing.

The events of 11 September may well result in an extraordinary rating environment and the Board and management of Brit are working to ensure that the Company is positioned to benefit.

Jo Welman

21 September 2001

Brit Group — 30 June 2001 Interim Results

CHIEF EXECUTIVE'S REPORT

The tragic events of 11 September 2001 are causing the company to review some of its areas of activity. It will therefore be necessary to re-apply our resources and capital to those areas that will, in our opinion, produce the best returns for Brit.

UNDERWRITING

Lloyd's activities

Prior to recent events, insurance rates had been hardening for some time. The 1998 and 1999 results have seen a recent deterioration for many insurers. The problems are centred not only around Lloyd's – there have also been high profile corporate failures and profit warnings in both domestic and overseas insurance company markets. This insurance cycle is different from the last in that the losses appear to be more widely spread. Distressed capital markets and poor investment returns have added to the problems facing the majority of insurers. The coincidence of these factors will almost certainly lead us into the most extraordinary rating environment we have seen. The following table gives an indication of the progression of our insurance activities (in terms of estimated gross premiums) from 1999 through 2001 using the combined figures of Syndicates 250, 389, 735, 800, 1202, 2040 and 2400 and Brit Insurance Limited:

<i>Class of business</i>	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>2000/2001</i>	<i>1999/2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>%</i>	<i>%</i>
Reinsurance	101,385	68,507	43,435	+48	+58
Motor	72,196	53,960	42,806	+34	+26
Space	28,215	25,410	18,131	+11	+40
Marine	24,446	18,715	16,168	+31	+16
Aviation	13,185	11,988	12,246	+10	-2
Property	30,265	10,752	2,517	+181	+327
Financial Risk	4,500	7,315	1,805	-38	+305
Professional Indemnity	22,370	12,210	12,223	+83	0
Liability	8,107	7,179	7,595	+13	-5
Financial Institutions	8,500	5,905	4,500	+44	+31
Personal Accident	8,186	5,065	2,270	+62	+123
Directors' & Officers'	13,062	4,952	3,567	+164	+39
Life	5,648	3,893	3,222	+45	+21
Miscellaneous	7,543	11,683	896	-35	+1204
War	606	568	745	+7	-24
Total	348,214	248,102	172,126	+40	+44

Figures shown net of brokerage

Figures converted at Lloyd's Premium Income Monitoring rates of exchange

The period has seen the successful conclusion of regulatory and capital provider approval for our composite syndicate 2987 and the managing agency will change its name from Wren Syndicates Management to Brit Syndicates Limited with effect from 1 January 2002. As a condition of the merger of four of our syndicates into the composite syndicate 2987, we made an offer for our entire stamp in the first auction for a price of 2.6p. We have acquired the majority of our capacity with the exception of approximately £10 million. We have obtained regulatory approval to increase our stamp capacity up to £450 million for Syndicate 2987 but whether we shall underwrite to this level will need to be reviewed in the light of recent events and we are working on a number of initiatives. We will keep our investors informed of developments.

Brit Group — 30 June 2001 Interim Results

Our most recently published 2000 year syndicate quarterly returns (“SQRs”) showed signs of recovery. Having reviewed the SQRs in light of the anticipated losses arising from the recent events in the United States, we estimate a deterioration for the 2000 year of account of some 10% for Syndicate 800, 5% for Syndicate 735 and 7.5% for Syndicate 250. The previously published forecasts are as follows:

<i>Syndicate</i>	<i>1999 year of account</i>		<i>2000 year of account</i>	
	<i>Capacity</i>	<i>Range</i>	<i>Capacity</i>	<i>Range</i>
	<i>£m</i>	<i>%</i>	<i>£m</i>	<i>%</i>
250 (Non Marine)	45.8	(7.0) – (2.0)	50.3	5.0 – 10.0
389 (Life)	7.6	(2.5) – 2.5	7.6	0.0 – 5.0
735 (Marine)	85.1	(32.5) – (27.5)	85.1	(7.5) – (2.5)
800 (Aerospace)	62.5	(12.0) – (7.0)	62.4	(12.0) – (7.0)
1202 (Motor)	41.6	(3.0) – 2.0	51.5	7.5 – 12.5
Weighted result for 2000 year of account (all syndicates)				(2.9) – 2.1

	<i>1998</i>	<i>1999</i>	<i>2000</i>	<i>2001</i>
Total managed capacity	£254.3m	£242.6m	£256.9m	£359.2m
Owned capacity	£62.7m	£74.7m	£129.9m	£221.1m
% Ownership of capacity	24.7%	30.8%	50.6%	61.6%

The Lloyd’s business has also gained regulatory approval for the launch of two new syndicates supported by third party capital. The first, Bluesure Limited, is a joint venture with GE Frankona Reinsurance Holdings APS, Benfield Group plc and certain members of the Bluesure management team, underwriting a personal insurance package product with a premium capacity of £30 million. The second, The Nemwil Motor Syndicate underwrites through the Peoples Choice panel and has premium capacity of £14 million.

Brit Insurance Limited

Brit Insurance has had another excellent six months. The company increased its paid up capital by £20 million to £70 million in March and A M Best have re-affirmed its A– rating (“excellent”) and it continues to enjoy an A– (“very good”) from Standard & Poor’s. The company has a combined loss ratio of 67% for the first half and has made a pre-tax profit of £4.2 million. There was very little catastrophe claims activity during the period. On the financial risk side, a low and stable interest rate environment has led to a lower level of claims than expected. We are, however, moving forward with caution given the economic outlook.

Distribution

We have investments and representation across various distribution channels. Wren Products is a division which is being formed to cover the high street and regional broker network. Peoples Choice is our Direct Telesales arm and has a panel of some eighteen insurers in motor and household insurance. We now own a significant investment in ebix.com Inc., a NASDAQ quoted, US based technology and e-commerce company. This company has made two consecutive quarters’ profit and its share price has increased during the period. The launch of RI3K was announced on 5 September. This is an electronic reinsurance exchange which we intend to use for a substantial amount of our reinsurance covers at this year end. It has been embraced by several key reinsurers and brokers and is a very exciting development for Brit.

Investment Management

Together with a number of partners, we have been a part of the successful formation of a new fund management company, Equity Partnership Limited, (“EPL”). This has successfully raised a total of £67 million for a new investment company, The Equity Partnership Investment Company PLC (“EPIC”) and has a commitment of a further £22 million of equity in the secondary placing. Brit owns 34.1% of EPL and will own 26% of EPIC. Your Chairman, Jo Welman, is the chief executive officer of EPL and is also a non-executive director of EPIC. Don McCrickard, a non-executive director of Brit, is the non-executive chairman of EPIC. The Board considers this to be an attractive investment because the shares constitute admissible assets to support our insurance operations whilst offering potentially attractive returns and an increased indirect investment into EPL, which is 29.9% owned by EPIC.

Other Investments

Our disposal programme continues with net disposals of £18.9 million of Lloyd’s stocks sold in the first six months of this year. The only two significant company shareholdings remaining are Kiln and Chaucer.

Brit Group — 30 June 2001 Interim Results

In conclusion, we expect market conditions to harden in a manner which we have not previously experienced. The latest set of SQRs had shown us performing alongside the best in the Lloyd's and company markets for 2000. We face the challenges posed by current circumstances with confidence and determination.

Neil Eckert

21 September 2001

Brit Group — 30 June 2001 Interim Results

Consolidated Profit and Loss Account

Technical Account – General Business

for the six month period ended 30 June 2001

	<i>6 months ended 30 June 2001 (unaudited) £'000</i>	<i>6 months ended 30 June 2000 (unaudited) £'000</i>
<i>Notes</i>		
Earned premiums, net of reinsurance:		
Gross premiums written	204,644	111,354
Outward reinsurance premiums	(77,340)	(40,772)
Net premiums written	<u>127,304</u>	<u>70,582</u>
Change in the provision for unearned premiums	(92,096)	(52,765)
Change in the provision for unearned premiums, reinsurers' share	<u>32,154</u>	<u>17,439</u>
Net earned premiums	<u>67,362</u>	<u>35,256</u>
Allocated investment return transferred from the non-technical account	<u>8,100</u>	<u>7,233</u>
Claims incurred, net of reinsurance:		
Gross amount	(78,622)	(58,075)
Reinsurers' share	<u>33,320</u>	<u>33,551</u>
	<u>(45,302)</u>	<u>(24,524)</u>
Change in other technical provisions, net of reinsurance	<u>(2,593)</u>	<u>(3,587)</u>
Net operating expenses	<u>(22,444)</u>	<u>(12,750)</u>
Balance transferred to the non-technical account	<u>1</u> <u>5,123</u>	<u>1,628</u>

Brit Group — 30 June 2001 Interim Results

Consolidated Profit and Loss Account

Non-Technical Account

for the six month period ended 30 June 2001

		6 months ended 30 June 2001 (unaudited)			6 months ended 30 June 2000 (unaudited)		
	Notes	Continuing operations Acquired £'000	Ongoing £'000	All operations £'000	Discontinued operations £'000	Continuing operations £'000	All operations £'000
Balance on technical account for general business	1	—	5,123	5,123	—	1,628	1,628
Net investment return	2	41	11,698	11,739	2	(3,363)	(3,361)
Allocated investment return transferred to the technical account	2	—	(8,100)	(8,100)	—	(7,233)	(7,233)
		41	3,598	3,639	2	(10,596)	(10,594)
Fees and other income	3	4,460	1,999	6,459	247	2,151	2,398
Expenses		(6,763)	(6,360)	(13,123)	(757)	(6,344)	(7,101)
Operating profit/(loss)		(2,262)	4,360	2,098	(508)	(13,161)	(13,669)
Share of operating loss in associated undertakings				(837)			—
Profit/(loss) on ordinary activities before tax				1,261			(13,669)
Tax on profit/(loss) on ordinary activities	4			(834)			4,496
Profit/(loss) on ordinary activities after tax				427			(9,173)
Minority interests				256			—
Profit/(loss) attributable to members of the parent company				683			(9,173)
Dividends	5			—			(2,368)
Retained profit/(loss) for the period				683			(11,541)
Operating profit/(loss) based on long-term rate of investment return				7,831			(6,877)
Short term fluctuation in investment return				(5,733)			(6,792)
Operating profit/(loss) on ordinary activities before tax				2,098			(13,669)
Basic earnings per share	6			0.29p			(3.87)p
Diluted earnings per share	6			0.28p			(3.77)p

Brit Group — 30 June 2001 Interim Results

Consolidated Balance Sheet

at 30 June 2001

		30 June 2001 (unaudited) £'000	30 June 2000 (unaudited) £'000
	Notes		
Intangible assets:			
Syndicate participations		1,702	4,189
Goodwill		25,097	17,017
		26,799	21,206
Investments:			
Financial investments	7	441,531	477,024
Reinsurers' share of technical provisions		211,401	147,292
Debtors	8	298,315	255,506
Other assets:			
Tangible fixed assets		4,810	4,264
Cash at bank and in hand		91,691	59,133
Other		12,870	10,814
		109,371	74,211
Prepayments and accrued income		49,335	37,886
Total assets		1,136,752	1,013,125
Capital and reserves:			
Share capital	9	60,228	59,468
Contingent share capital	9	5,291	5,291
Share premium	10	187,543	184,899
Capital redemption reserve	10	586	586
Profit and loss reserve	10	(2,142)	(7,597)
		251,506	242,647
Equity shareholders' funds			
Minority interests – equity		(1,800)	—
Technical provisions		739,566	662,780
Provisions for other risks and charges:			
Other provisions		1,592	1,472
Creditors	11	141,066	103,773
Accruals and deferred income		4,822	2,453
Total equity shareholders' funds and liabilities		1,136,752	1,013,125

Brit Group — 30 June 2001 Interim Results

Consolidated Cash Flow Statement

for the six month period ended 30 June 2001

	<i>6 months ended 30 June 2001 (unaudited) £'000</i>	<i>6 months ended 30 June 2000 (unaudited) £'000</i>
Net cash (outflow)/inflow from operating activities	(20,651)	16,984
Returns on investment and servicing of finance:		
Interest paid	(991)	(1,801)
Taxation:		
Corporation tax paid	(1,602)	(835)
Capital expenditure:		
Purchase of tangible fixed assets	(599)	(3,308)
Proceeds from disposal of tangible fixed assets	75	7
	<u>(524)</u>	<u>(3,301)</u>
Acquisitions and disposals:		
Net cash acquired with People's Choice (Europe) Ltd	211	—
Acquisition of own shares for Long Term Incentive Plan	—	(195)
Acquisition of associated undertaking	(1,000)	—
Loan to associated undertaking	(2,000)	—
	<u>(2,789)</u>	<u>(195)</u>
Equity dividends:		
Equity dividends paid	—	(2,387)
Net cash (outflow)/inflow before financing	<u>(26,557)</u>	<u>8,465</u>
Financing:		
Increase in bank loans	6,915	5,500
Buy back of own shares	—	(130)
	<u>6,915</u>	<u>5,370</u>
(Decrease)/increase in cash in the period	<u>(19,642)</u>	<u>13,835</u>
Cash flows were invested as follows:		
Increase in cash holdings	4,476	16,454
Net portfolio investments:		
Deposits with credit institutions, fixed income investments and shares	(24,118)	(2,619)
(Decrease)/increase in cash in the period	<u>(19,642)</u>	<u>13,835</u>

The consolidated cashflow statement excludes syndicate cashflows and cash held within Lloyd's premium trust funds in respect of Lloyd's syndicates.

Brit Group — 30 June 2001 Interim Results

Basis of preparation of financial statements and accounting policies

1. Principal accounting policies

The financial information in the interim statement for the six month period ended 30 June 2001 does not constitute statutory accounts, as defined in Section 240 of the Companies Act 1985, for that period. Statutory accounts for the year ended 31 December 2000, on which the auditors of the Company gave an unqualified report, have been delivered to the Registrar of Companies.

The interim statement has been prepared in accordance with applicable Accounting Standards in the United Kingdom.

(a) Basis of accounting and consolidation

The interim statement has been prepared in accordance with the historical cost convention, as modified by the revaluation of investments, and in accordance with Section 255 of, and Schedule 9A to, the Companies Act 1985, as amended by the Companies Act 1985 (Insurance Companies Accounts) Regulations 1993. The recommendations of the Statement of Recommended Practice on Accounting for Insurance Businesses issued by the Association of British Insurers in December 1998 (“the ABI SORP”) have been adopted.

The consolidated financial statements incorporate the financial statements of Brit Insurance Holdings PLC and all its subsidiaries made up to 30 June 2001.

(b) Recognition of insurance transactions

The group’s share of the technical results of syndicates managed by the group are presented on an annual basis. The main accounting policies under the annual basis are set out below.

The group’s share of the technical results of syndicates not managed by the group are excluded from the interim statement, as no information in respect of the six month periods to 30 June 2001 and 30 June 2000 is available from those syndicates.

The balance sheet includes the group’s share of assets and liabilities of the Lloyd’s syndicates of which the group’s corporate member subsidiaries participated. For syndicates not managed by the group, this information is only available at 31 December. Consequently, at 30 June 2001, for these syndicates, the amounts are based on assets and liabilities at 31 December 2000, and those at 30 June 2000, on assets and liabilities at 31 December 1999.

(c) Premiums

Gross written premiums represent premiums on business incepting during the period together with adjustments to premiums written in previous accounting periods and estimates for pipeline premiums. All premiums are gross of commission payable to intermediaries.

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related inwards reinsurance business.

The provision for unearned premiums represents that part of gross premiums written and the reinsurers’ share that is estimated to be earned after the balance sheet date.

(d) Claims

Provision is made for claims incurred during the period, whether reported or not. Claims handling expenses are also included within claims incurred. A provision for unexpired risks is made when it is anticipated that unearned premiums will be insufficient to meet future claims and claims settlement expenses of business in force at the period end. No account is taken of future investment income. This is included within technical provisions in the balance sheet. In addition, provision for losses is made in respect of the open underwriting years for non managed syndicates.

(e) Investment return

The investment return is accounted for in the non-technical account. An allocation is made from the non-technical account to the general business technical account to reflect the long-term investment return on funds supporting underwriting business. The long-term investment return is an estimate of the long-term investment return for the Brit Insurance Holdings PLC Group and the managed syndicates having regard to past performance, current trends and future expectations.

Brit Group — 30 June 2001 Interim Results

(f) Other income

Other income includes fees due to the managing agent and the insurance intermediary and profit commission receivable. Profit commission is recognised on the same annual accounting basis as the related underwriting profits.

(g) Expenses

All expenses are accounted for on an accruals basis. Profits arising in Marham Consortium Management Limited, which are due to a Wren managed syndicate, are charged as an expense to the Group.

Depreciation is calculated so as to write off the value of freehold buildings and cost of other tangible fixed assets over their estimated useful economic lives on a straight line basis.

(h) Intangible assets

Intangible assets include goodwill arising on the acquisitions of Wren plc and Brit Insurance Limited in 1999, Peoples Choice (Europe) Limited in 2001 and purchased syndicate capacity. Goodwill is being written off over a period of ten years. Purchased capacity in respect of managed syndicates is amortised over three years from the date the underwriting results of those syndicates are first recognised in the technical account. Purchased capacity in respect of non-managed syndicates is amortised over three years commencing at the end of the third year from the start of the group's first underwriting year of those syndicates.

(i) Taxation

Items of income/gain and expenditure/loss are recognised and assessable to corporation tax in the same period, after adjustment in accordance with tax legislation.

Corporation tax is provided on taxable profits at the current rate.

Deferred taxation is provided using the liability method on timing differences, arising from the different treatment of items for accounting and taxation purposes.

(j) Foreign Currencies

Transactions denominated in foreign currencies are recorded in the local currency at the actual exchange rates as at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at the rates of exchange prevailing at the period end date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

(k) Pension benefits

Pension benefits are funded over employees' periods of service. Contributions are based on the recommendation of the actuary following the valuation of the fund are charged to the profit and loss account as incurred.

Brit Group — 30 June 2001 Interim Results

Notes to the Accounts

1. Balance on technical account

	<i>6 months ended 30 June 2001 (unaudited) £'000</i>	<i>6 months ended 30 June 2000 (unaudited) £'000</i>
100% result of managed syndicates:		
Gross written premiums	280,999	168,193
Net written premiums	172,026	101,909
Earned premiums, net of reinsurance	92,822	73,894
Syndicate investment return at the long-term rate of return	6,669	5,198
Claims incurred, net of reinsurance	(66,043)	(55,560)
Net operating expenses	(34,541)	(31,061)
Balance on technical account	(1,093)	(7,529)
Brit's share of balance on technical account	(2,457)	(4,634)
Return on funds at Lloyd's at the long-term rate of return	5,240	5,890
Brit Insurance Limited balance on technical account	2,340	372
Balance on technical account	5,123	1,628
Claims ratio:		
– managed syndicates	71.15%	75.19%
– Brit Insurance Limited	42.73%	71.09%
– group	68.55%	74.68%
Expense ratio:		
– managed syndicates	27.83%	36.07%
– Brit Insurance Limited	25.12%	19.32%
– group	27.59%	33.26%
Combined ratio:		
– managed syndicates	98.98%	111.26%
– Brit Insurance Limited	67.85%	90.41%
– group	96.14%	107.94%

The claims ratio is calculated as follows:

(claims incurred, net of reinsurance + movement in other technical provisions)/earned premiums, net of reinsurance

The expense ratio is calculated as follows:

(net operating expenses + movements in deferred acquisition costs)/net written premiums

Brit Group — 30 June 2001 Interim Results

2. Net investment return

	6 months ended 30 June 2001 (unaudited)			6 months ended 30 June 2000 (unaudited)		
	Continuing operations		All	Discontinued	Continuing	All
	Acquired	Ongoing	operations	operations	operations	operations
	£'000	£'000	£'000	£'000	£'000	£'000
Allocation to the technical account based on the long-term rate of return	—	8,100	8,100	—	7,233	7,233
Non-underwriting investment return	41	9,331	9,372	2	(3,804)	(3,802)
Short term fluctuation in investment return retained in the non-technical account	—	(5,733)	(5,733)	—	(6,792)	(6,792)
	<u>41</u>	<u>11,698</u>	<u>11,739</u>	<u>2</u>	<u>(3,363)</u>	<u>(3,361)</u>

Net long-term investment return transferred to technical account:

The transfer to the technical account represents the estimated long-term rate of return applied to the group's share of investment assets supporting the insurance business of Brit Insurance Limited, the managed syndicates and funds at Lloyd's. The long-term rates of return were established by having regard to the historical asset performance, current and prospective bond yields and the estimated risk premium for holding equity investments. For the investment assets of Brit Insurance Limited and the funds at Lloyd's, separate rates were established and applied to the average bond and equity components of the underwriting investment assets. For the syndicate investments, a single weighted rate was applied to all categories of investment.

The long-term rates of return used were:

Brit Insurance Limited and Funds at Lloyd's

Equities	8.0%
Fixed interest	6.0%
Cash	4.0%
Syndicate investments	5.5%

3. Other income

	6 months ended 30 June 2001 (unaudited)			6 months ended 30 June 2000 (unaudited)		
	Continuing operations		All	Discontinued	Continuing	All
	Acquired	Ongoing	operations	operations	operations	operations
	£'000	£'000	£'000	£'000	£'000	£'000
Fees	4,460	1,622	6,082	247	1,798	2,045
Income from syndicates (use of assets)	—	306	306	—	304	304
Other income	—	71	71	—	49	49
	<u>4,460</u>	<u>1,999</u>	<u>6,459</u>	<u>247</u>	<u>2,151</u>	<u>2,398</u>

Brit Group — 30 June 2001 Interim Results

4. Taxation

	<i>6 months ended 30 June 2001 (unaudited) £'000</i>	<i>6 months ended 30 June 2000 (unaudited) £'000</i>
The tax charge/(credit) for the period comprises:		
UK corporation tax at 30%	(85)	1,097
Movement in deferred tax provision	919	(5,593)
	<u>834</u>	<u>(4,496)</u>

5. Dividends

No interim dividend has been declared in respect of the six months ended 30 June 2001 (30 June 2000 interim dividend of 1.0p per share).

6. Earnings per share (unaudited)

The calculation of basic earnings per share is based on the profit of £683,000 (2000: loss of £9,173,000) and on 237,672,265 (2000: 236,785,143) ordinary shares being the weighted average number of ordinary shares in issue during the period.

The calculation of fully diluted earnings per share is based on the profit of £683,000 (2000: loss of £9,173,000) and on 245,653,627 (2000: 243,085,323) ordinary shares being the weighted average number of ordinary shares in issue during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares, including contingently issuable shares.

7. Financial investments

	<i>30 June 2001 (unaudited) £'000</i>	<i>30 June 2000 (unaudited) £'000</i>
Funds at Lloyd's	127,406	146,340
Share of syndicate investments	163,363	166,663
Other underwriting investments	30,585	16,833
Non-underwriting investments	120,177	147,188
	<u>441,531</u>	<u>477,024</u>

8. Debtors

	<i>30 June 2001 (unaudited) £'000</i>	<i>30 June 2000 (unaudited) £'000</i>
Trade debtors	281,567	239,893
Due from managed syndicates	—	473
Future settlements	353	1,660
Tax recoverable	968	1,581
Other debtors	15,427	11,899
	<u>298,315</u>	<u>255,506</u>

Brit Group — 30 June 2001 Interim Results

9. Share capital

	<i>30 June 2001 (unaudited) No.</i>	<i>30 June 2000 (unaudited) No.</i>
No. of ordinary shares in issue of 25p each, issued and allotted, called up and fully paid:		
At 1 January	237,870,287	238,040,287
Number of shares acquired under share buy-back scheme	—	(170,000)
Number of shares issued during the period	3,040,452	—
At 30 June	<u>240,910,739</u>	<u>237,870,287</u>

On 16 February 2001 the Company issued 1,015,452 ordinary shares in connection with the conversion of a loan note (see note 11). On 16 February 2001 the Company issued 2,025,000 ordinary shares in connection with the acquisition of Peoples Choice (Europe) Limited.

In addition, there is contingent share capital of £5,291,000 representing ordinary shares to be issued to Lennoxhurst Limited in relation to the acquisition of Brit Insurance Limited on 16 November 1999.

10. Reserves

	<i>Share Premium (unaudited) £'000</i>	<i>Capital Redemption Reserve (unaudited) £'000</i>	<i>Profit and Loss Reserve (unaudited) £'000</i>
Balance at 1 January 2001	184,899	586	(2,825)
Arising on the conversion of loan stock into ordinary shares	1,247	—	—
Arising on the issue of ordinary shares	1,397	—	—
Retained profit for the period	—	—	683
Balance at 30 June 2001	<u>187,543</u>	<u>586</u>	<u>(2,142)</u>

Brit Insurance Holdings PLC had distributable reserves of £11,058,788 at 30 June 2001 (2000: £6,066,711)

11. Creditors

	<i>30 June 2001 (unaudited)</i>	<i>30 June 2000 (unaudited)</i>
Bank loans and overdraft	31,000	50,000
Trade creditors	105,013	44,191
Due to managed syndicates	6	—
Proposed dividend	5,047	7,096
Corporation tax payable	—	986
Convertible Unsecured Subordinate Loan Stock 2000	—	1,500
	<u>141,066</u>	<u>103,773</u>

On 27 September 2000, the Convertible Unsecured Subordinate Loan Stock 2000 with attaching interest was fully converted into 1,015,452 ordinary shares. These shares were issued on 16 February 2001.

Brit Group — 30 June 2001 Interim Results

12. Post balance sheet events

The Group has potential exposures to claims resulting from the terrorist attacks in the United States of America on 11 September 2001. These will be accounted for in the period ending 31 December 2001. Further details are contained in the Chairman's Statement and Chief Executive's Report."

PART SEVEN

Additional information

1. Responsibility statement

The Directors whose names are set out in paragraph 2(a) below, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

(a) The Directors and their functions are:

Jo Mark Pole Welman (*Executive Chairman*)
Andrew Shone (*Executive Deputy Chairman*)
Neil David Eckert (*Chief Executive Officer*)
Andrew Holland (*Chief Operating Officer*)
Matthew Scales (*Finance Director*)
Simon Dudley Clapham (*Executive Director*)
Dane Jonathan Douetil (*Executive Director*)
Donald Cecil McCrickard (*Non-Executive Director*)
Paul Gaunt (*Non-Executive Director*)
George Franklin MacAulay (*Non-Executive Director*)
John Anthony Victor Townsend (*Non-Executive Director*)
Phillip Richard Withers Green (*Non-Executive Director*)

The registered office of Brit and the business address of the Directors is 55 Bishopsgate London EC2N 3AS.

(b) Further information on the Directors is set out below:

- (i) None of the Directors is or has been a partner in any partnership within the last five years.
- (ii) In addition to their directorships of the Company, in the five years prior to the date of publication of this document the Directors have had or still have the following directorships:

Jo Mark Pole Welman:

AFIM Limited*
Bayswater Growth PLC
Benfield & Rea Brothers Limited
Benfield & Rea Investment Holdings Limited
Brit Investment Company Limited
Brit UW Limited
Cathedral Capital PLC
Cathedral Capital (1998) Limited*
Cathedral Capital (1999) Limited*
Cathedral Capital Management Limited
Close FTSE 100 Trust PLC
Dan Dare Corporation Limited*
Epic Asset Management Limited
Export Intercontinental Limited*
Finsbury Group Limited*
Finsbury Income and Growth Investment Trust Plc (in liquidation)
Finsbury Income & Growth Trading Limited (in liquidation)
HCG Alpha Limited
HCG Bravo Limited
HCG Charlie Limited
HCG Delta Limited
HCG Echo Limited
HCG Foxtrot Limited
HCG Golf Limited
HCG Holdings Limited
HCG Lloyd's Investment Trust Plc (Dissolved)
HCG Hotel Limited

London Town Plc
Masthead Insurance Underwriting Limited
Rea Brothers Group Limited*
Rea Brothers Group Plc*
Rea Brothers Retirement Planning Limited*
Rea Brothers Limited*
Strand Partners Limited
The Equity Partnership Limited
Wren Limited

Andrew Shone:

Alan Jackson (Underwriting Agencies) Limited*
Brit Group Services Limited*
Finsbury Underwriting Limited
Fuit One Limited
Fuit Two Limited
Fuit Three Limited
Fuit Four Limited
Fuit Five Limited
Wren Holdings Group Plc
Wren Limited*
Wren Syndicates Management Limited

Neil David Eckert:

Benfield Advisory Limited*
Benfield Ellinger Limited*
Benfield Group Plc*
Benfield & Rea Brothers Limited*
Benfield & Rea Investment Holdings Limited
Benfield Sports International Limited*
Brit Insurance Limited
Brit Investment Company Limited
Brit UW Limited
Cricket Management Limited
Design Technology & Innovation Limited
Design Technology & Innovation (Safety) 1994 Limited
Design Technology & Irrigation Limited
HCG Alpha Limited
HCG Bravo Limited
HCG Charlie Limited
HCG Delta Limited
HCG Echo Limited
HCG Foxtrot Limited
HCG Golf Limited
HCG Holdings Limited
HCG Hotel Limited
HCG Lloyd's Investment Trust Plc (Dissolved)
IBS TV Europe Limited
Northward Properties Limited
Peoples Choice (Europe) Limited
Ripe Foods Limited
The Equity Partnership Limited
Wren Syndicates Management Limited

Andrew Holland:

Bluesure Limited
Brit Group Services Limited
Marham Consortium Management Limited
Masthead Insurance Underwriting Limited
Masthead A Limited
Masthead B Limited

Masthead C Limited
Masthead D Limited
Masthead E Limited
Wren Holdings Group Plc
Wren Limited
Wren Insurance Services Limited
Wren Lloyd's Advisers Limited
Wren Syndicates Management Limited

Matthew Scales⁽¹⁾:

Brit Insurance Limited
Brit Group Services Limited

Matthew Scales resigned, in October 1993, as a director of English & American Insurance Company Limited which went into provisional liquidation on 19 March 1993 as a result of underwriting losses and which is now operating under a scheme of arrangement (pursuant to section 425 of the Act). The Directors understand that the scheme provides for a payment percentage of 25 per cent payable to established scheme creditors of that company in respect of that company's financial obligations and the Directors understand that the company's creditors continue to receive distributions in accordance with the terms of the scheme of arrangement. As a consequence of the liquidation of English & American Insurance Company Limited, its then holding companies, English & American Insurance Holdings PLC and English & American Group PLC, companies from which Matthew Scales also resigned as a director in October 1993, went into administration on 10 May 1993. Mr Scales also resigned, in December 1992, as a director of English & American Underwriting Agency Limited which commenced a creditors' voluntary winding up in February 1994. The Directors understand that the only outstanding creditors of that company are English & American Insurance Holdings PLC and English & American Insurance Company Limited and the only outstanding debtor is English & American Group PLC.

Simon Dudley Clapham:

Brit Group Services Limited*
Lloyd's Market Board
Marham Consortium Management Limited
Wren Holdings Group Plc
Wren Limited*
Wren Syndicates Management Limited

Dane Jonathan Douetil:

Brit Insurance Limited
Mortgage Insurance Trade Association

Donald Cecil McCrickard:

Ashpol PLC*
Carlisle Group Plc*
Digitalbrain Plc
Industry In Education Limited
London Town Assured Properties Limited
London Town Plc
Systems Guidance International Limited
TM Pension Trustees Limited*
Vendepac Holdings Limited*

Paul Gaunt:

AIT Trading Limited*
Aurora Investment Trust Plc*
David Williamson Associates Limited*
Enviros Limited*
Finsbury Life Sciences Investment Trust Plc
Finsbury Technology Trust Plc
Finsbury Worldwide Pharmaceutical Trust plc
Fintech Investments Limited
FLIT Investments Limited
J O Hambro Capital Management Limited*

Numis Corporation Plc
Oasis Healthcare Plc*
Prelude Trust Plc*

George Franklin MacAulay:

ACET Trading Limited
AIDS Care Education and Training
Albany Riverside Company Limited
Clouds
Crusaders Union Limited (The)
Evangelical Alliance (The)*
Fanfare for a New Generation
Hampden Agencies Limited
Hampden Legal Plc
LR Sawyer (Underwriting) Limited (Dissolved)
Oasis Charitable Trust
Polwring Underwriting Agency Limited (Dissolved)
Riding Lights
Riding Lights (Trading) Limited
Sentinel Underwriting Limited
The Oxford House in Bethnal Green (Incorporated)*
Trinity Care Plc
Trustee Services Company Limited*
Weedon Underwriting Agencies Limited
Wool Quay Nominees Limited*

John Anthony Victor Townsend:

609 Capital Limited*
Adam & Harvey Group Plc
AFIM Limited*
A.I.T.C Services Limited
Anthony Townsend Associates Limited* (Dissolved)
Atrium Cockell Group Ltd*
Atrium Capital Limited*
Big Boulder Corporation
Blue Ridge Real Estate Company*
Brit Group Services Limited*
British & American Investment Trust Plc
Close Finsbury Asset Management Limited*
Close Private Asset Management Limited*
Cranleigh Enterprises Limited
Cranleigh School
Finsbury Advisers Limited*
Finsbury Company Secretaries Limited*
Finsbury Finance Limited*
Finsbury Group Limited*
Finsbury Growth Trust Plc
Finsbury Life Sciences Investment Trust Plc
Finsbury Smaller Quoted Companies Trust Plc
Finsbury Technology Trust Plc
Finsbury Underwriting Limited
Finsbury Worldwide Pharmaceutical Trust Plc
Fintech Investments Limited
FLIT Investments Limited
Fuit One Limited
Fuit Two Limited
Fuit Three Limited
Fuit Four Limited
Fuit Five Limited
Fuit Underwriting and Placings Limited
FSQ Investments Limited

Gartmore Split Capital Opportunities Trust Plc
 Gscot Securities Plc
 Hansa Capital Limited
 HL Income & Growth Trust Plc
 Immuno International AG
 John Townsend (Agencies) Limited* (Dissolved)
 John Townsend & Co (Holdings) Limited*
 Oxfordshire Biotechnet Limited
 P C Security Limited (Dissolved)
 Rea Brothers Group Limited*
 Reabourne Technology Investment Management Limited
 Rea Brothers Limited*
 The Zero Preference Growth Trust plc
 Tynepower Limited
 Wren Limited*
 Wren Holdings Group Plc
 Wren Syndicates Management Limited
 ZPGT Trading Limited

Anthony Townsend was a director of John Townsend & Co (Holdings) Limited which was placed in creditors' voluntary liquidation in 1988. No creditors' claims are outstanding.

Phillip Richard Withers Green:

ACON Investments Limited
 Barclays de Zoete Wedd Asset Management Limited*
 Delaconte Limited
 Finsbury Underwriting Limited
 First Mercer Trustee Limited*
 Fuit One Limited
 Fuit Two Limited
 Fuit Three Limited
 Fuit Four Limited
 Fuit Five Limited
 Fuit Underwriting and Placings Limited
 Jupiter Asset Management Limited
 Queen Anne's Gate Holdings Limited
 Queen Anne's Gate Investments Limited
 Queen Anne's Gate Nominees Limited * (dissolved January 1999)
 Queen Anne's Gate Property Company Limited * (dissolved January 1999)
 Second Mercer Trustees Limited*
 The Old Pauline Trust Limited
 Wren Limited*

Note: * denotes resigned prior to the date of this document.

- (iii) Mr Welman is a director of Finsbury Income and Growth Investment Trust PLC, Finsbury Income and Growth Trading Limited and was a director of HCG Lloyd's Investment Trust Plc. The first two of these companies were placed in members' voluntary liquidation on 30 March 2001 and 28 March 2001 respectively (and HCG Lloyd's Investment Trust Plc was dissolved on 23 December 1996) with no loss to creditors.
- (iv) Mr MacAulay was a director of LR Sawyer (Underwriting) Limited and Polwring Underwriting Agency Limited. Each of these companies was dissolved on 10 October 2000 with no loss to creditors.
- (v) In addition to Mr Townsend's previous directorship of John Townsend & Co (Holdings) Limited as referred to above, Mr Townsend was also a director of Anthony Townsend Associates Limited, Anglo Scandinavian Investment Trust PLC, ASIT Dealing Limited, John Townsend (Mercantile) Limited and John Townsend (Agencies) Limited. Each of these companies was dissolved on 20 July 1999, 30 March 1997, 22 October 1996, 19 July 1994 and 8 July 1997 respectively with no loss to creditors.
- (vi) None of the Directors has any unspent convictions in relation to indictable offences

- (vii) None of the Directors has been declared bankrupt or been a party to a deed of arrangement or entered into an individual voluntary arrangement.
- (viii) Save as disclosed above, none of the Directors has been involved in any receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company where he was a director with an executive function at the time of, or within the 12 months preceding, such events.
- (ix) None of the Directors has been involved in any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where they were a partner at the time of or within the 12 months preceding such events.
- (x) None of the Directors has been involved in any receiverships of any of their respective assets or of a partnership of which they were respectively a partner at the time of or within the 12 months preceding such events.
- (xi) None of the Directors has been publicly criticised by any statutory or regulatory authorities (including recognised professional bodies) and has never been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (xii) The Directors' relevant management expertise and experience is as set out below:

Jo Mark Pole Welman (Executive Chairman)

Born 1958. He graduated in economics from Exeter University in 1979. He joined Baring Brothers where he was involved with the management of several large segregated UK and US public company pension funds and two authorised unit trusts. In 1989 he was recruited by Rea Brothers Investment Management Limited ("RBIML") to become that company's managing director. He resigned as a director of RBIML on 6 May 1999. He is a non-executive director of Finsbury Income and Growth Investment Trust Plc, London Town Plc, and Cathedral Capital Plc. He has been a director of Brit since its flotation in 1995.

Andrew Shone (Executive Deputy Chairman)

Born 1948. He has worked on Syndicate 735 since 1965. He was appointed deputy underwriter in 1977 and active underwriter in 1993 and is one of the longest serving Lloyd's underwriters in the market. He was appointed a director of a predecessor agency to Wren Syndicates Management in 1978, of Wren Holdings Limited in 1993, of Wren Holdings Group PLC in 1995 and of Wren plc in 1996. He was appointed Deputy Executive Chairman of Brit on 2 August 1999.

Neil David Eckert (Chief Executive Officer)

Born 1962. He became a reinsurance broker in 1980, joining Benfield Lovick & Rees & Co Limited in 1986. In 1991, he joined the main board of Benfield Group plc and he resigned on 14 January 2000. He has been a director of Brit since its flotation in 1995 and was appointed as chief executive officer in 1999. He is Chairman (non-executive) of Design Technology and Innovations Limited, a patenting and intellectual property company.

Andrew Holland (Chief Operating Officer)

Born 1954. He is a qualified accountant and has worked in the Lloyd's market for 26 years. He joined the Wren group as managing director of Wren Syndicates Management in 1996 and was appointed a director of Wren Holdings Group plc in 1996. He was formerly managing director of Ockham Worldwide, Sturge Non-Marine, and Sturge Reinsurance over the period 1991 to 1996. He was appointed a director and Chief Operating Officer of Brit on 2 August 1999.

Matthew Scales (Finance Director)

Born 1954. He has been finance director and company secretary of Brit Insurance Limited since its establishment in 1993 and of Brit since 30 November 1999. He qualified as a chartered accountant in 1978, and joined the C T Bowring Group in 1979, transferring within that group to English & American Group in 1982. He was the finance director of English & American Group plc (1991–1993). He also acted as group financial controller of Benfield from February 1996 to March 1999.

Simon Dudley Clapham (Executive Director)

Born 1960. He has worked in the Lloyd's market for 21 years. After 12 years as a Lloyd's broker he joined Syndicate 282 in 1990 as the space and aviation underwriter. In 1994 he set up the Marham Consortium Management Limited, and he is the managing director. He was elected to the Committee of the Lloyd's Aviation Underwriters Association in 1994 and in 1998 was elected to be its deputy chairman. In October 1994, he joined Syndicate 800 as underwriter designate, becoming the active underwriter on 1 January 1996. He was appointed a director of WSM in January 1996 and was appointed a director of Brit on 2 August 1999. He was appointed to the Lloyd's Market Board earlier this year.

Dane Jonathan Douetil (Executive Director)

Born 1960. He was appointed chief executive of Brit Insurance in December 1998 and joined the Brit board on 30 November 1999. He graduated in 1982 from Birmingham University with an Honours Degree in commerce, joined the Willis Faber Group in 1982 and was appointed executive director of the Political & Financial Risk Division in 1988. He was a founding shareholder and director of Special Risk Services Limited from January 1989 to 1994. Between 1994 and 1998 he acted as a consultant on the sale of a number of mortgage operations, as well as acting as a risk consultant for several financial institutions. He was appointed a full time consultant to Benfield in July 1997 prior to joining Brit Insurance Limited in August 1998.

Donald Cecil McCrickard (Non-Executive Director)

Born 1936. Previously a director of American Express International Inc (1978-83), chief executive of TSB Group Plc (1990-92), TSB Bank Plc (1989-92) and Chairman of Hill Samuel Bank (1991-92). He was also a member of the executive committee of the British Bankers Association (1988-92) and a member of the Bank of England's Deposit Protection Board (1989-92). He is a fellow of the Chartered Institute of Bankers. He has been a director of Brit since its flotation in 1995.

Paul Gaunt (Non-Executive Director)

Born 1949. From 1987, he was senior investment manager of The Equitable Life Assurance Society, a position he resigned in June 1997 in order to pursue a number of private interests. He is a non-executive director of a number of companies, including Prelude Trust plc, Enviros Limited, Numis Corporation plc, Aurora Investment Trust PLC and Finsbury Worldwide Pharmaceutical Trust plc. He has been a director of Brit since its flotation in 1995.

George (Glyn) Franklin MacAulay (Non-Executive Director)

Born 1937. Formerly the senior partner of Neville Russell (now Mazars Neville Russell). He joined Neville Russell, UK chartered accountants, in 1964, becoming a partner in the London office in 1966 and senior partner of the national firm in 1991. He retired from Neville Russell in December 1995. Whilst at Neville Russell, he advised audit clients that included Lloyd's syndicates and UK insurance and reinsurance companies. He has also acted as representative and adviser in the UK to many overseas insurance companies. He was appointed as a director of Brit on 1 January 1996.

John Anthony Victor Townsend (Non-Executive Director)

Born 1948. He is chairman of Adam & Harvey Group plc and a director of ZPGT Trading Limited and of five Finsbury investment trusts. He has been a Name at Lloyd's since 1974 and is a member of the Lloyd's Regulatory Board. He has been a director of Bradisas since 2 August 1999.

Philip (Dick) Richard Withers Green (Non-Executive Director)

Born 1942. He is a director of Jupiter Asset Management Limited. He was formerly a partner of de Zoete & Bevan and was, respectively, a director and vice chairman of BZW Asset Management Limited and BZW Investment Management Limited. He has been a director of Brit since 2 August 1999.

3. Consents

- (a) Numis has given and has not withdrawn its written consent to the issue of this document and to the use of its name in the form and context in which it is included and to inclusion of its letter set out in Part Four of this document and references thereto.
- (b) Collins Stewart has given and has not withdrawn its written consent to the issue of this document and to the use of its name in the form and context in which it is included.

4. Incorporation and share capital

- (a) The Company was incorporated and registered in England and Wales on 30 October 1995 under the Act as a public company limited by shares with the registered number 3121594 and with the name The Benfield & Rea Investment Trust PLC. The Company changed its name to Brit Insurance Holdings PLC with effect from 27 July 1999.
- (b) The principal place of business and the registered office of the Company is at 55 Bishopsgate, London EC2N 3AS.
- (c) The Company was issued with a certificate under section 117 of the Act by the Registrar of Companies on 1 November 1995 entitling it to do business.
- (d) At the annual general meeting of the Company held on 20 June 2001 resolutions were passed to approve the following:
 - (i) that the Directors be generally and unconditionally authorised pursuant to section 80 of the Act to allot any relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £18,522,315.25 provided that:
 - (1) this authority would expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date fifteen months from the passing of the resolution unless previously varied, revoked or renewed by the Company in general meeting;
 - (2) the Company would be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the Directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and
 - (3) all prior authorities to allot relevant securities would be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities;
 - (ii) that the Directors were granted powers pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) wholly for cash pursuant to the authority conferred on them by the resolution referred to in paragraph (d)(i) above as if section 89(1) of the Act did not apply to any such allotment provided that this power would be limited to:
 - (1) the allotment of equity securities in connection with any invitation made to holders of ordinary shares from time to time to subscribe by way of rights, open offer or otherwise where the equity securities respectively attributable to the interests of all the holders of such ordinary shares are proportionate or nearly as may be to the respective number of ordinary shares held by them subject to such exclusions or arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or stock exchange or otherwise in any territory; and
 - (2) the allotment (otherwise than pursuant to paragraph (d)(ii)(1) above) of equity securities up to an aggregate nominal value of £3,011,375;

and would expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date 15 months from the passing of the resolution unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power thereby conferred had not expired; and
 - (iii) all prior powers granted under section 95 of the Act be revoked provided that such revocation was not to have retrospective effect.

- (e) Resolutions will be proposed at the EGM to approve, *inter alia*, the following:
- (i) that, subject to and conditional upon Admission:
 - (1) the authorised share capital of the Company be increased from £78,750,000 to £155,000,000 by the creation of an additional 305,000,000 Brit Shares each ranking *pari passu* in all respects with the existing Brit Shares;
 - (2) that the Directors be generally and unconditionally authorised pursuant to section 80 of the Act to allot any relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £93,125,000 provided that:
 - (aa) this authority shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date fifteen months from the passing of the resolution unless previously varied, revoked or renewed by the Company in general meeting;
 - (bb) the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require relevant securities to be allotted after the expiry of such authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and
 - (cc) that all prior authorities to allot relevant securities be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities; and
 - (ii) that subject to and conditional upon the passing of the resolution in paragraph (e) (i) above and such resolution becoming effective, the Directors be granted powers pursuant to section 95 of the Act to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred on them by the resolution referred to in paragraph (e)(i)(2) above as if section 89(1) of the Act did not apply to any such allotment provided that this power would be limited to:
 - (1) the allotment of equity securities in connection with the Placings and Open Offers;
 - (2) the allotment of equity securities in connection with any invitation made to holders of ordinary shares and holders of other securities to the extent expressly required or (if considered appropriate by the Directors) permitted by the rights attached thereto from time to time to subscribe by way of rights, open offer or otherwise where the equity securities respectively attributable to the interests of all the holders of such ordinary shares and (if applicable) other securities are respectively proportionate (or nearly as may be) to the respective number of ordinary shares and (if applicable) other securities held by them subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or stock exchange or otherwise in any territory; and
 - (3) the allotment (otherwise than pursuant to sub-paragraph (e) (ii) (1) and (2) above) of equity securities up to an aggregate nominal amount of £5,250,000;

and shall expire at the conclusion of the next annual general meeting of the Company or, if earlier, the date 15 months from the passing of the resolution unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities pursuant to any such offer or agreement as if the power thereby conferred had not expired; and
 - (iii) all prior powers granted under section 95 of the Act be revoked provided that such revocation shall not have retrospective effect.
- (f) At the date of this document the authorised and issued share capital of the Company is:
- | <i>Authorised</i> | <i>Ordinary Shares</i> | <i>Issued and fully paid</i> | <i>Ordinary Shares</i> |
|-------------------|------------------------|------------------------------|------------------------|
| £78,750,000 | Number 315,000,000 | £60,227,685 | Number 240,910,739 |
- (g) Upon Admission, the authorised and issued Ordinary Share capital of the Company will be:
- | <i>Authorised</i> | <i>Ordinary Shares</i> | <i>Issued and fully paid</i> | <i>Ordinary Shares</i> |
|-------------------|------------------------|------------------------------|------------------------|
| £155,000,000 | Number 620,000,000 | £105,398,448.30 | Number 421,593,793 |
- (h) The Brit Shares are and the New Ordinary Shares and the Loan Stock will be in registered form. Temporary documents of title will not be issued. The New Ordinary Shares and the Loan Stock will be capable of being held in uncertificated form.

- (i) The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act, confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are to be paid up in cash) apply to the authorised but unissued share capital of Brit, except to the extent disapplied as mentioned above.
- (j) Subject to the special rights or restrictions attaching to any shares or any class of shares issued by Brit in the future, the holders of fully paid Ordinary Shares are entitled, *pari passu* amongst themselves, but in proportion to the nominal amount of the Ordinary Shares held by them, to share in the whole of the profits of Brit paid out as dividends and the whole of any surplus in the event of the liquidation of Brit. The Trust Deed provides that the new Brit Shares to be issued on exercise of the rights of conversion attached to the Loan Stock will be allotted credited as fully paid and shall carry the right to participate in dividends or distributions as set out in paragraph 3(C) of Part Five.
- (k) The following table shows the closing middle market price of a Brit Share as derived from the Daily Official List for (i) the first trading day in each of the six months prior to the date of this document; and (ii) 22 November 2001, being the latest practicable date before the publication of this document:

<i>Date</i>	<i>Market Value (pence)</i>
1 June	114.5
2 July	108.5
1 August	106.5
3 September	120.0
1 October	62.0
1 November	73.5
22 November	71.0

5. Subsidiaries

- (a) The Company is the ultimate holding company of the Group and has the following subsidiaries:

<i>Name of company</i>	<i>Nature of business</i>	<i>Proportion of capital held (directly or indirectly) (%)</i>
Wren Limited	Intermediate holding company	100
Brit Insurance Limited	Reinsurance company	100
Brit UW Limited	Lloyd's corporate member	100
HCG Holdings Limited	Intermediate holding company	100
HCG Alpha Limited	Lloyd's corporate member	100
HCG Bravo Limited	Lloyd's corporate member	100
HCG Charlie Limited	Lloyd's corporate member	100
HCG Delta Limited	Lloyd's corporate member	100
HCG Echo Limited	Lloyd's corporate member	100
HCG Foxtrot Limited	Lloyd's corporate member	100
HCG Golf Limited	Dormant company	100
HCG Hotel Limited	Dormant company	100
Brit Investment Company Limited	Dormant company	100
Benfield & Rea Investment Holdings Limited	Dormant company	100
Finsbury Underwriting Limited	Intermediate holding company	100
FUIT Underwriting and Placings Limited	Dormant company	100
FUIT One Limited	Lloyd's corporate member	100
FUIT Two Limited	Lloyd's corporate member	100
FUIT Three Limited	Lloyd's corporate member	100
FUIT Four Limited	Lloyd's corporate member	100
FUIT Five Limited	Lloyd's corporate member	100
Peoples Choice (Europe) Limited	Insurance distribution	82
Wren Holdings Group PLC	Dormant company	100
Brit Group Services Limited	Intermediate holding company	100
Wren Syndicates Management Limited	Lloyd's managing agent	100
Wren Underwriting Agencies Limited	Lloyd's members' agent	100
Wren Lloyd's Advisers Limited	Non-trading company	100

<i>Name of company</i>	<i>Nature of business</i>	<i>Proportion of capital held (directly or indirectly) (%)</i>
Wren Insurance Services Limited	Lloyd's syndicate support company	100
Marham Consortium Management Limited	Lloyd's syndicate support company	100
Wren Group Services Limited	Dormant company	100
Wren Legal Expenses Limited	Dormant company	100
Masthead Insurance Underwriting Limited	Intermediate holding company	100
Masthead A Limited	Lloyd's corporate member	100
Masthead B Limited	Lloyd's corporate member	100
Masthead C Limited	Lloyd's corporate member	100
Masthead D Limited	Lloyd's corporate member	100
Masthead E Limited	Lloyd's corporate member	100

All shares referred to above have a nominal value of £1 other than Wren Limited, Masthead Insurance Underwriting Limited and Brit Group Services Limited (each of which have shares with a nominal value of 25 pence each) and Wren Underwriting Agencies Limited (which has ordinary shares with a nominal value of 25 pence each and A voting shares with a nominal value of one pence each), Peoples Choice (Europe) Limited (which has A ordinary shares with a nominal value of one pence each and preference shares with a nominal value of one pence each) and Wren Syndicates Management Limited (which has ordinary shares with a nominal value of £1 each, A voting shares with a nominal value of one pence each and B non voting shares with a nominal value of 25 pence each).

The financial statements of all of the above companies are consolidated into the annual statements of the Brit Group.

All subsidiaries are registered in England and Wales and have their registered offices at 55 Bishopsgate, London EC2N 3AS save in respect of Peoples Choice (Europe) Limited whose registered office is at Westminster House, 11 Portland Street, Manchester M1 3HU.

6. Memorandum of Association

The principal objects of the Company are, *inter alia*, to carry on the business of a holding company, to carry on all kinds of insurance business (the expression "insurance business" including all business which is insurance business within the meaning of the Insurance Companies Act 1982), to undertake reinsurance, co-insurance, and counter-insurance of insurances (including reinsurances) and liabilities of any kind or accepted by other persons or bodies, to reinsure, co-insure, or counter-insure any insurances (including reinsurances) or liabilities undertaken by the Company or any of its subsidiary undertakings, to carry on all or any kinds of indemnity or guarantee business whether of a kind now known or hereafter devised, to act as agents or sub-agents for members of the Society of Lloyd's and in all classes of insurance and reinsurance business, and to act as managers for any insurance company, syndicate, club or association or any individual underwriter in connection with its or his business, to act as agents for any individual, firm, association, syndicate, company or corporation carrying on any insurance or reinsurance business and to carry on business as insurance and reinsurance brokers in respect of all classes of insurance and reinsurance. The objects of the Company are set out in full in clause 4 of the Company's Memorandum of Association which is available for inspection at the address specified in paragraph 17 below.

7. Articles of Association

The Articles of Association of the Company which were adopted by a special resolution passed on 3 November 1995 and amended by special resolutions passed on 25 September 1996, 30 July 1998 and 26 July 1999 contain, *inter alia*, provisions to the effect set out below. This summary does not reflect the changes to be proposed at the EGM, as set out in the notice of EGM at the end of this document and as summarised in the section headed "Amendments to the Articles of Association" in Part One:

(a) Voting Rights

At any general meeting, on a show of hands every shareholder who is present in person shall have one vote and on a poll every shareholder who is present in person or by proxy shall have one vote for every share of which he is the holder. No shareholder shall, unless the Directors otherwise determine, be entitled in respect of any share held by him to vote either personally or by proxy at a general meeting or a class meeting of the Company or to be included in a quorum or to exercise any other rights conferred by his shareholding in relation to general meetings or class meetings of the Company

if any call or other sum payable by him to the Company remains unpaid or where the member has failed to comply with a disclosure notice under section 212 of the Act.

(b) Suspension of rights

- (i) If the Directors are satisfied that any shareholder or any other person appearing to be interested in shares held by such shareholder has been duly served with notice under section 212 of the Act and is in default of such notice for the prescribed period (either by failing to supply the Company with the information thereby required or, in purporting to comply with such notice, by making a statement which is false or inadequate in any material particular) then the Directors may at any time thereafter by notice (a "Default Notice") to such shareholder specifying the nature of the default, the number of shares concerned (the "Default Shares") and the steps to be taken to remedy such default direct that in respect of such shares and any further shares which are issued in respect of such shares the shareholder shall not be entitled to be present or to vote either personally or by representative or proxy at any general or class meeting of the Company or on a poll or to be included in a quorum or to exercise any other rights conferred by his shareholding in relation to general or class meetings of the Company. The prescribed period referred to above means 14 days from the date of service of the notice under section 212 of the Act.
- (ii) Where the Default Shares represent at least 0.25 per cent in nominal value of the class of shares concerned, the Default Notice may in addition direct that any dividend or part thereof or other money which would otherwise be payable in respect of the Default Shares shall be retained by the Company without any liability to pay interest thereon when such money is finally paid and the holder shall not be entitled to elect to receive shares instead of that dividend and/or that no transfer of any shares held by the shareholder shall be registered unless the shareholder is not himself in default in supplying the information required and the transfer is of part only of the shareholder's holding and is accompanied by a certificate given by the shareholder in a form satisfactory to the Directors to the effect that after due and careful enquiry the shareholder is satisfied that none of the shares the subject of the transfer are Default Shares or the transfer is a transfer of shares ("an approved transfer") (a) to an offeror by way or in pursuance of acceptance of an offer made to all the holders (or all the holders other than the person making the offer and his nominees) of the shares in the Company to acquire those shares or a specified proportion of them, or to all the holders (or the holders other than the person making the offer and his nominees) of a particular class of those shares to acquire the shares of that class or a specified proportion of them or (b) to the satisfaction of the Directors, is made pursuant to a sale of the whole of the beneficial ownership of the shares to a party unconnected with the transferring shareholder and/or with any other person appearing to be interested in such shares or (c) resulting from a sale made through a recognised investment exchange (as the expression is defined in the Financial Services Act 1986) or any stock exchange outside the United Kingdom on which the Company's shares are normally traded. The Company shall send to each other person appearing to be interested in any Default Shares the subject of any Default Notice a copy of the Default Notice but the failure or omission by the Company to do so shall not invalidate such Default Notice.
- (iii) A Default Notice shall cease to have effect after not more than seven days after the earlier of receipt by the Company of notice that the Default Shares have been sold to a bona fide unconnected third party or due compliance, to the satisfaction of the Company with the Default Notice or if the Directors at any time give notice cancelling a Default Notice from the date of such notice of cancellation. A Default Notice served by the Directors shall be conclusive against the shareholder concerned and its validity shall not be questioned by any person for so long as in the opinion of the Directors the default in respect of which the default notice is served continues and (unless the Directors otherwise determine) for a period of seven days thereafter, but shall automatically cease to have effect in accordance with this subparagraph (iii). Any new shares in the Company issued in right of any shares subject to a Default Notice (save to the extent that the Company gives a separate Default Notice in relation to the new shares) shall also be subject (when such new shares are issued) to the same restrictions as those which apply to the shares subject to the Default Notice.

(c) Dividends

- (i) Subject to the provisions of the Statutes (as defined in the Articles of Association) and of the Articles of Association, the Company may by ordinary resolution declare dividends to be paid

to the shareholders according to their respective rights and interests in the profits of the Company, but no such dividend shall exceed the amount recommended by the Directors. Subject as aforesaid, if and so far as in the opinion of the Directors the profits of the Company justify such payments, the Directors may from time to time declare and pay interim dividends on the shares of any class of such amounts and on such dates and in respect of such period as they think fit. Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid *pro rata* according to the amounts paid on the shares during any portion or portions of the period in respect of which the dividend is paid. For this purpose, no amount paid on a share in advance of a call shall be treated as paid on the share.

- (ii) No dividend shall be paid otherwise than out of profits available for distribution under the provision of the Statutes and of the Articles of Association.
- (iii) Any resolution (whether of the shareholders or of the Directors) declaring a dividend on shares of any class may specify that the same shall be payable to registered holders of such shares at the close of business on a particular date, notwithstanding that it may be the date prior to that on which the resolution is passed, and thereupon the dividend shall be payable to them in accordance with their respective holdings so registered but without prejudice to the rights *inter se* in respect of such dividend of transferors and transferees of any such share.
- (iv) All unclaimed dividends, interest or other sums payable may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. The payment by the Directors of any unclaimed dividend or other monies payable on or in respect of a share into a separate account shall not constitute the Company a trustee in respect thereof and any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

(d) *Winding-up*

The Directors shall have the power in the name and on behalf of the Company to present a petition to the Court for the Company to be wound up and if the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the Court) the liquidator may with the authority of an extraordinary resolution of the Company and any other sanction required by law:

- (i) divide among the shareholders *in specie* or in kind the whole or any part of the assets of the Company (whether the assets shall consist of property of one kind or shall consist of properties of different kinds) and may, for that purpose put such value as he deems fair upon any one or more class or classes of property and determine how such division shall be carried out as between the shareholders or different classes of shareholders; and
- (ii) vest any part of the assets in trustees upon such trusts for the benefit of shareholders of the Company as the liquidator shall think fit and that liquidation of the Company may be closed and the Company dissolved;

but no contributory shall be compelled to accept any shares or other property in respect of which there is a liability.

(e) *Transfer of shares*

- (i) All transfers of shares may be effected by transfer in writing in any usual form or in any other form acceptable to the Directors and in the case of a person or firm may be under hand only. Any written instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee. The transferor shall remain the holder of the shares concerned until the name of the transferee is entered in the register of members in respect thereof. The Directors may in their absolute discretion and without assigning any reason therefor refuse to register a transfer of a share which is partly paid provided that such refusal is not such as to prevent dealings in partly paid shares taking place on an open and proper basis.
- (ii) The Directors may also decline to recognise any instrument or other record of transfer as may be prescribed by the Statutes and/or by the London Stock Exchange unless it is in respect of only one class of shares, is duly stamped (if so required) and is in favour of a single transferee or not more than four joint transferees and is lodged at the place where the register of members of the Company is situated for the time being (or such other place as the Directors may from time

to time determine) accompanied by the relevant share certificate(s) and such evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and if it is executed by some other person on the transferor's behalf, the authority of that person so to do. The registration of transfers may either generally or in respect of any class of shares be suspended at such times and for such periods (not exceeding 30 days in any year) as the Directors may from time to time determine.

- (iii) The Directors may refuse to register any transfer of a share if in their absolute discretion they are satisfied that the person(s) to whom such share is transferred is or may then be, or would or may as a consequence of such transfer obtain a notifiable holding (as that expression is defined in paragraph (m) below) unless the Directors shall (in their absolute discretion) be satisfied that the Council (as that expression is defined in paragraph (m) below) and/or (as the case may require) the FSA shall have been notified of such proposed notifiable holding and either that the Council and/or (as the case may require) the FSA shall have given its unconditional written confirmation that it does not object to such person(s) obtaining a noticeable holding or shall not have objected (within any relevant period for objection) to such person(s) obtaining a notifiable holding.
- (iv) There are no rights of pre-emption under the Articles of Association of Brit in respect of transfers of issued Ordinary Shares. In certain circumstances, Ordinary Shareholders may have statutory pre-emption rights under the Act in respect of the allotment of new shares in Brit. The statutory pre-emption rights would require to offer new shares for allotment to existing shareholders on a *pro rata* basis before allotting to other persons. In such circumstances, the procedure for the exercise of such statutory pre-emption rights would be set out in the documentation by which such shares would be offered to Ordinary Shareholders.

(f) *Variation of rights*

Whenever the share capital of the Company is divided into different classes of shares, the special rights attached to any class may, subject to the provisions of the Statutes, be varied or abrogated in such manner (if any) as may be provided by such rights or, in the absence of any such provision, either with the consent in writing of the holders of three fourths in nominal value of the issued shares of the class or with the sanction of any extraordinary resolution passed at a separate general meeting of such holders (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up.

At every such separate general meeting, the necessary quorum shall be two persons present in person holding or representing by proxy or as the duly authorised representative of a corporation holding at least one third in nominal value of the issued shares of the class, except where there is only one holder of the class of shares in which case the quorum shall be such holder. The variation or abrogation of the special rights attached to some only of the shares of any class may only be made in accordance with such provisions as are referred to above as if each group of shares of the class differently treated formed a separate class the special rights whereof are to be varied or abrogated.

Save as aforesaid, the special rights attached to any class of shares shall not unless otherwise explicitly provided by the terms of issue thereof be deemed to be varied or abrogated by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto or by the purchase or redemption by the Company of its own shares in accordance with the provisions of the Statutes and the Articles of Association.

(g) *Alteration of share capital*

- (i) The Company may from time to time by ordinary resolution:
 - (1) increase its share capital by such sum to be divided into shares of such amounts as the resolution shall prescribe and, except as otherwise provided by or pursuant to the Articles of Association or by the conditions of issue of such shares, all new shares shall be subject to all of the provisions of the Articles of Association;
 - (2) consolidate and divide all or any of its share capital into shares of larger nominal amounts than its existing shares and upon any consolidation of fully paid shares into shares of larger amounts, the Directors may, as between the shares so consolidated, determine which shares are consolidated into each consolidated share;

- (3) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken, by any person, and diminish the amount of its share capital by the nominal amount of the shares so cancelled; and
 - (4) sub-divide its shares or any of them into shares of a smaller amount than is fixed by the Memorandum of Association of the Company (subject, nevertheless, to the provisions of the Statutes), and so that the resolution whereby any share is sub-divided may determine that, as between the shares resulting from such sub-division, one or more of the shares may, as compared with the others, have any such preferred, deferred or other special rights, or be subject to any such restrictions, as the Company has the power to attach to unissued or new shares.
- (ii) The Company may by special resolution reduce its share capital or any capital redemption fund, share premium account or other undistributable reserve in any manner and with and subject to any authority and consent required by law or any rights from time to time attached to any shares of the Company.
 - (iii) The Company may, subject to the provisions of the Statutes and to sanction by an extraordinary general resolution passed at a separate class meeting of the holders of any class of shares in issue which are convertible into equity share capital of the Company, purchase all or any of its own shares of any class (including any redeemable shares) or enter into such agreements (contingent or otherwise) in relation to the purchase of its own shares on such terms and in such manner as may be approved by such resolution and permitted by the Statutes.

(h) Allotment of shares

Subject to the provisions of the Statutes and any direction or authority contained in the resolution of the Company in general meeting creating or authorising the same, the Directors are generally and unconditionally authorised to allot (with or without conferring a right of renunciation) or to grant options of subscription or conversion over unissued shares to such persons (whether existing shareholders or not), at such times and on such terms and conditions as they think proper.

(i) Directors

- (i) Unless otherwise determined by an ordinary resolution of the Company and subject to the provisions of the Articles of Association, the number of Directors shall be not less than three nor more than 30 in number.
- (ii) A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at general meetings and at any separate meeting of the holders of any class of shares or debentures in the capital of the Company.
- (iii) The amount of any fees payable to the Directors shall be determined by the Directors provided that they shall not in any year exceed in aggregate the sum of £350,000 or such other sum as may from time to time be approved by ordinary resolution (excluding amounts otherwise payable under the provisions of the Articles of Association). Any such fees shall be divisible among the Directors as they may agree or, failing agreement, equally except that any Director who shall hold office for part only of the period in respect of which such remuneration is payable shall be entitled only to rank in such division for a proportion of the remuneration related to the period during which he has held office. Any Director who holds any executive office and any Director who holds the office of chairman or deputy chairman, whether or not such office is held in an executive capacity, and any Director who serves on any committee or who, at the request of the Directors, goes or resides abroad, makes any special journey or otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such remuneration by way of salary, commission or otherwise as the Directors may determine in addition to or in lieu of any fee payable to him for his services as a Director pursuant to the Articles of Association. The Company shall repay to any Director all such reasonable expenses as he may properly incur in the performance of his duties including attending meetings of the Directors or any committee of the Directors or general meetings or separate meetings of the holders of any class of shares or debentures of the Company or otherwise in or about the business of the Company.
- (iv) Subject to the provisions of the Statutes and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director may notwithstanding his office, be a party to or otherwise interested in any contract, transaction or arrangement with the Company

in which the Company is otherwise interested (including any insurance against liability purchased or maintained by the Company for him or for his benefit), may be a director or other officer of or be employed by, or a party to any transaction or arrangement with or otherwise interested in any body corporate promoted by the Company or in which the Company is otherwise interested, may hold any office or place or profit under the Company (except that of auditor or auditors of the Company or any subsidiary of the Company) in conjunction with the office of Director and he (or any firm of which he is a member) may act in a professional capacity to the Company and be remunerated therefore in addition to or in lieu of any remuneration provided for by the Articles of Association and he shall not, by reason of his office, be accountable to the Company for any benefit which derives from any office or employment or from any such contract or transaction or arrangement or from any interest in any such body corporate and no such contract, transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit. A Director who, to his knowledge, is in any way, directly or indirectly, interested in any contract, transaction or arrangement with the Company shall declare the nature of such interest at the first Directors' meeting at which the question of entering into the contract, transaction or arrangement is first considered if he knows his interest then exists or in any other case at the first Directors' meeting after he knows that he is or has been so interested but an interest of which a Director has no knowledge and of which it is unreasonable to expect him to have knowledge shall not be treated as an interest of his. A general notice given at a meeting of the Directors that a Director is to be regarded as having an interest, of the nature and extent specified in the notice, in any contract, transaction or arrangement in which a specified person or class of persons is interested, shall be deemed to be disclosure that the Director has an interest therein of the nature and the extent so specified.

- (v) Save as otherwise provided below, the Directors shall not vote in respect of any resolution of the Directors or a committee thereof concerning any contract, transaction or arrangement or any other proposal whatsoever to which the Company is or is to be a party and in which he has any material interest, direct or indirect, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. A Director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. Subject to the provisions of the Statutes, a Director shall (in the absence of some material interest, direct or indirect other than as indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters:
 - (1) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (2) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (3) any contract, transaction, arrangement or proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
 - (4) any contract, transaction, arrangement or proposal to which the Company is or is to be a party concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he together with persons connected with him (within the meaning of section 346(2) of the Act) is not the holder of or beneficially interested in 1 per cent. or more of the issued shares of any class of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purpose of the provisions referred to in this sub-paragraph (v) to be a material interest in all circumstances);
 - (5) any contract, transaction, arrangement or proposal concerning the adoption, modification or operation of a superannuation fund or retirement, death or disability benefit scheme under which he may benefit and which has been approved by or is subject to and conditional upon approval by the Board of Inland Revenue for taxation purposes;

- (6) any contract, transaction, arrangement or proposal concerning the adoption, modification or operation of any scheme for enabling employees, including full time executive directors, to acquire shares of the Company and/or of any of its subsidiary undertakings or any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings under which the Director benefits in a similar manner to employees and which does not accord any Director as such any privilege or advantage not generally accorded to the employees to whom such scheme or arrangement relates; and
- (7) any contract, transaction, arrangement or proposal concerning any insurance against any liability which the Company is empowered to purchase or maintain for or for the benefit of any Directors or group of persons who includes Directors.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of the appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, such proposals may be divided and considered in relation to each Director and in such case each of the Directors concerned (if not debarred from voting pursuant to the provisions referred to above) shall be entitled to vote and be counted in the quorum in respect of each resolution except that concerning his own appointment.

An interest of a person who is, for the purposes of the Statutes, connected with a Director shall be treated as an interest of the Director and an interest of the appointor of an alternate Director shall be treated as an interest of the alternate Director in addition to an interest which the alternate Director otherwise has.

Subject to the provisions of the Statutes, the Company may by ordinary resolution suspend or relax the provisions of the Articles of Association conferring limitations on the voting of interested Directors, either generally or in relation to a particular matter or ratify any transaction not duly authorised by reason of a contravention of such provisions.

- (vi) The Directors may from time to time appoint one or more of their body to be the holder of any executive office (including, where considered appropriate, the office of chairman, deputy chairman, managing director or chief executive) on such terms and for such period (subject to the provisions of the Statutes) as they may determine and, without prejudice to the terms of any agreement entered into in any particular case, may at any time revoke or terminate any such appointment. The Directors may entrust to and confer upon any such Director any of the powers, authorities and discretions (with the power to sub-delegate) exercisable by them as Directors upon such terms and conditions and with such restrictions as they think fit and either collaterally with or to the exclusion of their own powers and may from time to time revoke, withdraw, alter or vary all or any of such powers. The appointment of any Director to any such executive office shall automatically determine if he ceases for any cause to be a Director, but without prejudice to any claim he may have for damages for breach of any agreement between him and the Company.
- (vii) Any provisions of the Statutes, which but for the Articles of Association, would have the effect of rendering any person ineligible for appointment as a Director or liable to vacate office as a Director on account of his having reached any specified age, or of requiring special notice or any other special formality in connection with the appointment of any Director over a specified age, shall not apply to the Company.
- (viii) At each annual general meeting one third of the Directors who are subject to retirement by rotation or, if their number is not three or a multiple of three, the number nearest to but not greater than one third, shall retire from office by rotation but so that, if there are fewer than three Directors who are subject to retirement by rotation, one shall retire from office. Subject to the provisions of the Statutes and of the Articles of Association, the Directors to retire by rotation shall include (so far as necessary to obtain the number required) any Director who is due to retire at the meeting by reason of age or wishes to retire and not to offer himself for re-election. Any further Directors so to retire shall be those of the other Directors who have been longest in office since their last re-election or appointment and so that as between persons who become or were last-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

(j) *Borrowing powers*

Subject to the provisions of the Statutes, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property, assets (present and future) and uncalled capital and to issue debentures or other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

The Directors are to ensure that the aggregate principal amount (together with any fixed or minimum premium payable as final repayment or redemption) for the time being remaining outstanding in respect of all monies borrowed by the Group (which, for these purposes means the Company and its subsidiary undertakings for the time being) and for the time being owing to persons outside the Group shall not at any time without the previous sanction of an ordinary resolution of the Company exceed an amount equal to 50 per cent of the Adjusted Capital and Reserves (as defined in the Articles of Association) of the Company.

(k) *Untraced shareholders*

The Company shall be entitled to sell at the best price reasonably obtainable any share in the Company of a shareholder or to which a person is entitled by transmission if and provided that for a period of not less than 12 years throughout which the share shall have been in issue at least three cash dividends in respect of the share have become payable and no cheque, order, or warrant sent by the Company through the post in a prepaid envelope addressed to the shareholder or person entitled by transmission to the share at his address on the register of members or at his last known address given by the shareholder or person entitled by transmission to which cheques and warrants are to be sent has been cashed or the payment has not been satisfied by the transfer of funds to a designated bank account and no communication has been received by the Company which would enable the Company to trace such shareholder or person entitled by transmission and no dividend has been claimed by the person entitled to it and the Company has at the expiration of such 12 year period given notice of its intention to sell such share by advertisement in one national daily newspaper and a newspaper circulating in the area in which the last known address of the member or the address for service of notices in accordance with the Articles of Association of the member and the Company has not during the further period of three months after the date of the latest of such advertisements (if on different dates) and prior to the exercise of the power of sale received any communication that would enable the Company to trace such shareholder or person entitled by transmission and if any shares of the Company are listed or dealt in on the London Stock Exchange the Company has first given notice in writing to the London Stock Exchange of its intention to sell such shares. The Directors may appoint any person to execute as transferor an instrument of transfer of such share and such instrument shall be effective as if it has been executed by the registered holder of, or person entitled by transmission to, such share. The purchaser shall not be bound to see to the application of the purchase money and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings in reference to the sale. The Company shall account to the shareholder or other person entitled to such share for the net proceeds of such sale and shall be deemed to be his debtor, and not trustee for him, in respect of the same. Until accounted for to the shareholder or other person entitled to such share the net proceeds of sale shall be carried to a separate account and shall be a permanent debt of the Company. Monies carried to such account may for the benefit of the Company either be employed in the business of the Company or invested in such investments (other than shares of the Company or its holding company if any) as the Directors may think fit. No interest shall be payable in respect of such monies and the Company shall not be required to account for any money earned on them. If during the period of 12 years referred to above or during any period ending on the day when the provisions of the Articles of Association in this regard have been satisfied any additional shares have been issued in right of those shares held at the beginning of, or previously so issued during, such periods and all the requirements of the Articles of Association in this regard have been satisfied in regard to such additional shares, the Company shall also be entitled to sell the additional shares.

(l) *Reserves*

- (i) Subject to the provision of the Statutes the Directors may from time to time set aside out of the profits of the Company such sums as they think proper as reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may properly be applied.
- (ii) Any monies for the time being standing to the credit of any such reserves may, at the discretion of the Directors, either be employed in the business of the Company or be invested in such

investments as the Directors may from time to time think fit. The Directors may divide the reserve into such special funds as they think fit, and may consolidate into one fund any special funds or any parts of any special funds into which the reserve may have been divided. The Directors may also, without placing the same reserve, carry forward any profits which they may think it prudent not to distribute.

(m) Controllers and notifiable holdings

- (i) The Articles define the words and expressions set out below as follows:

“10% controller” a controller in whose case the percentage referred to in the definition of “controller” is 10 per cent. or more but less than 20 per cent.;

“20% controller” a controller in whose case the percentage is 20 per cent. or more but less than 33 per cent.;

“33% controller” a controller in whose case that percentage is 33 per cent. or more but less than 50 per cent.;

“50% controller” a controller in whose case that percentage is 50 per cent.;

“controller” means a Lloyd’s controller and/or an ICA controller;

“ICA controller” means a person who is a shareholder controller within the meaning given to that expression in section 96C(2) of the Insurance Companies Act 1982 as from time to time amended;

“Lloyd’s controller” means a person who is a controller within the meaning given to that expression in the Membership Byelaw (No.17 of 1993) and/or the Underwriting Agents Byelaw (No.4 of 1984) (as applicable) as from time to time amended;

“Council” means the Council of Lloyd’s or any person or delegate through whom that body may from time to time act;

“Lloyd’s” means the Society and Corporation of Lloyd’s;

“majority controller” means a controller whose shareholding is such that the body corporate is his subsidiary undertaking;

“Membership Byelaw” means the Membership Byelaw (No. 17 of 1993) made by the Council as amended from time to time;

“notifiable holding” means voting rights or shares which, if acquired by any person, will result in him becoming a 10 per cent. controller, a 20 per cent. controller, a 33 per cent. controller, a 50 per cent. controller or a majority controller;

“parent undertaking” has the meaning given in section 258 of the Act;

“subsidiary undertaking” has the meaning given in section 258 of the Act; and

“Underwriting Agents Byelaw” means the Underwriting Agents Byelaw (No. 4 of 1984) made by the Council as amended from time to time.

- (ii) If the Directors are satisfied that any member has or may have acquired a notifiable holding in the Company then unless the Directors shall be satisfied that the Council and/or (as the case may require) the FSA shall have been notified of such proposed notifiable holding and either that the Council and/or (as the case may require) the FSA has given its unconditional written confirmation that it does not object to the relevant member acquiring such a holding in the Company, or shall not have objected (within any relevant period prescribed for objections) to the relevant member acquiring such a holding in the Company they may by a notice (a “disenfranchisement notice”) to such member specifying the number of shares being such number of shares held by such member as shall cause such member to cease to have the relevant notifiable holding (the “disenfranchised shares”) direct that the member shall not be entitled to cast any vote in respect of the disenfranchised shares either personally or by representative or proxy at a general meeting of the Company or at a meeting of the holders of any class of shares of the Company on any poll or to exercise any other rights conferred by membership in respect of the disenfranchised shares in relation to general meetings of the Company or meetings of the holders of any class of shares of the Company or polls.
- (iii) The Company shall not be obliged to send to any other person a copy of the disenfranchisement notice. Any disenfranchisement notice shall have effect in accordance with its terms from the date of its issue until it shall cease to have effect in accordance with subparagraph (iv) below.

- (iv) A disenfranchisement notice shall cease to have effect
 - (1) in relation to any disenfranchised shares which are transferred (whether or not the transfer results from a sale made through a recognised investment exchange (as defined in the Financial Services Act 1986) or any stock exchange outside the United Kingdom on which the Company's shares are normally traded) by any such controller to any person who will not, in the absolute opinion of the Directors, as a consequence of such transfer acquire a notifiable holding in the Company; or
 - (2) if the Directors at any time give notice cancelling a disenfranchisement notice, from the date of such notice of cancellation which notice shall be given within seven days of the Company being notified in writing that the Council and/or (as the case may require) the FSA has been notified of the proposed notifiable holding and either that the Council and/or (as the case may require) the FSA has given its unconditional written confirmation that it does not object to the holder of the disenfranchised shares acquiring the relevant notifiable holding in the company or the Council and/or (as the case may require) the FSA has not objected (within any relevant period for objection) to such holder acquiring the relevant notifiable holding in the company.
- (v) The Directors shall cause the Register to have noted against the name of the member upon whom a disenfranchisement notice has been served details of such disenfranchisement notice and the number of shares specified therein and shall cause such notice to be deleted upon the disenfranchisement notice ceasing to have effect in accordance with subparagraph (iv) above.
- (vi) Any disenfranchisement notice served by the Directors shall be conclusive against the member concerned and its validity shall not be questioned.
- (vii) Any new shares in the Company issued in right of any shares the subject of a disenfranchisement notice shall also be subject to the disenfranchisement notice (save to the extent that the Company gives a separate default notice in relation to the new shares) and the Directors may make any right to an allotment of such new shares subject to restrictions corresponding to those which will (when such new shares are issued) apply to those new shares pursuant to a disenfranchisement notice served by virtue of this subparagraph (vii).

(n) Service of notice on members

- (i) Any notice or document (including a share certificate) may be served on or delivered to any member of the Company either personally or by sending it through the post in a prepaid cover addressed to such member at his registered address, or (if he has no registered address within the United Kingdom) to the address, if any, within the United Kingdom supplied by him to the Company as his address for the service of notices, or by delivering it to such address addressed to the member.
- (ii) Any member whose registered address is not within the United Kingdom shall be entitled to supply to the Company an address within the United Kingdom which for the purposes of notices shall be considered his address.
- (iii) A member who (having no registered address within the United Kingdom) has not supplied to the Company an address within the United Kingdom for the service of notices, pursuant to the Article summarised in paragraph (ii) above, shall not be entitled to receive notices from the Company.

8. Directors' and others' interests

- (a) (i) At 22 November 2001 (being the latest practicable date prior to the publication of this document), the interests of the Directors and their immediate families in Brit Shares which have been notified to the Company pursuant to section 324 or section 328 of the Act or which are required to be entered in the register maintained under section 325 of the Act including (to the extent known or which could with reasonable diligence be ascertained by a Director) the interests of the persons connected with the Directors (within the meaning of section 346 of the Act) which would, if the connected person was a Director, be required to be disclosed pursuant to section 324 or 328 of the Act, all of which interests are beneficial, are as follows:

<i>Director</i>	<i>Number of Brit Shares</i>	<i>Percentage of existing issued share capital</i>	<i>Share Options⁽¹⁾</i>
J M P Welman	100,000	0.04	604,381
A Shone	5,455,705	2.26	243,855
N D Eckert	944,067	0.39	1,302,181
A Holland	389,696	0.16	648,694
M Scales	—	—	436,667
S D Clapham	659,621	0.27	563,220
D J Douetil	85,000	0.04	352,500
D C McCrickard	—	—	—
P Gaunt	—	—	—
G F MacAulay	20,000	0.008	—
J A V Townsend	253,565	0.11	—
P R Withers Green	11,750	0.004	—

(1) For further information on these options see paragraph 11 below.

- (ii) As a result of proposed applications for Brit Shares and/or Loan Stock under the Open Offers or pursuant to the Placings by the following Directors or their immediate families, the interests of those Directors in Brit Shares, Loan Stock and Brit Shares which would be allotted and issued upon exercise in full of the conversion rights of the Loan Stock and which would arise under the Open Offers and/or Placings would, on the above basis, be as set out below, with effect from the date of Admission:

<i>Director</i>	<i>Number of Brit Shares</i>	<i>Loan Stock (nominal value)</i>	<i>Number of Brit Shares into which Loan Stock would convert</i>
J M P Welman	—	18,750	21,307
N D Eckert	—	177,012	201,156
G F MacAulay	10,000	—	—
P R Withers Green	8,812	—	—

- (b) The Directors are not aware of any direct or indirect interest representing 3 per cent or more of the issued share capital of the Company or of any persons who directly or indirectly, jointly or severally, exercise or could exercise control over the Company as at 22 November 2001 (being the last practicable date prior to the publication of this document) other than the following Shareholders who are interested in 3 per cent or more of the Company's issued share capital:

<i>Shareholder</i>	<i>Number of Brit Shares</i>	<i>Percentage of existing issued share capital</i>
Benfield	35,245,421	14.63
Rostrum Investors	32,610,756	13.54
Fidelity Investment Services	23,847,404	9.90
Merrill Lynch Investment Managers	11,211,031	4.65
Axa Investment Managers	10,846,750	4.34
Legal & General	8,444,671	3.51

Interests disclosed to the Company in respect of the Rostrum Investors limited partnerships are as follows:

- Rostrum Limited is interested in 30,306,964 Brit Shares as general partner;
- each of Possfund Nominees Limited, BriTel Fund Trustees Limited and Kleinwort Benson (Jersey) Trustees Limited is interested in 1,404,127, 30,306,964 and 899,665 Brit Shares respectively as a limited partner;
- each of British Airways Pension Trustees Limited and Stargas Nominees Limited is interested in 14,731,989 Brit Shares as a limited partner;
- Mr Michael J Wade is interested in 30,306,964 Brit Shares as an indirect shareholder in Rostrum Limited; and

- The Northwestern Mutual Life Insurance Company is interested in 30,306,964 Brit Shares as a result of the interests in those shares of its subsidiaries Rostrum Limited and Enco Nominees Limited.
- (c) So far as the Directors are aware, no person does or could directly or indirectly jointly or severally exercise control over the Company.
- (d)
 - (i) Dick Withers Green is a director of Jupiter Asset Management Limited, which is subscribing for 1,800,000 Stock Units under the Loan Stock Placing.
 - (ii) Anthony Townsend is a director of Hansa Capital Limited which is subscribing for 825,000 Stock Units under the Loan Stock Placing.
 - (iii) Paul Gaunt is a non-executive director of Numis Corporation plc, the ultimate holding company for Numis, which is the financial adviser, sponsor and stockbroker to the Company.
 - (iv) Jo Welman is interested in 1,000 ordinary shares of £1 each in EPL (representing approximately 10 per cent. of the issued share capital of EPL). The Company has a 34.1 per cent equity interest in EPL.
 - (v) Glyn MacAulay is a former senior partner of Neville Russell, auditors, the predecessor firm of the current auditors of the Company, Mazars Neville Russell.
- (e) For the purposes of section 324 of the Act, Neil Eckert is interested in 2,400,000 ordinary shares of 1p each in Benfield (representing approximately 3.8 per cent of the issued ordinary share capital of Benfield). Benfield and its subsidiaries are the beneficial owners of 35,245,421 Brit Ordinary Shares (representing 14.63 per cent of the issued ordinary share capital of Brit).
- (f) Save for the interests disclosed above, no Director has or has had any interest in any transactions with the Company which are or were unusual in their nature or conditions or significant to the business of the Brit Group and which was effected by any member of the Brit Group during the current or immediately preceding financial year of the Company or was effected during an earlier financial period and remains in any respect outstanding or unperformed.
- (g) Save for non-material season ticket loans, no loans or guarantees have been granted or provided to or for the benefit of any of the Directors by any member of the Group.

9. Directors' employment arrangements

- (a) Messrs. Eckert and Welman have entered into service agreements with Brit Group Services Limited ("BGS"), details of which are set out in paragraph (c)(i) below. Messrs. Holland and Clapham have entered into service agreements with Wren Holdings Limited ("WHL"), details of which are set out in paragraph (c)(ii) below. Andrew Shone is also employed by BGS, details of which are set out in paragraph (d) below and Messrs Douetil and Scales have service contracts with Brit Insurance Limited, details of which are set out in paragraph (e) below.
- (b) All non-executive Directors have service letters from the Company under which there is a nil notice period on behalf of the Company. The fees payable to the non-executive Directors are as follows:

All non-executive Directors	£15,000 per annum
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In addition, non-executive Directors receive additional fees in respect of membership of Board committees as follows:

audit committee	£5,000 per annum
remuneration committee	£5,000 per annum
capital management committee	£10,000 per annum

Chairmen of the audit committee and remuneration committee receive fees of £10,000 each.

The Directors were each appointed on 3 November 1995 other than Glyn MacAulay who was appointed on 13 February 1996, Andrew Shone, Andrew Holland, Simon Clapham, Anthony Townsend and Dick Withers Green who were appointed on 2 August 1999 and Matthew Scales and Dane Douetil who were appointed on 30 November 1999.

- (c) The employment arrangements of Messrs. Eckert, Welman, Holland and Clapham are as follows:

- (i) Neil Eckert and Jo Welman

Each of Neil Eckert and Jo Welman has a service agreement with BGS dated 8 May 2000 in relation to which continuous employment began on 1 February 2000 and 1 December 1999 respectively. Under each agreement the notice period is 12 months which can be given by either

party. Each service agreement contains restrictive covenants in favour of BGS for the period of 12 months after termination. Neil Eckert is entitled to basic remuneration of £291,932 per annum and Jo Welman is entitled to basic remuneration of £225,252 per annum in each case, subject to review. In addition each is entitled to life assurance, private medical insurance, permanent health insurance and a car. In addition, Neil Eckert is entitled to membership of the Brit Insurance money purchase scheme and Jo Welman is entitled to a contribution to a private pension up to the full allowable contribution. With effect from 17 August 2001, 70 per cent. of Mr Welman's remuneration has been paid for by EPL.

(ii) Andrew Holland and Simon Clapham

Each of Andrew Holland and Simon Clapham has a service agreement with WHL both dated 31 March 1998 in relation to which continuous employment began on, respectively, 2 September 1996 and 1 October 1994. Each service agreement specifies a 12 month notice period which can be given by either party. There are also restrictive covenants in favour of WHL for the period of 12 months after termination. Andrew Holland is entitled to basic remuneration of £208,588 per annum and Simon Clapham is entitled to basic remuneration of £193,592 per annum, subject to review. Each is also entitled to life assurance, private medical insurance, permanent health insurance and a car. Andrew Holland is entitled to membership of the BGS pension scheme and a discretionary bonus (not payable during notice or after termination) which can only be paid once in any calendar year, the amount of which is at the discretion of the Remuneration Committee of the Board. In each case death benefit is attached to their life insurance cover at a level equal to four times salary (subject to an Inland Revenue cap). Simon Clapham is also entitled to a contribution to a private pension up to the full allowable contribution and profit commission (not payable during notice or after termination). This profit commission is calculated as follows:

- in relation to WSM – 2.5 per cent out of the 15 per cent profit commission received in respect of Syndicate 800 which is managed by WSM; and
- in relation to Marham Consortium Management Limited – 15 per cent. profit commission but only if Syndicate 800 has a net operating profit.

Simon Clapham receives from the Lloyd's Market Board an annual payment of £5,000 for serving as a director of the Lloyd's Market Board. Simon Clapham pays these fees to the Company.

- (d) Andrew Shone has not entered into a service agreement but has been in continuous employment since 18 October 1965 and is employed by BGS. The notice period that can be given by Andrew Shone is one month, but statutory notice, which in his case is twelve weeks, is required on the part of the Company. Mr Shone is entitled to a basic salary of £200,256 per annum. Andrew Shone is entitled to membership of the BGS pension scheme, a car, life assurance, private medical insurance and permanent health insurance. Andrew Shone is also entitled to profit commission at a level of 2.5 per cent out of the 15 per cent profit commission received in relation to Syndicate 735, which is managed by WSM, an indirect subsidiary of Wren plc. Andrew Shone will cease to be an active underwriter with effect from 31 December 2001 and his intention is to work on a part time basis from that date and the terms of any such appointment remain to be agreed.

(e) (i) Dane Douetil

Dane Douetil has a service agreement with BIL dated 30 July 1998. Under this agreement there is a mutual notice period of twelve months. There are restrictive covenants in favour of BIL for twelve months post termination. Mr Douetil is entitled to a basic remuneration of £160,008 per annum, which is capable of review, membership of the BIL money purchase pension scheme, the Group Funded Unapproved Retirement Benefits Scheme, a car, life assurance, private medical insurance, permanent health insurance and an annual bonus as set out below and is a participant in the Brit Insurance Phantom Share Option Scheme described in paragraph 11(d) below.

Dane Douetil is eligible to receive a payment under the Brit Insurance Annual Bonus Scheme. Under this scheme a person who is an employee or executive director of Brit Insurance is eligible ("Eligible Employee") to receive a payment under this scheme if he is invited to participate by Brit Insurance's Remuneration Committee. The Bonus Pool (as defined below) for a Profit Period (as defined below) is divided between the Eligible Employees at the discretion of the Chief Executive of BIL with the approval of the Brit Insurance Remuneration Committee (except that any share of the Bonus Pool for Dane Douetil is at the discretion of the

Remuneration Committees of the Board and BIL). It is not necessary for all of the Bonus Pool to be divided between the Eligible Employees in respect of a particular Profit Period.

“Bonus Pool” for any Profit Period means the lesser of:

1. 7.5 per cent of the accumulated profits before tax as shown in the audited statutory accounts of BIL since the date of approval of the scheme; and
2. 7.5 per cent of the profits before tax as shown in the audited statutory accounts of BIL for the Profit Period.

“Profit Period” means a period for which an audited profit and loss account is drawn up for BIL.

An Eligible Employee’s bonus entitlement is payable in stages: he receives one-third after the end of the relevant Profit Period as soon as such entitlement has been calculated, one-third twelve months after the end of the relevant Profit Period and one-third 24 months after the end of the relevant Profit Period, provided that (with certain exceptions) at the date of payment the Eligible Employee is still an employee or director of BIL or a group company and BIL has made accumulated profits before tax twelve months and twenty four months respectively after the end of the relevant Profit Period.

(ii) **Matthew Scales**

Matthew Scales has a service agreement with BIL dated 10 December 1998 and subject to a mutual notice period of twelve months. There are restrictive covenants in favour of BIL for twelve months post termination. Mr Scales is entitled to a basic remuneration of £200,000 per annum, which is capable of review, a car, life assurance, membership of the BIL money purchase pension scheme, the Group Funded Unapproved Retirement Benefits Scheme, private medical insurance and permanent health insurance. Mr Scales is also entitled to participate in the Brit Insurance Phantom Share Option Scheme described in paragraph 11(d) below.

- (f) Total emoluments receivable by the Directors will not be varied as a consequence of the Placings and Open Offers.
- (g) The total aggregate of the remuneration paid and benefits in kind granted to the Directors by the Group in the financial year ended 31 December 2000 was £2,089,000.
- (h) The annual amount estimated to be paid in the current financial year to the Directors by the Group under the arrangements in place at the date of this document is £1,972,153 million.
- (i) The service contracts of Jo Welman and Neil Eckert provide that if the Company terminates their employment in specific circumstances detailed in their respective contracts the Company will pay, within 14 days after such termination, a sum equal to 12 months salary by way of compensation. This amounts to an aggregate of £517,184.00.

10. Material contracts

- (a) There are no contracts which are or may be material which (i) have been entered into by members of the Group otherwise than in the ordinary course of business since 23 November 1999 (being the date two years prior to the publication of this document) or (ii) which contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at 23 November 2001 other than:

(i) *Brit Insurance*

- (a) an agreement dated 31 July 1998 between Brit and Lennoxhurst Limited (“Lennoxhurst”) (the “Brit Insurance Acquisition Agreement”) pursuant to which Brit agreed to acquire 14,995,000 ordinary shares of £1 each (“Shares”) in Brit Insurance for a cash consideration of £22.5 million and, for an option consideration fee of £2.5 million was granted by Lennoxhurst an option to acquire the remaining 35,005,000 ordinary shares of £1 each in Brit Insurance (“Retained Shares”). The option was exercised by Brit and completion of the acquisition of the Retained Shares took place on 17 November 1999 (“Brit Insurance Completion”). The consideration was satisfied by the allotment by Brit to Lennoxhurst of 30,479,798 ordinary shares in Brit together with the payments referred to below.
- (b) The Brit Insurance Acquisition Agreement also provided that deferred consideration will be payable by Brit equal to one half of the aggregate of the balances on technical account

for general business of Brit Insurance for the period of six years from 16 December 1998, less corporation tax at the prevailing rate and certain other agreed deductions.

- (c) The deferred consideration for the first three years after 16 December 1998 was and is to be paid as a lump sum after such period and deferred consideration in respect of the subsequent three years will be paid annually. Brit will be entitled to satisfy the deferred consideration by allotting new ordinary shares in Brit or (at Brit's election) by issuing loan notes to Lennoxhurst, or by a combination of the two. Under the terms of the agreement no payment became due as at 31 December 2000.
- (d) On Brit Insurance Completion Lennoxhurst was entitled to a retained profits payment equal to 70.01 per cent of the retained profit of Brit Insurance for the period from 16 December 1998 to the date of Brit Insurance Completion. The calculation was made from the audited annual accounts of Brit Insurance and was paid after finalisation of those accounts for the relevant year. The sum of £1.55 million was paid on 15 July 1999.

(ii) *Funds at Lloyd's*

On 14 December 1999 the Group effected a reorganisation of its funds at Lloyd's to the intent that all of its Lloyd's underwriting for the 2000 and subsequent years of account would be carried on through Brit UW. Prior to this reorganisation the sixteen corporate members ("the Former Corporate Members") within the Group provided funds at Lloyd's through a mechanism known as the "covenant and charge". Pursuant to this mechanism covenants were given by Masthead Insurance Underwriting Plc ("Masthead"), Wren plc ("Wren") and the Company ("the Original Covenantors") to Lloyd's to pay specified sums in respect of, *inter alia*, each corporate member's underwriting liabilities ("the Original Covenants"). The obligations under the Original Covenants were secured by way of a fixed and floating charge in favour of Lloyd's over the Original Covenantors' assets.

On 14 December 1999 the following material contracts were entered into in order to effect the reorganisation:

- (a) various deeds of covenant between Masthead (1) and Lloyd's (2) pursuant to which Masthead undertook to pay to Lloyd's specified sums in respect or on account of the funds of Lloyd's of certain of the Existing Corporate Members. The aggregate amount of such undertakings was £13,270,207;
- (b) various deeds of determination, release and substitution between Lloyd's (1) the Former Corporate Members (2) the Original Covenantors (3) and Masthead (4), pursuant to which Masthead replaced the Original Covenantors in respect of some or all of their obligations to Lloyd's (including under the relevant Original Covenants).

Following the execution of these deeds:

- (i) Masthead remains liable under the Original Covenants it gave in respect of Masthead C Limited and Masthead D Limited up to an aggregate amount of £2,990,651;
 - (ii) Wren remains liable under the Original Covenants it gave in respect of FUIT Two Limited, FUIT Three Limited and FUIT Four Limited up to an aggregate amount of £5,554,668; and
 - (iii) The Company remains liable under the Original Covenant it gave in respect of HCG Alpha Limited, HCG Bravo Limited, HCG Delta Limited and HCG Foxtrot Limited up to an aggregate amount of £7,715,539.
- (c) deeds of covenant between Masthead (1) Lloyd's (2) and the Former Corporate Members (1) and Brit UW (2) pursuant to which Masthead undertakes to Lloyd's to pay to Lloyd's specified amounts in respect of or on account of the Former Corporate Member's funds at Lloyd's for the 1999 and prior years of account and in respect of or on account of Brit UW's funds at Lloyd's for the 2000 and subsequent years of account, which in aggregate are £118,738,728;
 - (d) deeds of indemnity between Masthead (1) and Lloyd's (2) in respect of each of the Former Corporate Members in relation to liabilities which Lloyd's may incur as a result of or in connection with the reorganisation of the Group's FAL. The limit of Masthead's liability under these indemnities is, in aggregate, £118,738,728;

- (e) a floating charge between Masthead (1) and Lloyd's (2) pursuant to which Masthead granted a floating charge over all of its assets and undertaking as security for its obligations under the deeds of indemnity summarised at paragraph (d) above;
- (f) deeds of guarantee between the Company (1) and Lloyd's (2) and between Wren (1) and Lloyd's (2) pursuant to which the Company or, as the case may be, Wren have guaranteed the payment by Masthead of sums due under the deeds of covenants described in paragraph (c) above. The maximum liability of the Company under the guarantees it has given is £63,333,500 and the liability of Wren under the guarantees it has given is £34,267,086;
- (g) floating charges between the Company (1) and Lloyd's (2) and Wren (1) and Lloyd's (2) pursuant to which the Company and Wren have respectively granted a floating charge over their respective assets and undertakings as security for the obligations under the guarantees described in paragraph (f) above; and
- (h) a deed of further charge, supplemental to the fixed and floating charge dated 31 December 1993 and made between Masthead (1) and Lloyd's (2), pursuant to which Masthead grants to Lloyd's a security interest in respect of Masthead's obligations under the deeds described at paragraphs (c) and (d) above.

In connection with the above arrangements, investments were transferred to Masthead such that following the reorganisation of the Group's funds at Lloyd's the value of investments held by Masthead was not less than £118,738,728.

(iii) *Peoples Choice*

- (a) an investment agreement dated 3 December 1998 made between (1) Peoples Choice (then called Peoples Choice Insurance Services Limited), (2) David Pearce da Silva, Tim Hudson, Stephen Leech and Stephen Stroud, (3) Phoenix Equity Partners II "B", (4) Phoenix Equity Nominees Limited ("PEN") and Brit and (5) DLJ Phoenix Private Equity Limited ("DLJ") pursuant to which, *inter alia*, Brit subscribed for 207,391 A ordinary shares of 1 pence each at £1 per share, 327,492 preference shares of 1 pence each at £1 per share and £327,429 of secured loan stock at par in Peoples Choice. Subject to the terms of the agreement, Brit is obliged to subscribe for up to a further 568,814 preference shares at par and £568,813 of loan stock at par. This agreement was varied pursuant to a deed of amendment dated 4 August 2000 pursuant to which it was agreed that certain matters in relation to Peoples Choice could not take place without the prior written consent of Brit;
- (b) an issue of £1,500,000 convertible loan stock in Peoples Choice to Brit at par was made on 21 June 2000. On 21 August 2000 the conversion provisions of the convertible loan stock instrument were triggered and Peoples Choice allotted and issued to Brit £675,000 in nominal value of loan stock, 675,000 preference shares and 150,000 A ordinary shares in Peoples Choice;
- (c) on 26 June 2000 Brit issued to DLJ £1,500,000 of convertible unsecured subordinated loan stock 2000 in Brit, subject to the terms of a convertible unsecured loan stock instrument. This loan stock was transferred by DLJ to PEN on 4 August 2000 and was converted into 1,015,452 Ordinary Shares on 16 February 2001;
- (d) deeds of transfer dated 4 August 2000 made between Brit and PEN pursuant to which:
 - (i) Brit transferred £600,000 of secured loan stock 2004 in Brit and any rights to it to PEN in consideration for DLJ agreeing to vary the terms of the convertible unsecured subordinated loan stock 2000 instrument dated 26 June 2000 and
 - (ii) PEN transferred 2,325,221 preference shares of £0.01 each in the capital of Peoples Choice to Brit in consideration for the sum of £1;
- (e) option deeds dated 4 August 2000 made between PEN and Brit pursuant to which:
 - (i) PEN granted Brit an option to acquire 401,617 "A" ordinary shares in Peoples Choice for an aggregate sum of £1. The option period began on 4 August 2000 and runs until 31 December 2010 or until the deed is terminated pursuant to the terms of the deed; and

- (ii) PEN granted Brit an option to acquire 325,289 “A” ordinary shares in Peoples Choice at a price of £5 per share. The option period began on 4 August 2000 and runs until 31 December 2010 or until the deed is terminated pursuant to the terms of the deed;

The options have been exercised and the shares transferred to Brit pursuant to the stock transfers referred to at sub-paragraph (h)(ii) below.

- (f) on 31 October 2000 Peoples Choice issued to Brit £1,000,000 of secured loan stock 2004 in Peoples Choice subject to a secured loan stock instrument;
- (g) a stock transfer form dated 20 February 2001 between Brit and AGF Insurance Limited (“AGF”) pursuant to which AGF transferred £2,500,000 secured loan stock 2005 in Peoples Choice to Brit in consideration for 1,000,000 Ordinary Shares; and
- (h) stock transfer forms dated 20 February 2001 between PEN and Brit pursuant to which:
 - (i) PEN transferred 1,850,000 secured loan stock in Peoples Choice to Brit in consideration for 773,980 Ordinary Shares;
 - (ii) PEN transferred 600,000 secured loan stock 2004 in Peoples Choice to Brit in consideration for 251,020 Ordinary Shares;
 - (iii) PEN transferred 726,906 A ordinary shares of 1p in Peoples Choice each to Brit in consideration for £1;
 - (iv) PEN transferred 1,788,856 preference shares of 1p each in Peoples Choice to Brit in consideration for £1.

Brit currently holds 8,948,775 secured loan stock, 1,084,297 A ordinary shares and 5,962,852 preference shares in Peoples Choice.

(iv) *Facility Agreement and Finance Documents*

- (a) a term facility agreement dated 3 February 2000 (“Facility Agreement”) and made between (1) Brit (2) National Westminster Bank plc (“NatWest”) and (3) Barclays Bank plc (“Barclays”) which was amended and restated by an amendment agreement dated 20 February 2001 (“Amendment Agreement”) made between (1) Brit (2) NatWest and (3) Barclays (the Facility Agreement as so amended and restated being the “Facility Agreement”) pursuant to which NatWest and Barclays together with any successors or assigns (together “the Term Facility Banks”) agreed to make available to Brit term loan facilities of £60,000,000 (“Tranche A Loan”) and £20,000,000 (“Tranche B Loan”). As at 22 November 2001, £38 million of principal (£27 million Tranche A Loan and £11 million Tranche B Loan) was outstanding under the Facility Agreement. The Facility Agreement is subject to the matters referred to under the heading “*Confirmation from the Term Facility Banks*” below.

Interest and repayment

The Tranche A Loan is repayable on 3 February 2005 (with instalments of £15,000,000 to be repaid on 3 February 2002, 3 February 2003 and 3 February 2004). The Tranche B Loan is repayable on 30 June 2002 (with an instalment of £5,000,000 to be repaid on 3 February 2002). If Brit repays either the Tranche A Loan or the Tranche B Loan prior to any of the relevant instalment payment dates (as described above) then Brit’s obligation to repay such instalments on such dates will be reduced (in chronological order) by such amount of the Tranche A Loan and/or the Tranche B Loan as has been repaid. The interest rate for the Tranche A Loan is 1% (rising to 2% upon default) per annum above LIBOR from time to time (plus any mandatory liquid asset costs/costs of compliance with the requirements of the Bank of England and/or the Financial Services Authority of the Term Facility Banks). The interest rate for the Tranche B Loan is 1.25% until 31 August 2001 and thereafter 1.75% (rising to 2.25% and 2.75% respectively upon default) above LIBOR from time to time (plus any mandatory liquid asset costs/costs of compliance with the requirements of the Bank of England and/or the Financial Services Authority of the Term Facility Banks). Brit may choose to pay interest either monthly, or every 3 or 6 months. Brit may on not less than 10 business days’ prior notice cancel the whole or any part of either the Tranche A Loan or Tranche B Loan. Brit cannot then borrow in the future against that loan or part of the loan which it has cancelled. Brit may on not less than 10 business days’ prior notice repay (without any premium or penalty) the whole or

any part of either the Tranche A Loan or Tranche B Loan on the last day of any interest period relating to that advance (although there is a break cost if the repayment date is otherwise than on the last day of any interest period). A Term Facility Bank whose account is repaid early is not obliged to make any further advances.

Covenants

Brit covenanted to provide the Term Facility Banks with annual, semi-annual, quarterly, and monthly financial statements, copies of any written communication with creditors and shareholders, all such financial information as may reasonably be required, and copies of all announcements made by Brit in respect of financial matters to the London Stock Exchange. Brit's financial conditions require the maintenance of thresholds in respect of minimum net worth (of Brit and Brit Insurance), interest coverage, gearing, and realisable assets. Brit further covenanted: to maintain legal validity to enable it to lawfully enter into and perform its obligations under the Facility Agreement, the Deed of Priority, Debenture, Trust Agreement and Equitable Charge (defined below) (together the "Finance Documents"); to maintain insurance in respect of Brit and the members of its corporate group's ("Group") assets; to promptly notify NatWest (as agent) if there is an event of default or potential event of default under the Facility Agreement; not to create further security over its assets and revenues; not to dispose of shares in any of its subsidiaries without consent; not to carry out any company acquisitions or mergers without consent; to notify any change in investment policy; provide a yearly valuation certificate; and to ensure that Masthead Insurance Underwriting Limited immediately pays to Brit any free cash owned by it. Further there is a covenant against Brit Insurance borrowing any money.

Events of default

The following are events of default: failure to pay sums due under the Finance Documents; any material misrepresentation in the Finance Documents or related document, certificate, or statement; failure to perform specific covenants (including the financial threshold conditions); cross-default (when any other indebtedness of Brit or the Group is not paid when due, or is declared to be due, or any creditors become entitled to declare such indebtedness as due); insolvency and rescheduling of indebtedness; winding-up; execution or distress against Brit or a Group company (which is not discharged within 30 days); failure to comply with any final judgement; an outsider gaining control of Brit; the Group ceasing to carry out its core business; a repudiation of the Facility Agreement by Brit; it becoming unlawful for Brit to perform or comply with its obligations under the Facility Agreement or any of Brit's material obligations cease to be legal and binding which leads to a material adverse effect on the Group's business or the enforceability of the Finance Documents; an event which has a material adverse effect on the Group's business or the enforceability of the Finance Documents. The occurrence of an Event of Default will enable the Term Facility Banks to accelerate their loans (all or any part of the money advanced will become immediately due and payable) and cancel any undrawn portion of the Tranche A Loan and Tranche B Loan.

Confirmation from the Term Facility Banks

On 16 November 2001 the Term Facility Banks confirmed to the Company that they would not enforce any of their rights under the Facility Agreement in respect of certain breaches of the financial conditions contained in that agreement within 18 months from 1 January 2002, in the absence of any adverse changes as set out in that Agreement, if the Company raised in excess of £75 million as a result of the Placings and Open Offers. They also confirmed that, subject to the matters below and absent such adverse change, in that event, they would restructure and amend the facilities provided under the Facility Agreement such that no repayments fall due prior to 30 June 2003 (other than repayments due as a result of the sale of the shares in certain companies in which the Group is interested). The matters referred to above are the resetting of the financial conditions referred to under "Covenants" above, the repayment of £10 million of principal under the Facility Agreement and the subordination of the Loan Stock to Brit's obligations under the Facility Agreement.

- (b) a debenture ("Debenture") dated 3 February 2000 granted the Term Facility Banks a fixed charge over subsidiary and cross-holding shares owned by Brit (including subsidiary

company shares) and a floating charge over the whole of the assets and undertakings of Brit. The Debenture contains a negative pledge provision restricting the creation of further security over Brit's assets and a further assurance provision whereby the Term Facility Banks may reasonably require further security over the shares charged or over Brit's assets outside England and Wales. The Debenture permits the Term Facility Banks to appoint a receiver if there is an event of default under the Facility Agreement;

- (c) a deed of priority ("Deed of Priority") dated 3 February 2000 setting out the priorities of debt as between the Term Facility Banks and Lloyds' existing floating charge dated 14 December 1999;
- (d) a trust agreement ("Trust Agreement") dated 3 February 2000 whereby NatWest agreed to hold the rights and proceeds under the Facility Agreement, the Debenture, the Trust Agreement and the Deed of Priority on trust for the benefit of the Term Facility Banks; and
- (e) an equitable charge ("Equitable Charge") dated 29 November 2000 in favour of the Term Facility Banks creating a charge over 7,240,256.31 shares (with no par value) in The London Market Fund Plc.

(v) *Ri3K*

- (a) a subscription agreement dated 24 May 2000 and made between (1) Alexander Letts (2) Brit (3) City3K.com Limited (now renamed Ri3k Limited) and (4) K Nominees Limited pursuant to which, *inter alia*, Brit subscribed for 900,000 B shares of 1 pence each at £1.11 per share and acquired from Mr Letts 100,000 A ordinary shares of 1 pence each at £1.01 per share; and
- (b) a deed dated 16 October 2001 relating to the termination of the shareholders agreement dated 24 May 2000 and related matters by which the parties have terminated the shareholders agreement and agreed terms relating to the right for the Company to convert its loans to Ri3k into shares and for the Company to provide a guarantee of Ri3k indebtedness. Under the Deed, the Company has the right to convert all or any part of the loans made by it to Ri3k into Ordinary B shares of £0.01. The conversion rate is arrived at by applying such amount of the loans as shall be specified at a subscription price of £1 per Ordinary B share. The Company cannot convert the loans where the result would cause it to hold in excess of 50 per cent. of the entire issued share capital of Ri3k. The Company has further undertaken to procure that Ri3k will have sufficient funds to permit it to pay its debts as they fall due. This undertaking can be terminated on 12 months notice.
- (c) By a loan facility letter dated 15 October 2001, the Company has agreed to advance loans up to a maximum of £9 million in aggregate. The loan facilities are available for drawdown up to 31 December 2003 and any amounts repaid are not eligible for re-borrowing. Interest shall be levied with effect from 1 January 2004 on the outstanding balance at an annual rate of 1 per cent above the prevailing LIBOR rate. The loan facility contains events of default which, at the Company's election, make such balances repayable on demand.

(vi) *Wren Capital Management Limited*

an agreement dated 19 October 2000 made between (1) BGS and (2) Pilotscope Services Limited pursuant to which, *inter alia*, BGS agreed to sell its entire shareholding in Wren Capital Management Limited for consideration of £40,000. Under the agreement, BGS gave certain warranties regarding the business of Wren Capital Management Limited subject to certain limitations contained in the agreement and a disclosure letter of the same date.

(vii) *Chaucer Dedicated Limited*

an agreement dated 8 March 2001 and made between (1) Brit and (2) Chaucer Holdings plc pursuant to which Brit sold 2,335 C ordinary shares, 2,335 D ordinary shares, 2,335 E ordinary shares, 1,791 F ordinary shares, 535,563 series A preference shares and 3,823,563 series B preference shares in the capital of Chaucer Dedicated Limited to Chaucer Holdings plc in exchange for 5,650,000 ordinary shares of 25p each in Chaucer Holdings plc. Brit gave certain representations and warranties as part of the agreement.

(viii) *EBIX*

- (a) a share exchange and purchase agreement, dated 30 March 2001, between Brit (1) and ebix.com, Inc. (“ebix.com”), (2) a company incorporated in Delaware and traded on the Nasdaq SmallCap Market under the symbol “EBIX”, under which Brit acquired 6,944,000 shares of common stock (the “ebix shares”) of ebix.com in exchange for \$7,000,000 in cash and a 28% equity position in Insurance Broadcast Systems, Inc. Under the agreement, Brit has the right to designate two members of the ebix.com board of directors as long as it maintains beneficial ownership of at least 20% of the ebix.com outstanding common stock and one member if it maintains beneficial ownership of less than 20% but more than 10%; and
- (b) under a related registration rights agreement dated April 20, 2001, made between Brit and ebix.com, Brit was granted certain rights with respect to the registration of the ebix shares under the United States Securities Act of 1933, as amended. Registration is necessary for the ebix shares to be freely transferable in the United States. Under this agreement, ebix.com was required, among other things, to register the ebix shares pursuant to a shelf registration no later than July 2, 2001. On July 2, 2001 ebix.com complied with this obligation by filing a registration statement. Once the registration statement is declared effective by the Securities Exchange Commission the ebix shares will be freely transferable in the United States of America.

(ix) *Bluesure*

- (a) a first amendment and supplementary agreement dated 20 July 2001 and made between (1) GE Frankona Reinsurance Holdings ApS, (2) Benfield, (3) Jeremy Coll, (4) Bluesure Limited (“Blasures”) (5) Anthony Martin and (5) Brit amending a subscription and shareholders’ agreement in relation to Bluesure dated 8 May 2000. Under this agreement, Brit agreed to acquire from Benfield 5,000 ordinary shares of £1 each.
- (b) Under the shareholders’ agreement, Brit has agreed that no personal lines insurance is sold by it except through Bluesure and that no branded packaged offering is sold by it that directly competes with Bluesure. The agreement expressly provides that Brit and its subsidiaries can continue to sell the personal lines insurance that Brit has sold or marketed prior to Brit becoming a shareholder in Bluesure. Brit is entitled to appoint a director to the board of Bluesure.
- (c) a services agreement dated 20 July 2001 and made between (1) Bluesure Limited and (2) WSM pursuant to which, *inter alia*, WSM, on behalf of the underwriting members of Syndicate 2400, appointed Bluesure to provide certain insurance and corporate management services to WSM. The agreement is for a fixed term until 31 December 2004 and is terminable thereafter on 31 December of any subsequent year by giving at least 180 days’ notice. WSM has undertaken not to appoint any person other than Bluesure to provide such services during the term of the agreement.

(x) *EPL/EPIC*

a shareholders’ agreement dated 10 August 2001 between Brit and the other shareholders of EPL, pursuant to which, *inter alia*, Brit has subscribed for 3,410 ordinary shares of £1 each in EPL at a subscription price of £1 per ordinary share. The parties to the agreement have agreed that for so long as Brit holds at least 20 per cent of the votes to be cast on a poll at a general meeting of EPL, it shall be entitled (but not obliged) to appoint and maintain the appointment of one director of EPL, independent of the other shareholders of EPL.

Brit, along with the other parties to the agreement, has agreed to exercise its powers in relation to EPL to procure that EPL will not enter into certain significant transactions without the prior consent of, *inter alia*, all directors or the written consent of shareholders holding not less than 75 per cent. (or 80.1 per cent. in certain circumstances) of the votes to be cast on a poll at a general meeting of EPL.

Brit and certain of the other parties to the shareholders’ agreement also agreed to certain non-solicitation covenants regarding the employees and clients of EPL and its subsidiary companies.

(xi) *Placing Agreement*

an agreement dated 23 November 2001 between (1) the Company, (2) Numis and (3) Collins Stewart pursuant to which:

- (1) Numis has agreed, subject to certain conditions being satisfied, to use reasonable endeavours to procure placees for 65,000,000 of the New Ordinary Shares and £42,420,763 nominal of Loan Stock, subject to recall to satisfy valid applications under the respective Open Offers. Numis has already placed that amount of Loan Stock pursuant to this obligation;
- (2) Collins Stewart has agreed, subject to certain conditions being satisfied, to use reasonable endeavours to procure placees for the remaining 115,683,054 New Ordinary Shares and for the remaining £2,750,000 nominal of Loan Stock, subject to recall to satisfy valid applications under the respective Open Offers. Collins Stewart has already placed that amount of Loan Stock pursuant to this obligation;
- (3) Numis has agreed to underwrite the Loan Stock Placing; and
- (4) Collins Stewart has agreed to underwrite the Share Placing.
- (5) The Company has agreed to pay:
 - (a) Numis
 - (i) a placing commission of 3.0 per cent of the value, at their respective placing prices, of the Loan Stock placed or subscribed by it and the New Ordinary Shares placed by it (less 5,000,000 New Ordinary Shares);
 - (ii) a commission for payment to placees of 0.75 per cent of the value, at their respective placing prices, of the Loan Stock and the New Ordinary Shares placed by it but which are recalled to satisfy valid applications under the respective Open Offers; and
 - (iii) a documentation fee of £100,000; and
 - (b) Collins Stewart
 - (i) a placing commission of 3.0 per cent of the value at their respective placing prices, of the New Ordinary Shares placed or subscribed by it (plus 5,000,000 New Ordinary Shares) and the Loan Stock placed by it;
 - (ii) an underwriting commission of 0.5 per cent of the value at the Offer Price of the aggregate number of the New Ordinary Shares (the “0.5 per cent commission”); and
 - (iii) a commission for payment to placees of 0.75 per cent of the value, at their respective placing prices, of the New Ordinary Shares and Loan Stock placed by it but which are recalled to satisfy valid applications under the respective Open Offers.

Numis has also agreed to make the Open Offers on behalf of the Company. The Company will pay all of Numis’ and Collins Stewart’s expenses relating to the Placings and Open Offers whether or not Admission occurs. If the Placing Agreement does not become unconditional the Company has agreed to pay a fee of £100,000 to each of Numis and Collins Stewart in lieu of the above commissions and fee save that the 0.5 per cent commission will be payable to Collins Stewart (unless the Placing Agreement has been terminated by Collins Stewart as a result of *force majeure*). The agreement is conditional, *inter alia*, upon Admission. The agreement contains warranties and indemnities from the Company in favour of Numis and Collins Stewart and is terminable, before Admission, by Numis or Collins Stewart on the occurrence of certain *force majeure* events or in the event of material breach of warranty.

- (b) The Trust Deed, particulars of which are set out in Part Five of this document, will be entered into after the EGM, assuming that the Placings and Open Offers are then wholly unconditional (save for the condition relating to Admission).

11. Long Term Incentive Schemes

(a) 1998 Approved Executive Share Option Scheme (“the Approved Scheme”)

Options have been granted to certain employees, at nil cost, under the Approved Scheme as follows:

<i>No. of Option holders</i>	<i>Date of grant of options</i>	<i>Amount of Ordinary Shares under option</i>	<i>Exercise price</i>	<i>Date from which exercisable</i>	<i>Expiry date of options</i>
4	06.12.99	118,379	80.25p	06.12.02	05.12.09
1	08.06.00	38,710	77.50p	08.06.03	07.06.10
9	20.11.00	162,162	74.00p	20.11.03	19.11.10

(b) 1998 Unapproved Executive Share Option Scheme (“the Unapproved Scheme”)

Options have been granted to certain employees, at nil cost, under the Unapproved Scheme as follows:

<i>No. of Option holders</i>	<i>Date of grant of options</i>	<i>Amount of Ordinary Shares under option</i>	<i>Exercise price</i>	<i>Date from which exercisable</i>	<i>Expiry date of options</i>
2	10.09.98	799,999	142.50p	10.09.01	09.09.08
8	06.12.99	2,025,000	80.25p	06.12.02	05.12.09
2	24.05.00	550,000	66.00p	24.05.03	24.05.10
5	20.11.00	715,000	74.00p	20.11.03	20.11.10

(c) Brit Long Term Incentive Plan 1999 (“LTIP”)

Awards have been made to certain employees under the LTIP as follows:

<i>No. of participants</i>	<i>Date of grant</i>	<i>Vesting date</i>	<i>Number of Ordinary Shares</i>	<i>Value at date of grant</i>
8	06.12.99	31.12.02	782,120	£625,000
3	24.05.00	31.12.03	266,500	£181,220

(d) Brit Insurance Phantom Share Option Scheme (“the BIL Phantom Scheme”)

This Scheme entitles key employees of Brit Insurance (as selected by Brit Insurance’s Remuneration Committee) to share in an aggregate 7.4 per cent of the growth in value of Brit Insurance calculated as described below by being granted phantom options in Brit Insurance. The phantom options will become exercisable after five years from the date on which the options are granted (or earlier sale of the entire issued share capital of Brit Insurance to a third party (other than to Lennoxhurst Limited or Brit), or listing on the London Stock Exchange, in which case the phantom options must be exercised forthwith or shall lapse) and once exercisable shall remain exercisable including after the employee in question leaves (unless he ceases due to gross misconduct or fraud). However, he shall not be entitled to exercise the phantom options beyond the seventh anniversary after cessation of his employment. The participating employee will receive, on exercising his phantom option, an amount by which the exercise value (“Exercise Value”) of the shares in relation to which the phantom option is exercised exceeds their grant value (“Grant Value”).

For the purposes of calculating the growth in value, the Grant Value of Brit Insurance shall be taken as £85.875 million divided by the total number of shares in issue at that time.

The Exercise Value shall be:

- (1) in the event of a sale at arm’s length to a third party of the entire issued share capital of Brit Insurance, the consideration paid for the entire share capital or, in the event of a listing on the London Stock Exchange, the aggregate value of the shares on listing plus A plus D minus CI (defined below);

- (2) In any other case the Exercise Value shall be $1.5 \times (\text{NAV} + A + D - \text{CI})$ where NAV is the net asset value of Brit Insurance (as determined from its statutory audited accounts) at the time of exercise;

and in each case divided by the total number of shares in issue at that time.

In the above calculations:

A is the aggregate of any payments made under the scheme up to the date of the most recent statutory audited accounts published prior to the date of exercise and the amount of any accrual for payments made therein;

D is the amount of all dividends paid by Brit Insurance since completion of the purchase of 29.99 per cent, of the issued share capital of Brit Insurance by the Company in 1999 ("Completion"); and

CI is the amount of any capital injection since the scheme's launch (currently £20 million).

The Exercise Value shall be reduced by:

- (a) an amount representing the product of £57.3 million plus CI notionally invested in every year since Completion at 5.75 per cent minus the prevailing rate of corporation tax for each year save that for any year in which the actual pre-tax investment portfolio return from the Company's non-technical account has been less than 5.75 per cent, that lower percentage rate (as reduced by the prevailing rate of corporation tax for each such year) shall be taken instead of 5.75 per cent; and
- (b) an amount equal to the value of non purchased intangible assets (if any) included in the relevant statutory audited accounts.

In calculating the Exercise Value, no account shall be taken of any reduction in such value at any time occasioned by the need to make provision for payments and accrued entitlement under the phantom option scheme itself.

Participants in the phantom scheme shall have no entitlements to any actual or notional dividend payments by BIL.

In the case of Dane Douetil only, half of the shares originally subject to the phantom options vested immediately and the remainder vest in stages over the 5 years following the date of grant of the phantom options. In the case of the other employees who are eligible to participate, all their shares subject to the phantom options vest in stages over the 5 years following the grant of their phantom options respectively. Each of Dane Douetil and Matthew Scales has been granted a phantom option in respect of 5 per cent and 0.6 per cent respectively of the shares in issue of BIL at the time of grant of his option, whereas others have been granted a phantom option up to 1.5 per cent of the shares in issue at the time of grant of their options.

(e) **Wren Approved Share Option Scheme 1998**

Options have been granted to certain employees, at nil cost, under this scheme as follows:

<i>No. of Option holders</i>	<i>Date of grant of options</i>	<i>Amount of Ordinary Shares under option</i>		<i>Exercise price</i>	<i>Date from which exercisable</i>	<i>Expiry date of options</i>
		<i>Date of grant of options</i>	<i>Shares under option</i>			
21	10.09.98		531,632	112p	10.09.01	09.09.08

All option holders accepted rollover terms whereby the options over Wren Ordinary Shares became options over Ordinary Shares on 21 September 1999. No future options will be granted under this scheme.

(f) **Wren Unapproved Share Option Scheme 1998**

Options have been granted to certain employees, at nil cost, under this scheme as follows:

<i>No. of Option holders</i>	<i>Date of grant of options</i>	<i>Amount of</i>	<i>Exercise price</i>	<i>Date from which exercisable</i>	<i>Expiry date of options</i>
		<i>Ordinary Shares under option</i>			
2	18.05.98	542,920	119p	22.12.00	17.05.08
1	14.08.98	117,500	130.5p	14.08.01	13.08.08

All option holders accepted rollover terms granting them options over Ordinary Shares on 21 September 1999. No future options will be granted under this scheme.

(g) **Brit Employee Share Ownership Plan 2001 ("ESOP")**

The Brit Employee Share Ownership Plan 2001 comprises a Trust Deed and Rules establishing an All Employee Share Option Scheme approved by the Inland Revenue pursuant to the Finance Act 2000. All eligible employees of the Company and participating subsidiaries are entitled to participate subject to various detailed provisions. Pursuant to this plan, the Board may award free shares or give the employees the opportunity to acquire partnership shares or make an award of "matching shares" to those employees who have invested in "partnership shares" or require or allow employees to reinvest dividends paid on their plan shares in further "dividend" shares.

An aggregate of 133,500 free shares were awarded on 19 October 2001 to 267 members of staff (each of whom were awarded 500 shares each) at a cost per share of 67 pence.

12. Taxation

The following paragraphs, which are intended as a general guide only, are based on current legislation and Inland Revenue and Customs and Excise practice as at the date of this document. They summarise certain limited aspects of the United Kingdom taxation implications for persons who will, as a result of applying for New Ordinary Shares and/or Loan Stock under the Open Offers, become absolute beneficial owners of Ordinary Shares and/or Loan Stock and who are (subject to the provisions of any applicable double tax treaty) resident in the United Kingdom only for tax purposes. They may not apply to certain classes of persons such as dealers. **If you are in any doubt as to your taxation position, or if you are subject to taxation in any jurisdiction other than the United Kingdom, you should consult an appropriate professional adviser without delay.**

Taxation law and the practices of fiscal authorities are liable to change and therefore the tax treatment outlined in this document will not necessarily apply in the future.

(a) *The Company*

The Company is resident for tax purposes in the United Kingdom.

The taxable results of Brit depend upon the taxable results of the syndicates in which it participates.

(b) *Taxation of dividends and distributions*

No tax will be withheld by the Company if it pays a dividend.

A shareholder who is an individual resident for tax purposes in the UK will generally be entitled to a tax credit in respect of any dividend from the Company equal to one ninth of the dividend (together the "gross dividend"). The individual will be taxed on the total of the dividend and the related tax credit. The liability of individual shareholders whose income is within the lower or basic rate bands of income tax will be fully discharged by means of this tax credit. UK resident individual shareholders who are liable to tax at the higher rate have a further liability to income tax equal to 32.5 per cent of the gross dividend but are entitled to relief for the 10 per cent tax credit.

In general, a United Kingdom resident corporate shareholder will not be liable to United Kingdom corporation tax on any dividend received from the Company.

Certain United Kingdom resident shareholders who are exempt from tax on dividends, including pension providers and most UK corporate shareholders, including authorised unit trusts and open-ended investment companies, will not be able to reclaim any tax credits attaching to those dividends paid to them.

The liability to United Kingdom tax for a person not resident in the UK and not having a UK representative will not be increased as a result of receiving a dividend. Entitlement to claim repayment of any part of the tax credit will depend on the existence and terms of any double tax treaty between

the UK and the country in which the shareholder is resident. Holders of shares in the Company who are not resident in the UK should consult their own tax advisers concerning their liability on dividends received, whether they are entitled to claim repayment of any part of the tax credit and the procedures for doing so.

(c) *Chargeable gains*

An individual or corporate shareholder who sells or otherwise disposes of his Ordinary Shares may incur a liability to tax on any capital gain which is realised.

A shareholder who is neither resident nor ordinarily resident for tax purposes in the United Kingdom who sells or otherwise disposes of his Ordinary Shares will not normally be liable to for capital gains tax on the gain which is realised. A liability to tax may arise in respect of a gain if such shareholder carries on a trade in the United Kingdom through a branch or agency and such Ordinary Shares are or have been used held or acquired for the purposes of a trade carried on by the branch or agency.

(d) *Payment of Interest on the Loan Stock*

The requirement to deduct United Kingdom withholding tax (including such withholding or deduction for or on account of tax by issuers, paying agents and collecting agents) was abolished in relation to interest payments made (or, in the case of collecting agents, received) on or after 1 April 2001 in respect of securities listed on a “recognised stock exchange”, as defined in section 841 of the Income and Corporation Taxes Act 1988 (“ICTA”). The London Stock Exchange is such a recognised exchange. Subject to Admission, therefore, and provided that the Loan Stock remains so listed, interest on the Loan Stock may be paid without withholding or deduction on account of United Kingdom tax.

Interest on the Loan Stock may also be paid without withholding or deduction on account of United Kingdom tax where interest on the Loan Stock is paid to a person who is resident in the United Kingdom and the issuer reasonably believes (and any person by or through whom interest on the Loan Stock is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest at the time the payment is made, provided that the Inland Revenue has not given a direction that it has reasonable grounds to believe that it is likely that the beneficial owner is not within the charge to United Kingdom corporation tax in respect of such payment of interest at the time the payment is made.

In all other cases, an amount must be withheld from payment of interest on the Loan Stock on account of United Kingdom income tax at the lower rate (currently 20 per cent), subject to any direction to the contrary by the Inland Revenue under the terms of an applicable double taxation treaty.

Loan Stockholders who are individuals should be aware that the Inland Revenue has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to or receives interest for the benefit of an individual. Such information may, in certain circumstances, be exchanged by the Inland Revenue with the tax authorities of other jurisdictions.

(e) *Proposed EU Savings Directive*

The European Union is currently considering proposals for a new directive regarding the taxation of savings income. It is proposed that, subject to a number of important conditions being met, Member States will be required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to an individual resident in that other Member State, subject to the right of certain Member States (not including the United Kingdom) to opt instead for a withholding system for a transitional period in relation to such payments. The proposals are not yet final, and they may be subject to further amendment and or clarification.

(f) *United Kingdom Capital Gains Tax Issues on the Open Offers*

The issue of Loan Stock and/or New Ordinary Shares to Qualifying Shareholders up to and including the Qualifying Shareholders’ pro rata entitlement will be treated as a reorganisation of the Company’s share capital for the purposes of the taxation of chargeable gains in the United Kingdom. Accordingly, no charge to United Kingdom taxation of chargeable gains will arise in consequence of the Open Offers. Any Loan Stock and/or New Ordinary Shares issued to a Qualifying Shareholder pursuant to the Open Offers will be treated as the same asset as his existing holding of Ordinary Shares. The subscription monies paid by a Qualifying Shareholder in respect of the Loan Stock will be added to the acquisition cost of his existing holding of Ordinary Shares. In the case of a Qualifying

Shareholder within the charge to corporation tax, indexation allowance will apply to the amount paid for the Loan Stock and/or New Ordinary Shares only from the date such monies are paid. In the case of other Qualifying Shareholders, indexation allowance will not be given for any period after 5 April 1998 as indexation allowance has been replaced by taper relief. If a Qualifying Shareholder subsequently disposes of any of his Loan Stock or Ordinary Shares when he is resident or ordinarily resident in the United Kingdom he may be liable to tax on any gain arising on that disposal. In computing any such gain the total price paid by the Qualifying Shareholder for his holdings must first be apportioned between his Loan Stock and Ordinary Shares according to their respective market values on the first day of trading after the issue of Loan Stock and/or New Ordinary Shares. The allowable cost of the Ordinary Shares or Loan Stock disposed of will then be determined by apportioning the cost of the relevant class pro rata.

(g) *Further United Kingdom Income Tax Issues*

Interest on the Loan Stock constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment even where paid without withholding.

However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Loan Stockholder (with certain exceptions) who is not resident for tax purposes in the United Kingdom through a United Kingdom branch or agency in connection with which the interest is received or to which the Loan Stock is attributable. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions of an applicable double taxation treaty may also be relevant for such Loan Stockholders.

(h) *United Kingdom Corporation Tax Payers*

In general, Loan Stockholders which are within the charge to United Kingdom corporation tax will be charged to tax as chargeable gains on all profits or gains (other than interest) on the Loan Stock. Interest on the Loan Stock will be charged to tax as income of the Loan Stockholder broadly in accordance with their statutory accounting treatment.

(i) *Conversion of Loan Stock into Ordinary Shares*

The conversion of the Loan Stock into Ordinary Shares should not be treated as a disposal for capital gains tax purposes.

(j) *Stamp Duty and Stamp Duty Reserve Tax*

No United Kingdom stamp duty or stamp duty reserve tax ("SDRT") is payable on the issue of New Ordinary Shares or of the Loan Stock or upon the issue of Ordinary Shares upon conversion of the Loan Stock. The transfer on sale of the Loan Stock or Ordinary Shares will be liable to ad valorem stamp duty, generally at the rate of 0.5 per cent (rounded up to the next multiple of £5) of the consideration paid. An unconditional agreement to transfer such Loan Stock or Ordinary Shares will normally give rise to SDRT at the rate of 0.5 per cent of the amount or value of the consideration paid for such Loan Stock or Ordinary Shares, but such liability will be cancelled, or any SDRT paid refunded, if the agreement is completed by a duty stamp transfer within 6 years of the agreement having become unconditional. Stamp duty and SDRT are normally the liability of the purchaser.

13. General

- (a) There are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have or have had during the period of 12 months preceding the date of this document a significant effect on the Group's financial position.
- (b) Mazars Neville Russell (previously called Neville Russell until 1 September 1998) Chartered Accountants and Registered Auditor, of 24 Bevis Marks, London EC3A 7NR have been the auditors of the Company for the financial period ended 31 March 1998, the nine months ended 31 March 1999, the nine months ended 31 December 1999 and the year ended 31 December 2000. The accounts of the Company for the three immediately preceding financial periods prior to the date of this document have been audited.
- (c) The Brit Shares are listed on the Official List and admitted to trading on the London Stock Exchange and no other exchange. Application has been made to the UK Listing Authority for the Loan Stock and the New Ordinary Shares to be admitted to the Official List. Application has also been made to the London Stock Exchange for the Loan Stock and the New Ordinary Shares to be admitted to trading on the London Stock Exchange which is where the Company's existing issued ordinary shares are traded. It is expected that Admission will become effective and that dealings in the Loan Stock and the New Ordinary Shares on the London Stock Exchange will commence on 18 December 2001.

None of the Loan Stock or the New Ordinary Shares are being marketed nor are they available in whole or in part to the public.

- (d) Save as disclosed in the sections headed “Current Trading and Prospects of the Group”, “Funds at Lloyd’s”, “US Terror Attacks”, “Investments” and “Dividend Policy” in Part One of this document and the section headed “Section A – US Terror Attacks” in Part Two, there has been no significant change in the financial or trading position of the Group since 30 June 2001, the date to which the last unaudited interim report of the Group set out in Part Six of this document was made up.
- (e) Each of Numis and Collins Stewart is regulated by The Securities and Futures Authority Limited and is a member of the London Stock Exchange.
- (f) The Company’s registrars and paying agents are Capita IRG Plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ. The receiving agent is New Issues Department, Capita IRG Plc, PO Box 166 Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TH.
- (g) The amount to be raised by the Company pursuant to the Placings and Open Offers is £154.5 million net of estimated related expenses amounting to approximately £6.3 million (excluding value added tax). These expenses include aggregate placing and underwriting commissions of approximately £5.4 million, listing fees, printing and other expenses and are payable by the Company.
- (h) The Offer Price represents a premium of 39p over the par value of 25p per Ordinary Share.

14. Investment in EPIC

The Group has invested in EPIC, Brit having subscribed £5,000,000 for 5,000,000 capital shares and 1,000,000 warrants, Brit Insurance having subscribed £1,000,000 for 1,000,000 income shares, Masthead Underwriting Limited having subscribed £5,750,000 for 5,750,000 capital shares and 1,150,000 warrants and WSM having subscribed £4,800,000 for 4,800,000 capital shares and 960,000 warrants and £3,450,000 for 3,450,000 income shares. The amounts subscribed by WSM are syndicate funds held in Premium Trust Funds.

EPAM acts as EPIC’s investment manager. EPIC is a split capital investment company whose shares are quoted on the Official List and admitted to trading on the London Stock Exchange. EPIC has invested in a portfolio of quoted securities, bonds, structured fixed income products, unquoted equity investments and other investment funds.

15. Principal establishment of the Brit Group

The principal establishment owned or occupied by the Brit Group is the leasehold premises comprising the second and lower ground floors and an aggregate of 32,399 (23,634 and 8,765 respectively) square feet at 55 Bishopsgate, London EC2, in respect of which an aggregate annual rent of £1,191,909.50 is payable.

16. Working Capital

The Company is of the opinion that, after taking into account existing bank and other facilities and the net proceeds of the Placings and Open Offers, the Group has sufficient working capital for its present requirements (being at least twelve months from the date of publication of this document).

17. Documents available for inspection

Copies of the following documents may be inspected during usual business hours on any business day (Saturdays and public holidays excepted) at the offices of Dechert, 2 Serjeants’ Inn, London EC4Y 1LT and at the registered office of the Company until the date of Admission:

- (a) the current Memorandum and Articles of Association of the Company and a mark-up of the Articles of Association incorporating the amendments to be proposed at the EGM;
- (b) the material contracts referred to in paragraph 10 above;
- (c) the audited consolidated accounts of the Company for the financial periods ended 31 March 1999, 31 December 1999 and 31 December 2000 and the Interim Statement;
- (d) the consent letters referred to in paragraph 3 above;
- (e) the service contracts for the Directors referred to in paragraph 9 above (and in the case of Andrew Shone a written memorandum of the particulars of his employment);
- (f) a draft (subject to modification) of the Trust Deed; and
- (g) this document.

23 November 2001.

GLOSSARY OF INSURANCE MARKET TERMS

“active underwriter”	the person who is authorised to conduct the underwriting on behalf of the member(s) of a syndicate
“allocated premium limit”	in relation to a member, the limit for the time being prescribed on the amount of insurance business which may be allocated to a particular year of account which is to be underwritten on the member’s behalf through a particular syndicate
“auctions” or “capacity auctions”	the auction system operated by Lloyd’s through which members may buy and sell the right to participate on syndicates
“capacity”	underwriting capacity or stamp capacity, as the context requires
“cash call”	a request for funds made by a managing agent pursuant to the terms of the standard managing agent’s agreement in the form prescribed by Lloyd’s
“combined ratio”	means the ratio of the aggregate cost of underwriting, being claims (including claims incurred but not reported) plus underwriting expenses, to net earned premium expressed as a percentage
“coming-into-line date”	means in relation to a year of account (Year B), date which the Council may prescribe in the year of account immediately preceding Year B by which a member must have provided its funds at Lloyd’s if it is eligible to underwrite in Year B
“consortium”	a group of underwriters who have agreed that, in respect of a specific class of insurance business, certain underwriters within that group may accept risks on behalf of all members in accordance with the terms of the consortium agreement
“corporate member”	a member of Lloyd’s which is a body corporate or a Scottish limited partnership
“corporate syndicate”	a syndicate whose sole member is a corporate member
“Council”	the Council of Lloyd’s, and any person or delegate acting under its authority, including the Lloyd’s Market Board and the Lloyd’s Regulatory Board
“Equitas”	Equitas Reinsurance Limited, the company into which all non-life liabilities in relation to 1992 and prior business have been reinsured
“funds at Lloyd’s” or “FAL”	funds held in trust at Lloyd’s to support a member’s underwriting activities
“inception date allocation”	an accounting concept introduced by Lloyd’s for the 1995 and subsequent years of account whereby premiums accrue to the year of account in which risks incept
“integrated Lloyd’s vehicle” or “ILV”	a group of companies including a managing agent and one or more corporate members under common control where the corporate member(s) participate only on the syndicates managed by the group’s managing agent
“Lloyd’s spread vehicle”	a group of companies including a corporate member or a group of corporate members writing alongside Names on a spread of syndicates across the Lloyd’s market
“managed capacity”	the aggregate amount of the stamp capacity of all or certain specified syndicates managed by a managing agent
“managing agent” or “managing agency”	an underwriting agent at Lloyd’s responsible for, amongst other things, managing a syndicate and, employing the active underwriter
“member”	except where the context otherwise requires, an underwriting member of Lloyd’s
“members’ agent” or “members’ agency”	an underwriting agent at Lloyd’s responsible, <i>inter alia</i> , for placing underwriting capacity on syndicates on behalf of members

“Name”	an individual underwriting member of Lloyd’s
“net earned premium”	means gross premiums written less reinsurance costs but before the deduction of other expenses
“New Central Fund”	a fund established pursuant to the New Central Fund Byelaw (No. 23 of 1996) by Lloyd’s primarily as a policyholders’ protection fund in the event of a member being unable to meet his underwriting liabilities. The New Central Fund may also be used, with certain exceptions, for any purpose which may appear to the Council to further any of the objects of Lloyd’s
“open year of account”	a year of account which has not been closed by reinsurance to close
“open year solvency deficiency”	means in relation to a coming-into-line date the aggregate figure (if negative) shown on the most recent solvency statement in respect of any year of account (other than a run-off account) not closed at 31 December prior to that coming-into-line date
“open year solvency surplus”	means in relation to a coming-into-line date the aggregate figure (if positive) shown on the most recent solvency statement in respect of any year of account (other than a run-off account) not closed at 31 December prior to that coming-into-line date
“OPL” or “Overall Premium Limit” or “underwriting capacity”	the premium limit which determines the maximum amount of business which a member may underwrite, based on the level of his funds at Lloyd’s, in any year of account
“Premiums Trust Fund”	trust funds into which all premiums received by or on behalf of the member must be placed and which is available for payment of claims, reinsurance premiums, syndicate expenses and, when the relevant year of account has been closed, profits
“probable maximum loss”	the best estimate of the amount of aggregate exposure expected to be used up by a particular event, such as a catastrophe
“profit commission”	commission payable to managing agents and/or members’ agents (as the context requires) by reference to underwriting profits and calculated in accordance with the relevant provision of the prescribed form of agency agreement between a member and the managing agent or (as the case may be) the member’s agent
“the proportionate cover plan”	the plan designed, <i>inter alia</i> , to help Equitas avoid going into insolvent liquidation or having to promote a scheme of arrangement in the event that it becomes unable to meet the liabilities attaching to 1992 and prior business in full, as described in the Settlement Offer
“Prudential Supervision Committee”	a committee of the Regulatory Board of the Council with responsibility for the formulation of regulatory policy pertaining to the financial solvency and capital requirements of, <i>inter alia</i> , corporate members and managing agents
“Reconstruction and Renewal Plan”	the plan for reconstruction and renewal of Lloyd’s described in the document entitled “Lloyd’s: reconstruction and renewal” sent by Lloyd’s to members in May 1995, as developed and finally incorporated into the Settlement Offer which was sent to Names on 30 July 1996
“reinstatement premium”	the premium levied by a reinsurer to a reinsured after a valid claim has been paid, to reinstate the reinsurance cover (should the policy terms so permit)
“reinsurance gearing policy”	a reinsurance agreement, written on an excess of loss basis, pursuant to which the reinsurer provides security, in a form acceptable to Lloyd’s, which the corporate member uses to increase its funds at Lloyd’s and, accordingly, its OPL

“reinsurance to close” or “RITC”	a reinsurance agreement under which the members of a syndicate for a year of account are reinsured by underwriting members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business underwritten by the reinsured syndicate
“solvency deficit”	the aggregate amount of certain known and estimated liabilities of a member which are required to be deducted from that member’s FAL in determining the amount of FAL which is available to support that member’s underwriting for the following year of account
“solvency margin”	the relationship between shareholders’ funds and net written premium.
“solvency ratio”	the ratio of a member’s funds at Lloyd’s to its Overall Premium Limit, determined in accordance with Lloyd’s requirements
“solvency statement”	means a statement prepared by the Society pursuant to the Solvency and Reporting Byelaw (No. 13 of 1990) showing the liabilities (calculated in accordance with the requirements of the Insurance Companies Act 1982) and assets (prescribed by Lloyd’s as eligible for the purpose) relating to a member’s underwriting business at Lloyd’s and includes (for the purposes of this document) any additional solvency statement prepared under paragraph 6(2) of that Byelaw
“stamp capacity” or “syndicate allocated capacity” or “syndicate premium limit”	the maximum amount of premium income which the members of a syndicate together may accept in a given year of account
“standard personal expenses”	means members’ agents’ fees, profit commission due to the relevant managing agent, Lloyds subscriptions, Central Fund contributions, managing agent’s fees and any other special items allowed or prescribed by Lloyd’s
“syndicate”	a group of underwriting members of Lloyd’s or a single corporate member underwriting insurance business at Lloyds through the agency of a managing agent to which a particular syndicate number is assigned by or with the authority of the Council
“the Settlement Offer”	the document sent to members on 30 July 1996 incorporating the Reconstruction and Renewal Plan in its final form
“uncalled closed year loss”	means, in relation to a member, such proportion of the amount shown (as a loss) in the annual report of any syndicate in which that member participated in respect of the year of account closed as at 31 December preceding the relevant coming-into-line date as is allocable to the member and which the member has not paid by that coming-into-line date (but only to the extent that such loss has not been made the subject of a cash call) together with any interest payable by the member in respect thereof
“uncalled run-off deficiency”	means in relation to a member, the amount shown (as a deficiency) in the annual report of any syndicate in which that member participated in respect of a year of account more than 36 months old but not closed as at 31 December prior to the relevant coming-into-line date (but only to the extent that such deficiencies have not been made the subject of a cash call
“year of account”	the basic accounting year at Lloyd’s commencing 1st January and ending 31 December in each year

“1992 and prior business”

all liabilities under contracts of insurance (whether direct or otherwise) or reinsurance underwritten at Lloyd’s (other than long term business as defined in the Insurance Companies Act 1982) and originally allotted to the 1992 year of account or any earlier year of account including, without liability, any such liabilities reinsured to close into the 1993 or any later year of account, but excluding any liabilities re-signed, or reallocated pursuant to a premium transfer, into the 1993 or later year of account

GLOSSARY OF CLASSES OF INSURANCE BUSINESS

The following are generalised descriptions of various classes of insurance business and certain other terms. They are not definitions. Business written by the Syndicates which is classified by WSM under one of the following classes may exclude certain elements of that class which are contained within the description of that class below and include other elements which are not contained in the description of that class below.

“accident and health”	includes insurance cover in respect of death by accident, bodily injury or illness of a person. Much of this class of business is underwritten in the form of group schemes for companies and their employees, as well as for individuals
“aviation”	includes aviation combined policies, aviation legal liability and aviation physical loss or damage. The risks relate to the insurance of aircraft, airlines, airports and airport facilities, product liability and other risks associated with the aviation industry generally, and also includes the insurance of satellite risks
“cargo/specie”	includes insurance for loss or damage for all types of cargo, specie and cash in transit risk
“credit for reinsurance”	means the credit for reinsurance taken by a cedant for the reinsurance protection between its gross and net liability positions
“direct property”	includes cover for most non-marine perils arising from burglary, fire, flood and wind storms. It also includes a number of specialist classes of business, such as contractors all risks, engineering, jewellers block and live stock, bloodstock business. Insurance cover in relation to risks of loss or damage to property
“directors & officers”	includes the insurance for liability at law of directors and officers for claims made against them by reason of any wrongful act committed by them in their capacity as director or officer of the company. The cover normally also indemnifies the company against any payments they elect to make arising out of any claim against the director or officer during the period of insurance for which such person would have been entitled for indemnity under the policy
“energy”	includes the insurance for liability and physical damage of both off-shore and on-shore drilling installations and risks relating to research and production vessels, wells and drilling operations
“excess of loss”	a form of reinsurance whereby an insurer transfer its underlying insurance risk, over and above certain retained levels of exposure, to one or more reinsurers, subject (usually) to an upper limit
“facultative”	the reinsurance of an individual risk on terms and conditions agreed with the reinsurer specifically for that risk
“financial risk”	includes insurance of legal liability for pure financial loss (i.e. financial loss unaccompanied by physical injury or damage).
“fleet business”	the insurance of a number of motor vehicles (including private cars) operated by a particular insured
“gross premiums written” or “gross written premiums”	means the amount of premium income written by BIL and/or the Syndicates after the deduction of brokerage, commissions and other acquisition costs but before the deduction of reinsurance premiums and underwriting expenses
“hull”	covers loss or damage to marine and aircraft vessels (and their machinery) of all types
“life”	classes of long term business specified in Schedule 1 to the Insurance Companies Act 1982, including life, permanent disability and health and sickness business

“marine”	defined by section 1 of the Marine Insurance Act as “a contract whereby the insurer undertakes to indemnify the assured, in manner and to the extent thereby agreed, against marine losses, that is to say, the losses incidental to marine adventure
“marine liability”	includes liability cover to third parties in relation to pollution damage, charterer’s liability, ship owners and builders
“motor”	the insurance of motor vehicles and liabilities arising out of the use of such motor vehicles
“non-marine liability”	covers all forms of general liability cover, including bankers’ blanket bonds, professional indemnity insurance, employers’ liability insurance, directors and officers and workers’ compensation
“political risks”	this insurance provides cover to exporters or investors who do not receive payment from overseas customers as a result of the intervention of political changes, such as civil war, war between the nations of the contracting parties, exchange control restrictions and import restrictions
“private car business”	the insurance of cars which are privately owned by individuals
“professional indemnity”	includes insurance cover to protect a professional person against the legal liability to pay damages and costs to persons sustaining loss through a breach of professional duty
“property”	a general business category defined by the Insurance Companies Act 1982 and includes insurance of loss of or damage to material property, but not including marine, motor or aviation
“property treaty”	a generic term for reinsurance of property risks placed on either a quota share, surplus or excess of loss basis
“quota share”	a reinsurance arrangement under which a reinsurer accepts a fixed proportion of the risk or an agreed category of risks and shares in premiums and claims in that fixed proportion
“risk excess”	a form of excess of loss reinsurance whereby a reinsurer underwrites a reinsured for a level of indemnity in respect of a specific risk in excess of a stated deductible below the total sum insured
“satellite”	includes cover relating to the erection of satellites, the pre-launch period, the launch itself and the period during which the satellite is in operation. Cover may also include consequential loss, third party liability and delayed launch expenses
“short tail”	describes risks where claims are likely to be known and quantifiable within a relatively short period of time
“space”	otherwise known as satellite insurance
“treaty reinsurance”	a generic term for reinsurance (including property and liability cover) placed on a quota share, surplus or excess of loss basis
“war”	covers war, hijacking, and similar risks in relation to marine and aviation risks, including civil war, rebellion, insurrection, revolution, usurped power, military or usurped power, civil commotion and martial law

BRIT INSURANCE HOLDINGS PLC

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an Extraordinary General Meeting of Brit Insurance Holdings PLC will be held at the Company's offices, Lower Ground Floor, 55 Bishopsgate, London EC2N 3AS on 17 December 2001 at 10.00 a.m to consider and, if thought fit, pass the following resolutions of which resolution 1 will be proposed as an ordinary resolution and resolutions 2 and 3 will be proposed as special resolutions:

ORDINARY RESOLUTION

1 THAT:

subject to and conditional upon admission to the Official List by the United Kingdom Listing Authority and to trading on the London Stock Exchange of the 8.5 per cent. convertible unsecured subordinated loan stock 2008 and ordinary shares of 25 pence each to be issued by the Company in connection with the proposed Placings and Open Offers as referred to and defined in the circular from the Company to its shareholders incorporating a prospectus dated 23 November 2001 (a copy of which has been laid before this meeting and signed for the purpose of identification by the Chairman hereof) ("**the Circular**") becoming effective:

- 1.1 the authorised share capital of the Company be increased from £78,750,000 to £155,000,000 by the creation of an additional 305,000,000 ordinary shares of 25 pence each ranking *pari passu* in all respects with the existing ordinary shares of 25 pence each of the Company;
- 1.2 the directors be generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 ("the Act") to allot relevant securities (as defined in section 80(2) of the Act) of the Company up to a maximum aggregate nominal amount of £93,125,000 provided that:
 - (a) this authority shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the date fifteen months from the passing of this resolution unless previously varied, revoked or renewed by the Company in general meeting;
 - (b) the Company shall be entitled to make, prior to the expiry of such authority, any offer or agreement which would or might require relevant securities to be allotted after the expiry of this authority and the directors may allot any relevant securities pursuant to such offer or agreement as if such authority had not expired; and
 - (c) all prior authorities to allot relevant securities be revoked but without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities.

SPECIAL RESOLUTIONS

2 THAT:

subject to and conditional upon the passing of resolution 1 above at this meeting (or at any adjournment(s) hereof) and such resolution becoming effective:

- 2.1 the directors be granted power pursuant to section 95 of the Companies Act 1985 (the "Act") to allot equity securities (as defined in section 94(2) of the Act) for cash pursuant to the authority conferred by the said resolution as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to:
 - (a) the allotment of equity securities in connection with the Placings and Open Offers (as defined in the circular from the Company to its shareholders incorporating a prospectus dated 23 November 2001);
 - (b) the allotment of equity securities in connection with any invitation made to holders of ordinary shares and holders of other securities to the extent expressly required or (if considered appropriate by the directors) permitted by the rights attached thereto from time to time to subscribe by way of rights, open offer or otherwise where the equity securities respectively attributable to the interests of all the holders of such ordinary shares and (if applicable) other securities are respectively proportionate (as nearly as may be) to the respective number of ordinary shares and (if applicable) other securities held by them subject to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange or otherwise in any territory; and

- (c) the allotment for cash (otherwise than pursuant to sub-paragraphs 2.1 (a) and (b) above) of equity securities up to an aggregate nominal amount of £5,250,000;

and shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, the date fifteen months from the passing of this resolution unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities pursuant to any such offer or agreement as if the power hereby conferred had not expired; and

- 2.2 all prior powers granted under section 95 of the Act be revoked provided that such revocation shall not have retrospective effect.

3 **THAT** the Company's articles of association be amended as follows:

- 3.1 article 33.3 be amended by the deletion of the words "Article 137" where they appear in that article and the substitution therefor with the words "Article 136";

- 3.2 article 99.2 be amended so that the limitations on the Company's borrowing powers set out therein be increased from "50 per cent. of the Adjusted Capital and Reserves" to "200 per cent. of the Adjusted Capital and Reserves" by the deletion of the figure "50" from such article and the figure "200" being inserted in its place;

- 3.3 a new article 99.6.10 be included as follows:

"moneys borrowed shall not include either (a) the Company's or any subsidiary's liabilities to the issuers of any letters of credit, bank guarantees or similar instruments which are established in the ordinary course of insurance business to provide security to insureds or reinsureds or (b) the Company's or any subsidiary's share of any borrowings or deposits made by the managing agent of any Lloyd's syndicate (and/or the trustees of any trust fund established for or on behalf of any subsidiary which is a member of Lloyd's) on behalf of any such company in connection with its underwriting business on that syndicate.";

- 3.4 article 99.6.8 be amended by the deletion of the word "and" at its end and article 99.6.9 be amended by the deletion of the word "once" and the substitution therefor with the words "once; and"; and

- 3.5 by the deletion of Article 136 (Controllers and Notifiable Holdings) (save for its heading) and the substitution therefor by the following new Articles 136 to 147:

"136. Definitions

In this Article and in Articles 137 to 147 (inclusive):

"10 per cent. Controller" means a Controller in whose case the percentage referred to in the definition of "Controller" is 10 per cent. or more but less than 20 per cent.;

"20 per cent. Controller" means a Controller in whose case the percentage referred to in the definition of "Controller" is 20 per cent. or more but less than 33 per cent.;

"33 per cent. Controller" means a Controller in whose case the percentage referred to in the definition of "Controller" is 33 per cent. or more but less than 50 per cent.;

"50 per cent. Controller" means a Controller in whose case the percentage referred to in the definition of "Controller" is 50 per cent.;

"Controller" means a Lloyd's Controller and/or an ICA Controller and "control" (and derivative expressions) is construed accordingly;

"Council" means the Council of Lloyd's and includes its delegates and persons by whom it acts;

"Excess Shares" means the shares which are required to be disposed of under a Mandated Disposal to cause a Controller to cease to be such or to cease to have a notifiable interest;

"FSA" means the Financial Services Authority;

"ICA Controller" means a person who is a shareholder controller within the meaning given to that expression in section 96C(2) of the Insurance Companies Act 1982 as from time to time amended;

"Lloyd's" means the Society of Lloyd's incorporated by the Lloyd's Act 1871;

"the Lloyd's Acts" means Lloyd's Acts 1871 to 1982 as amended, replaced or re-enacted from time to time, together with any other statutes from time to time regulating the carrying on of business at Lloyd's;

“Lloyd’s broker” has the meaning given to that expression in the Membership Byelaw;

“Lloyd’s Controller” means a person who is a person within the meaning given to that expression in the Membership Byelaw and/or the Underwriting Agents Byelaw;

“Mandated Disposal” means the sale and transfer of such number of Specified Shares as will cause a Controller to cease to be such, not being a sale or transfer to another Controller or a sale and transfer which constitutes any other person a Controller;

“majority Controller” means a Controller whose shareholding is such that the body corporate is his subsidiary undertaking;

“Membership Byelaw” means the Membership Byelaw (No. 17 of 1993) as the same may be amended, modified, replaced or re-enacted;

“notifiable holding” means voting rights or shares which, if acquired by any person, will result in him becoming a 10 per cent. Controller, a 20 per cent. Controller, a 33 per cent. Controller, a 50 per cent. Controller or a majority Controller;

“service company” means companies permitted to do business in accordance with the Related Parties Byelaw (No. 2 of 1986) or otherwise established under the Intermediaries Byelaw (No. 8 of 1990) or otherwise established for the purpose of providing services (whether by way of acting as a coverholder, intermediary, administrator or otherwise), to a managing agent for and on behalf of one or more syndicates;

“Specified Shares” means shares comprised in the interest of a Controller or of a person referred to in Article 138;

“subsidiary” has the same meaning as in Section 736 of the Companies Act 1985; and

“Underwriting Agents Byelaw” means the Underwriting Agents Byelaw (No. 4 of 1984) as the same may be amended, modified, replaced or re-enacted.”

137. Notices

The Directors may at any time serve a notice upon any member requiring him to furnish the Directors with information (in the case of paragraphs 137.1 to 137.4 below, to the extent that such paragraphs apply to any person other than the member, so far as such information lies within the knowledge of or can be obtained by such member), supported by a declaration and by such other evidence (if any) in support as the Directors may require, for the purpose of determining:

- 137.1 whether such member is or is likely to be a party to an agreement or arrangement (whether legally enforceable or not) whereby any of the shares held by him are to be voted in accordance with some other person’s instructions (whether given by that other person directly or through any other person); or
- 137.2 whether such member and/or any other person who has an interest in any shares held by such member is a Controller and/or has a notifiable holding; or
- 137.3 whether such member and/or any other person who has an interest in any shares held by such member has an interest in any shares or any characteristics which might cause:
 - (a) the Council to determine, suspend or revoke the membership of Lloyd’s of any subsidiary of the Company or to refuse to permit any subsidiary of the Company to become a member of Lloyd’s or to restrict in any way the ability of any subsidiary of the Company to carry on business as a member of Lloyd’s; or
 - (b) the FSA and/or the Council to determine, suspend or revoke the registration as a managing agent or service company of any subsidiary of the Company or to refuse to permit a subsidiary of the Company to become a managing agent or a service company or to restrict in any way the ability of any subsidiary of the Company to carry on business as a managing agent or service company; or
 - (c) the FSA to determine, suspend or revoke the registration of any subsidiary of the Company as an insurance company; or
- 137.4 whether such member and/or other person who has an interest in any shares held by such member is or is associated with (within the meaning of sections 11 and 12 Lloyd’s Act 1982) a Lloyd’s broker.

If such information and evidence is not furnished within a reasonable period (not being less than 14 days) from the date of service of such notice or the information and evidence provided is, in the

opinion of the Directors, unsatisfactory for the purposes of so determining, the Directors may (but shall not be obliged to) serve upon such member a further notice calling upon him, within 14 days after the service of such further notice, to furnish the Directors with such information and evidence or further information or evidence as shall (in their opinion) enable them so to determine. If any such information or evidence is not furnished within either such period, the Directors may, without prejudice to any other powers hereafter conferred on them, withhold, to the extent lawful, the payment of any amounts to which the holder of the relevant shares is entitled.

138. Compulsory Disposals

If the Directors, following consultation with the Council (or, as the case may be, the FSA), determine, whether pursuant to information furnished in respect of a notice under Article 137 or on any other basis, that there are reasonable grounds for apprehending that such person has a notifiable holding or the Council (or, as the case may be, the FSA) may (or may be entitled to) revoke, suspend or determine the membership of Lloyd's or the registration as a managing agent or service company or the registration as an insurance company of any subsidiary of the Company or refuse to permit any subsidiary of the Company to become a member of Lloyd's, a managing agent or a service company or an insurance company or to restrict in any way the ability of any subsidiary of the Company to carry on business as a member of Lloyd's, a managing agent, a service company or an insurance company by reason of the interest of a person in shares, the Directors shall be entitled, but shall not be obliged, to serve a written notice on the person and, if different, on the holder or holders of such shares stating that they have so determined and specifying their grounds in general terms, referring to the cessation of voting rights pursuant to Article 146 and/or calling for a disposal to be made of all such shares or of such lesser number of shares as shall be specified in the said notice and in that event all the provisions of Articles 139 to 140 (inclusive) as to Mandated Disposals as shall be specified in the said notice shall apply to the shares concerned as if such notice were a Disposal Notice (as defined in Article 139) and the shares specified in the notice as to be disposed of were Excess Shares.

Where more than one holder (treating joint holders as a single holder) is required to dispose of shares pursuant to a notice given under this Article the said notice shall specify the number of shares to be disposed of by each such holder (which shall be in the discretion of the Directors and need not be *pro rata* amongst the holders being called upon to dispose of shares).

The Directors shall withdraw such notice served under this Article at any time if it appears to them that the reasons therefor no longer exist.

139. Controllers

If any person (to the knowledge of the Directors and without the consent of the Council) becomes or is deemed in accordance with Articles 141 and 143 to be a Controller or have a notifiable holding, or is associated with (within the meaning of section 11 and 12 of Lloyd's Act 1982) a Lloyd's broker, the Directors shall be entitled, but shall not be obliged, to serve a written notice ("a Disposal Notice") on all those who (to the knowledge of the Directors) have interests in, and, if different, on the holder or holders of, the Specified Shares. The Disposal Notice shall refer to the voting restrictions as set out in Article 145 and shall call for a Mandated Disposal to be made and shall state the number of Excess Shares in respect of which the Mandated Disposal is to be made and shall call for reasonable evidence that such Mandated Disposal shall have been effected to be supplied to the Company within 21 days from the date of such notice or such other period as the Directors may consider reasonable and which they may extend. The Directors shall withdraw a Disposal Notice served under this Article (whether before or after the expiration of the period referred to) if it appears to them that there is no Controller in relation to the shares concerned or if the Council gives its consent to the holder of the relevant shares being a Controller or if no subsidiary of the Company would be in breach of Lloyd's Acts.

140. Mandated Disposal

140.1 If a Disposal Notice served under Article 139 is not complied with to the satisfaction of the Directors and has not been withdrawn, the Directors shall, so far as they are able, make a Mandated Disposal on behalf of the persons concerned at the best price reasonably obtainable in all the circumstances and shall give written notice of such disposal to those persons on whom the Disposal Notice was served. Except as hereinafter provided such a Mandated Disposal shall be completed as soon as reasonably practicable after expiry of the Disposal Notice as may in the opinion of the Directors be consistent with obtaining the best price reasonably obtainable and in any event within 30 days of expiry of such notice provided that a Mandated Disposal may be suspended by the Directors during the period when dealings by the

Directors in the shares are not permitted either by law or by regulations of the London Stock Exchange but any Mandated Disposal suspended as aforesaid shall be completed within 30 days after expiry of the period of such suspension and provided further that neither the Company nor the Directors shall be liable to any holder or any person having an interest in any share or any other person for failing to obtain the best price so long as the Directors act in good faith within the period specified above. If on a Mandated Disposal being made by the Directors, Specified Shares are held by more than one holder (treating joint holders of any relevant shares as a single holder) the proportion of the Specified Shares held by each holder which the Directors cause to be sold shall be in the discretion of the Directors and need not be *pro rata* amongst the holders.

- 140.2 For the purpose of effecting any Mandated Disposal, the Directors may authorise in writing an officer or employee of the Company to execute any necessary transfer on behalf of any holder and may issue a new certificate to the purchaser. The net proceeds of such disposal shall be received by the Company, whose receipt shall be good discharge for the purchase money, and shall be paid (without any interest being payable thereon) to the former holder upon surrender by him of the certificate in respect of the shares sold and formerly held by him.

141. Directors to determine whether Controller

The Directors may assume without enquiry that a person is not a Controller. The Directors may determine that any person is a Controller or has a notifiable interest, or is associated with (within the meaning of sections 11 and 12 Lloyd's Act 1982) a Lloyd's broker, if there are reasonable grounds for believing that that person is a Controller (notwithstanding that the Company has not been supplied with a declaration or other evidence establishing to its satisfaction that such person is or may become a Controller) or has a notifiable interest, or is associated with (within the meaning of sections 11 and 12 Lloyd's Act 1982) a Lloyd's broker, until such time as they are satisfied that such is not the case. Except as otherwise expressly provided, the Directors shall not be required to give any reason for any action taken or not taken or any decision or determination made by them pursuant to Articles 137 to 147 inclusive.

142. Initial negative determination by Directors

Unless and until a Disposal Notice is served on a person in accordance with Article 139, the exercise by that person of any right attaching to any share in which he is interested shall not be challenged or invalidated by any subsequent determination by the Directors that such person is a Controller.

143. Service of Notices

The Directors shall not be obliged to serve any notice under Article 137 or Article 138 or any Disposal Notice under Article 139 upon any person if they do not know his identity or his address and the absence of service of such a notice in such circumstances as aforesaid and any accidental error or, or failure to give, any notice to any person upon whom notice is required to be served under the foregoing Articles shall not prevent the implementation of or invalidate any procedure thereunder. Any notice to be served under Articles 137 to 140 inclusive upon a person who is not a member shall be deemed validly served if sent through the post to that person at the address, stamped and put in the post. Any determination of the Directors under the provisions of Articles 138 to 143 inclusive shall be final and conclusive, but without prejudice to the power of the Directors subsequently to vary or revoke such determination.

144. Suspension of voting rights where Article 138 notice served

The holder or holders of the Specified Shares who has or have pursuant to Article 138 been served, or deemed to have been served, with a notice by the Directors shall not, with effect from the expiration of such period as the Directors shall specify in such notice (not being longer than 30 days from the date of service of the notice), be entitled to receive notice of, or to attend or vote at, any general meeting of the Company or any meeting of the holders of shares of the relevant class in respect of the shares referred to in that Article as Excess Shares unless the notice is withdrawn in accordance with Article 138.

145. Suspension of voting rights where Disposal Notice served

Where a Disposal Notice has been served under Article 139 the holder or holders of the Specified Shares shall not in respect of the number of Excess Shares held by each of them be entitled with effect from the date of service of such notice to receive notice of, or to attend or vote at, any general meeting of the Company or any meeting of the holders of shares of the relevant class.

146. Suspension of voting rights where Article 137 notice served

Any member who has pursuant to Article 137 been served with a further notice by the Directors requiring him to furnish the Directors with information and evidence or further information or evidence within 14 days after the service of such further notice shall not, with effect from the expiration of such period and until information or evidence is furnished to the satisfaction of the Directors, be entitled to receive notice of, or to attend or vote at, any general meeting of the Company or meeting of the holders of shares of any class other than in respect of such of the shares held by such member as are shares in respect of which it shall have been established to the satisfaction of the Directors that they are not shares in respect of which the Directors may require a disposal pursuant to the provisions of Articles 138 to 140.

147. Interests in Lloyd's brokers

Where any person who acquires or disposes of any interest in any shares of the Company is associated with (within the meaning of sections 11 and 12 Lloyd's Act 1982) a Lloyd's broker, the registered holder shall, insofar as the facts lie within his knowledge, within two business days of such acquisition or disposal, notify the Company in writing at its registered office of such acquisition or disposal, the number of shares concerned and the identity of the members' agent, managing agent or Lloyd's broker."

By order of the Board
Peter Goddard
Secretary
23 November 2001

Registered Office:
55 Bishopsgate
London EC2N 3AS

Notes

1. Only the holders of ordinary shares are entitled to attend the meeting and vote.
2. A member entitled to attend and vote may appoint a proxy or proxies to attend and, on a poll, to vote on his behalf. A proxy need not be a member of the Company.
3. A form of proxy is provided. To be effective, the form of proxy must be completed, signed and (together with the original or a notorally certified copy of any power of attorney or other authority under which it is executed) lodged with Capita IRG Plc at Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ not later than 48 hours before the time of the meeting.
4. Deposit of a completed form of proxy will not preclude a member from attending the meeting and voting in person.
5. Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, the Company has specified that to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they must cast), members must be entered in the Company's register of membership by 5.30 pm on 15 December 2001. Changes to entries on the register of members after 5.30 pm on 15 December 2001 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

