

***Previously released to the London Stock Exchange***

***on 6 May 2010***

**BRIT INSURANCE HOLDINGS N.V. INTERIM MANAGEMENT STATEMENT**

Brit Insurance Holdings N.V. (“Brit Insurance” or “the Group”), the international general insurance and reinsurance

group, releases the following Interim Management Statement and trading update as required by the UK Listing

Authority's Disclosure and Transparency rules, relating to the 18 week period from 1 January 2010 to 5 May 2010.

**Summary**

 Gross written premium down 13.3% to £483.5m for the three month period (the period) ended 31 March 2010 (31

March 2009: £557.6m), a decrease of 9.9% at constant exchange rates.

 Average premium rate increase on renewal business for the period of 1.4% (31 March 2009: increase of 4.6%)

 Lower premium volumes result from a reduction in the capital allocated to certain classes where competition is increasing. This is consistent with the Group’s previous comments that it does not expect to grow in 2010 in order to protect profit margins

 The market experienced significant catastrophe claims activity in the period. The Group’s best estimate for its pre-

tax net exposure arising from February’s earthquake in Chile remains unchanged at US$71m (£46m1)

 Overall movement on prior year claims reserves continues to be positive

 Investment return for the period of £35.3m, a return in the quarter of 1.0% (31 March 2009: loss of £8.2m and

-0.3%)

**Dane Douetil, Chief Executive Officer of Brit Insurance Holdings N.V., said:**

“The underwriting market in the first quarter of 2010 has developed broadly in line with our expectations. I am particularly pleased that, as a result of our underwriters being prepared to walk away from inadequately priced business,

we have achieved an overall 1.4% rate increase in a competitive market place. The corollary of this underwriting discipline, and of the portfolio management measures we have put in place over the last two years, is that we are

seeing reduced premium volumes. This is to be expected at this part of the underwriting cycle and as we work hard to

enhance our underwriting portfolio.

“The earthquake in Chile will be a significant market loss and our expected exposure in relation to our size reflects the controlled nature of our catastrophe account.

“The diversity within the underwriting portfolio stands us in good stead as the various markets we operate in follow different cyclical patterns. We are ready to capitalise on opportunities should they arise, but we continue to expect that, absent significant rate increases, there will be no premium volume growth during 2010.”

**Financial performance**

***Gross written premium and premium rate movements by Strategic Business Unit (SBU)***

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Gross written premium** | **3 months ended**  **31 March 2010**  **£m** | **3 months ended**  **31 March 2009**  **£m** | **Growth**  **%** | **Growth at**  **constant**  **FX rates**  **%** |
| Brit Global Markets  Brit Reinsurance  Brit UK  Other underwriting | 214.2  166.7  102.3  0.3 | 259.9  193.9  103.6  0.2 | -17.6  -14.0  -1.2  n.a. | -13.4  -10.2  -1.1  n.a. |
| Group | 483.5 | 557.6 | -13.3 | -9.9 |

|  |  |  |  |
| --- | --- | --- | --- |
| **Premium rate movement**  **estimates** | **3 months ended**  **31 March 2010**  **%** | **3 months ended**  **31 March 2009**  **%** | **12 months ended**  **31 December 2009**  **%** |
| Brit Global Markets  Brit Reinsurance  Brit UK | 0.5  1.4  3.0 | 3.6  8.2  3.4 | 4.3  7.4  3.7 |
| Group | 1.4 | 4.6 | 4.8 |

*Estimates are based on the Group’s underwriters’ estimates of rate changes, including adjustments to terms and conditions, and relate to renewal business only, since this represents the business with the best year-on-year data.*

**Underwriting**

Overall gross written premium fell by 9.9% at constant currency in line with the Group’s comment that it does not expect

to grow in 2010 unless additional premium rate increases are realised. On an underlying basis, excluding the effect of movements on prior year premium estimates, gross written premium fell by 4.9%. Conversely, in the first quarter of

2009, movements on prior year premium estimates were positive.

Premium volumes continue to reflect portfolio actions in Brit Global Markets and stability in Brit UK and Brit Reinsurance (excluding movements on prior year premium estimates). Overall the Group was able to keep rate movements in positive territory, with an average rate increase on renewed business of 1.4%, by declining to renew business where rates were under excessive pressure.

**Brit Global Markets (44% of 1Q Group premium)**

The underwriting market for Brit Global Markets is broadly steady, with an overall 0.5% average rate increase on renewed business in the first quarter of 2010. In the majority of classes of business rate movements ranged from -1% to

+1%.

As a result of these trends and the effect of the portfolio management actions taken over the last two years, gross written premium reduced by 13.4% at constant currency in the period. In particular premium volumes were down by

33% in Professional Lines and by 24% in Accident & Health as Brit Global Markets non-renewed business that no longer met the Group’s required long-term return on capital. Other divisions saw lower volume reductions as the Group continued to optimise its selective underwriting approach.

With the exception of the earthquake in Chile (see below), the SBU experienced a modest improvement in the claims environment compared with its experience in the 2009 full year.

**Brit Reinsurance (35% of 1Q Group premium)**

Brit Reinsurance experienced reassuring stability in the first quarter of 2010 with average rate increases on renewed business of 1.4% and premium volumes up 1.8% excluding the effect of movements on prior year premium estimates. After taking into account movements on prior year estimates, gross written premium was down by 10.2% at constant currency.

On 1 April approximately 10% of the SBU’s in-force portfolio renews with a particular bias towards the Asian component

of the International Property Treaty account. For the Property Treaty account as a whole, average premium rate movements achieved on renewed business on 1 April showed a marginal fall of 1.2%. Furthermore, following the establishment of a representative office in Tokyo in 2009, the SBU has strengthened its long-term relationships with its core business partners in this strategically important region.

The first quarter of 2010 saw a number of market claims which are discussed in more detail below.

**Brit UK (21% of 1Q Group premium)**

In an improving, but still competitive, commercial insurance market in the UK, the SBU continues to focus on building its product offering and distribution capability. Average premium rate increases in the period were 3.0% with the highest rate increases experienced in Motor (10.0%) whereas premium rates in Liability lines (Employers’ Liability and Professional Indemnity) remained broadly unchanged. Within this environment gross written premium for the period was stable.

Underwriting profitability remains tight in the UK market and in this environment the SBU continues to focus on portfolio management. Brit UK will only grow when the rating environment strengthens sufficiently to improve underwriting margins.

**Major claim activity**

The first quarter of 2010 saw a number of market claims including the earthquake in Chile, European windstorm Xynthia, hail storms and flooding in Australia and severe winter weather in the UK and US. Industry commentators have estimated insured natural catastrophe losses of approximately US$16bn which is the highest first quarter total on record.

As reported on 26 March 2010, the Group considers the earthquake in Chile to be a major claim with a best estimate of

its pre-tax net exposure (after allowing for reinsurance recoveries and reinstatement premiums) to be approximately US$71m (£46m1). This estimate has been derived by a thorough ground-up analysis for each portfolio and for the Property Treaty Catastrophe account the Group believes this approach is consistent with a market loss of approximately US$6bn.

The Group further estimates that should the market loss reach US$10bn its inwards International Property Treaty Catastrophe account will have no additional exposure to any deterioration beyond this level. Under this scenario and including a similarly conservative estimate for the Direct account, the Group estimates a total net exposure of approximately US$97m (£62m1).

The significant range for market estimates illustrates the uncertainty associated with claims arising from this event and it will take a number of months before estimates can be assessed with any degree of certainty.

The Group does not expect any of the other market claims referred to above to represent a major claim (i.e. net claim greater than £10m to the Group) either individually or in aggregate.

Furthermore, events in the second quarter of 2010 to date include the Deepwater Horizon rig explosion in the Gulf of Mexico and the partial closure of European airspace following a volcanic eruption in Iceland. At this stage it is not expected that the aggregate cost of these events will be a major claim for the Group.

**Investments**

The Group has achieved a good start to the year with total investment return of £35.3m representing a 1.0% return on average cash and investments in the period. This return was driven largely by a favourable development in the markets

for short duration government securities in Sterling and US dollars. During the three months to 31 March 2010, total cash and investments increased by 3.4% to £3.6bn.

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| --- | --- | --- | --- |
| **Asset allocation** | **At 31 March 2010**  **£m %** | **At 31 March 2009**  **£m %** | **At 31 December 2009**  **£m %** |
| Equities  Fixed income  Specialised investment funds  Cash and cash equivalents  Total | 110.9 3.0  2,817.2 78.4  106.6 3.0  560.4 15.6 | 90.5 2.8  2,110.7 64.6  107.5 3.3  956.3 29.3 | 102.0 2.9  2,282.4 65.7  96.7 2.8  994.2 28.6 |
| 3,595.1 100.0 | 3,265.0 100.0 | 3,475.3 100.0 |

The Group’s allocation to fixed income securities increased during the period to 78.4% from 65.7% at the end of 2009.

The increase was invested predominantly in government bonds and US agency mortgage-backed securities. Meanwhile cash holdings decreased from 28.6% to 15.6%. Holdings of riskier assets, including corporate bonds, equities, and specialised investment funds, were broadly unchanged during the quarter. The Group has no direct exposure in its investment portfolio to Greece, Portugal or Ireland and holdings of Spanish government and corporate bonds total 0.6%

of the portfolio. These holdings all mature during 2010.

The investment return to 31 March 2010 (non-annualised) is set out below.

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| --- | --- | --- | --- |
| **Pre-tax return** | **3 months ended**  **31 March 2010**  **£m %** | **3 months ended**  **31 March 2009**  **£m %** | **12 months ended**  **31 December 2009**  **£m %** |
| Equities  Fixed income  Specialised investment funds  Cash and cash equivalents  Total | 5.0 4.9  24.4 1.0  5.0 4.8  0.9 0.1 | (11.1) (10.4)  (4.6) (0.2)  0.1 0.0  7.4 0.9 | 13.8 17.5  92.5 4.5  17.9 19.2  13.2 1.5 |
| 35.3 1.0 | (8.2) (0.3) | 137.4 4.2 |

The fixed income return equalled 1.0% for the first quarter and was broadly spread across the main sectors within the

portfolio. Equities and specialised investment funds returned just under 5% during the period. Owing to the low level of interest rates and the normalisation of credit spreads, the Group cautions that it will be unlikely to achieve similar rates

of return in the near-term.

**Headcount and expenses**

Group headcount at 31 March 2010 was 751 and has increased marginally since 31 December 2009 (741) reflecting the build-out of offices in Amsterdam, Chicago and Sydney. The quarterly run rate for expenses (excluding bonus costs which are a function of profit before tax) was at similar levels to that implied by the 2009 full year results.

**Foreign Exchange**

The Group experienced a foreign exchange benefit in the period of £22.9m relating to a real gain on the mark to market

of the element of the Group’s capital that it holds in non-Sterling currencies. At 31 March 2010, £256.4m of the Group’s net tangible assets was denominated in non-Sterling currencies.

In addition, the period saw a positive effect from foreign exchange on non-monetary items of £12.1m. As previously commented the Group considers the effect of foreign exchange on non-monetary items to be a timing difference that will reverse in future periods.

**Capital and liquidity**

The Group’s main insurance carriers, Brit Insurance Limited (BIL) and Lloyd’s Syndicate 2987, benefit from strong ratings from the major rating agencies. BIL’s ratings of A (Strong) with stable outlook from Fitch and A (Excellent) with stable outlook from AM Best remain in the target range of mid to high ‘A’. Syndicate 2987’s effective rating from trading through Lloyd’s is A+ (Strong) from Standard and Poor’s and Fitch and A (Excellent) from AM Best.

As announced on 26 February 2010, the Board is recommending a final distribution for 2009 of 30.0p per share. If approved, and subject to the two month creditor objection period required under the Dutch Civil Code, this will be paid

on 15 July 2010 to shareholders on the register on 14 June 2010. The shares will trade ex the distribution on 10 June

2010. A scrip alternative is also being offered.

At 31 March 2010, the Group’s gearing ratio2 was 24.8% (31 December 2009: 25.1%) and remains within the Group appetite to retain a gearing ratio below 30%.

The Group reorganisation was complete on 21 December 2009 with a new holding company, Brit Insurance Holdings N.V., in the Netherlands. During the first quarter of 2010 the majority of the assets backing the Group’s Funds at Lloyd’s were transferred to Brit Insurance (Gibraltar) PCC Limited and now more than 50% of the Group’s net tangible assets

are located outside of the UK.

**Outlook**

With average rate increases on renewed business of 1.4%, trends in the underwriting market in 2010 have been in line with the Group’s expectations at the start of the year. Rate increases of 3.0% were strongest in Brit UK as the UK underwriting market continues its slow turn whilst rate movements of 0.5% in Brit Global Markets is consistent with the Group’s view that the market is finely poised.

The Group continues to develop its programme to move underwriting performance into the upper quartile and plans are being rolled out across each operating unit. With this sharp focus on protecting and enhancing underwriting margins, the Group continues to anticipate that premium volumes will not grow during 2010 unless further rate increases are experienced.

The slight rate increases experienced by Brit Reinsurance in the period are likely to reduce over the course of the year once the April, June and July renewals are completed, but the margin in the business remains strong. At this stage the Group does not believe that the major industry events during the first quarter, in particular the earthquake in Chile, will

be market changing. However, if another large event was to occur in the International (i.e. ex-US) Property Treaty market then the Group would expect some upwards pricing pressure in the January 2011 renewals.

In the UK the 2009 full year results for the major insurers have again demonstrated that the accident year combined ratio for the market was over 100%. Furthermore, additional evidence of insurer pain was seen by the withdrawal of Quinn Insurance which recently entered administration. These factors together with low investment returns should lead

to a continuation of market-wide rate increases. Currently, however, there is little evidence to suggest that rate increases are accelerating at a level that will lead to the industry combined ratio falling below 100%.

With the three SBUs trading at different points within their respective underwriting cycles the Group believes its diverse business franchise is well positioned to face the current market conditions. With a strong balance sheet and focus on optimising underwriting return, the Group is confident of its ability to continue to create long-term value for its shareholders.

1 Using 1Q 2010 average exchange rate of £1=US$1.56

2 Gearing ratio: Ratio, in percent, of total borrowings divided by total capital resources

**For further information, please contact**

**Brit Insurance Holdings N.V. + 31 (0) 20 719 1100**

Dane Douetil, Chief Executive Officer, Brit Insurance +44 (0) 20 7984 8500

Neil Manser, Head of Investor Relations, Brit Insurance +44 (0) 20 7098 6980

Haggie Financial

David Haggie/Peter Rigby/Juliet Tilley +44 (0) 20 7417 8989

**Notes to Editors**

Brit Insurance is an international general insurance and reinsurance group specialising in commercial insurance. The

Group writes a diverse portfolio of over 70 classes of insurance and reinsurance offering worldwide protection. The scope is wide-ranging: from sole traders to the largest multinational corporations; from manufacturers to professional services; from shops to satellites. Our distribution model is centred on brokers and intermediaries. Reflecting where our customers trade, we are organised into three strategic business units – Global Markets, UK and Reinsurance – which have access to our underwriting platforms including Brit Insurance Limited and our Lloyd’s syndicate, Brit Syndicate

2987.

For more information please go to: [www.britinsurance.com](http://www.britinsurance.com)