



## Preliminary results

Year ended 31 December 2009

Certain statements in this presentation are or may constitute 'forward-looking statements' that reflect management's current views with respect to future events. Statements containing the words 'believes', 'expects', 'plans', 'seeks' and 'anticipates', and words of similar meaning, are forward-looking.

By their nature, all forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that are beyond the Company's control.

If any of these or other risks and uncertainties occur, or if the assumptions underlying any of these statements prove incorrect, then actual results may be materially different from those expressed or implied by such statements.

There is no intention, nor any duty or obligation assumed, to update any forward-looking statement contained in this presentation.

- Highlights  
Bob Stuchbery, Chief Executive Officer
- 2009 results  
Ken Curtis, Chief Finance Officer
- Underwriting performance  
Bruce Bartell, Chief Underwriting Officer
- Our objectives and strategy  
Bob Stuchbery, Chief Executive Officer

# Highlights

- Profit before tax of £75.3m\*
- Underwriting profit of £45.8m\*
- Investment return of £53.3m
- Capital position strengthened
- New leadership in place
- Prospects for 2010 are good

\* Excludes impact of foreign exchange on non-monetary items



2009 results

Ken Curtis, Chief Finance Officer

## Improved financial performance

- Gross written premiums of £796.3m
- Net earned premiums of £606.3m
- Pre-tax profit of £75.3m\*
  - £45.8m underwriting profit\*
  - £53.3m investment return
  - £11.2m other operating income
- Combined ratio of 93%
- Earnings per share of 5.8p
- Annual dividend of 4.0p

\* Excludes impact of foreign exchange on non-monetary items

# Income Statement highlights

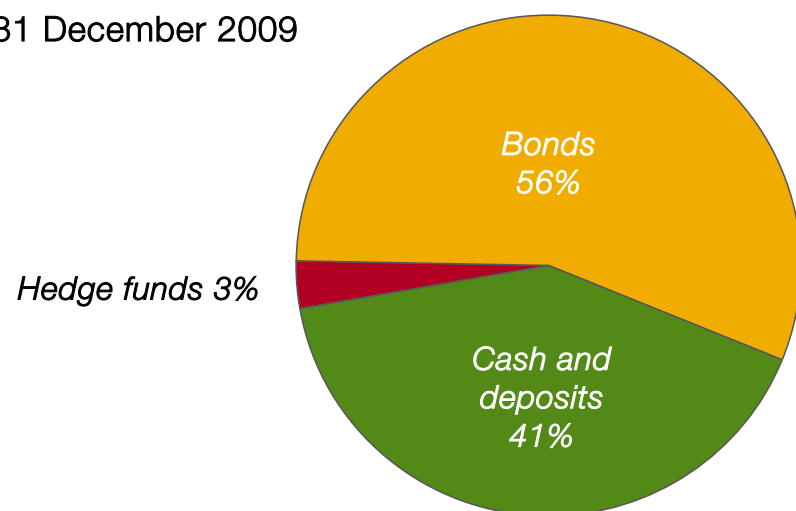


	2009 £m	2008 £m
Gross written premiums	796.3	741.0
Net earned premiums	606.3	547.2
Profit/(loss) before tax and foreign exchange on non-monetary items	75.3	(59.5)
Foreign exchange (loss)/gain on non-monetary items	(33.3)	33.3
Profit/(loss) before tax	42.0	(26.2)
Tax	(13.9)	7.3
	%	%
Return/(loss) on equity	9.7	(7.0)
	p	p
Basic earnings/(loss) per share	5.8	(6.0)
Total dividend per share	4.0	5.5

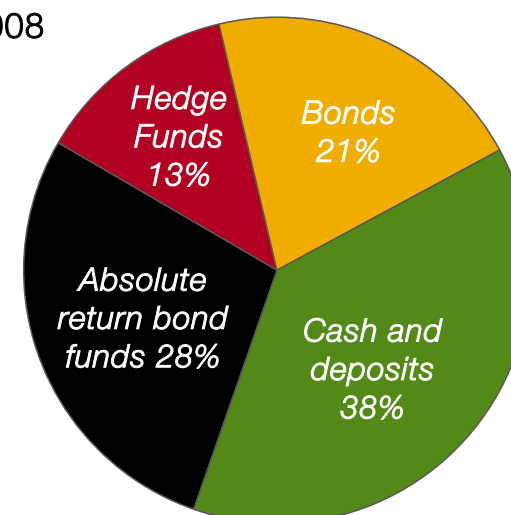
# Investment return

	2009 Return		2008 Return	
	£m	%	£m	%
Equities	0.3	5.3	(31.9)	(38.7)
Hedge funds	14.7	20.9	(30.4)	(27.0)
Absolute return bond funds	9.4	2.9	(17.3)	(4.5)
Bonds	24.0	4.2	(3.5)	(2.0)
Deposits and cash	5.4	0.9	12.4	4.3
Gross investment return	53.8	4.3	(70.7)	(6.8)
Investment return (net of expenses)	53.3		(71.0)	

31 December 2009



31 December 2008



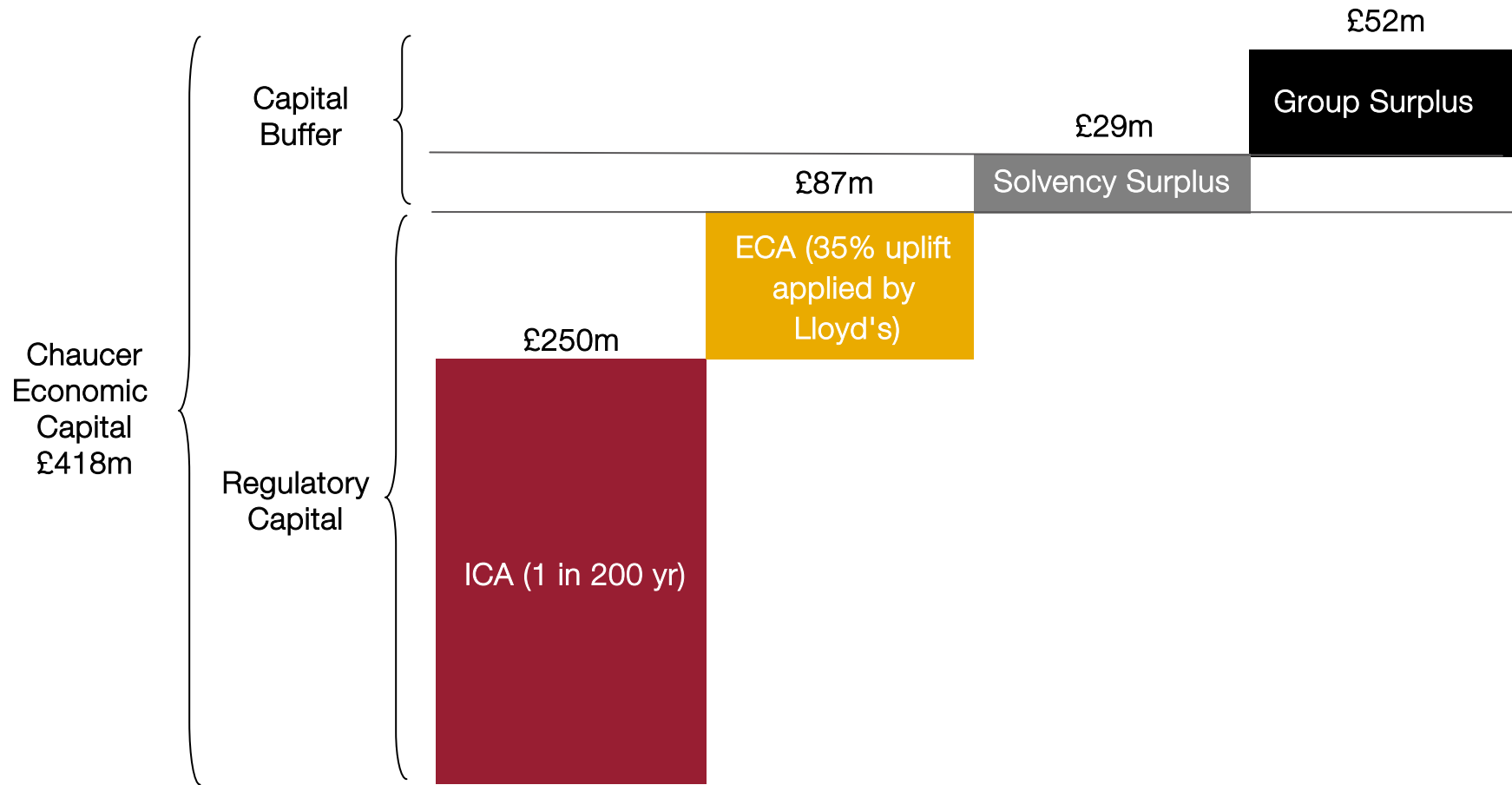
## Balance sheet highlights



	2009 £m	2008 £m
Financial assets, cash and cash equivalents	1,353.5	1,219.5
Unearned premium reserve	315.9	296.3
Shareholder equity	316.7	225.5
Intangible assets	(32.1)	(32.1)
Net tangible assets	284.6	193.4
	p	p
Net assets per share	61.7	72.9
Net tangible assets per share	55.5	62.5

- Gearing reduced to 27.2% of shareholder funds (2008 42.6%)

# Group capital buffer at 31 December 2009



- Net tangible assets + Subordinated debt = 144% ICA
- Available funds = 124% regulatory capital



## Underwriting performance

Bruce Bartell

- Gross written premiums increased to £795.6m
- Underwriting profit increased to £45.8m\* (2008 £33.0m)
  - Excellent results from Property, Energy and Aviation Divisions
  - Quiet hurricane season
  - Impact of global turmoil
  - Difficult UK motor market
- Combined ratio of 93% (2008 94%)
- Reserve releases of £31.8m
- Reduced combined ratio by 5% (2008 13%)

\* Excludes impact of foreign exchange on non-monetary items

	2009 £m	2008 £m
Premium Income	183.8	157.5
U/W Result*	35.8	8.9
Reserve Movement	7.2	15.1
	%	%
Claims Ratio	46	60
Expense Ratio	31	33
Combined Ratio	77	93
Rating Index		
International	2010E	-0.7%
North America	2010E	-1.3%

\* Excludes impact of foreign exchange on non-monetary items

- An outstanding result in 2009
- Division avoided most of the major losses worldwide and benefited from a quiet hurricane season
- Rates now reducing for both North American and International risks

	2009 £m	2008 £m
Premium Income	150.6	116.3
U/W Result*	11.0	(10.5)
Reserve Movement	7.3	(6.7)
	%	%
Claims Ratio	51	75
Expense Ratio	40	38
Combined Ratio	91	113
Rating Index		
2010E		+1.1%

\* Excludes impact of foreign exchange on non-monetary items

- Good performance, benefiting from improved market conditions
- Premiums benefited from reinvigorated oil price
- Rates responding to high offshore losses away from the Gulf of Mexico
- New office opened in Houston, Texas to strengthen overseas distribution network

	2009 £m	2008 £m
Premium Income	42.2	26.9
U/W Result*	8.5	2.7
Reserve Movement	4.7	1.7
	%	%
Claims Ratio	39	54
Expense Ratio	34	35
Combined Ratio	73	89
Rating Index		
2010E		+4.5%

\* Excludes impact of foreign exchange on non-monetary items

- Excellent performance in 2009
- Focus away from major airlines and US liability exposures
- Avoided majority of heavy losses
- Airline market beginning to improve after 8 years of decline
- Capacity increased for 2010 to take advantage of improving market conditions

	2009 £m	2008 £m
Premium Income	152.7	121.2
U/W Result*	(0.9)	9.3
Reserve Movement	6.0	7.7
	%	%
Claims Ratio	70	62
Expense Ratio	31	29
Combined Ratio	101	91
Rating Index		
2010E		+0.5%

\* Excludes impact of foreign exchange on non-monetary items

- Good market conditions, with healthy premium rates
- Strong performance from hull, liability and war, marine XL, cargo and specie accounts
- A challenging year for political risk and trade credit markets held back reported performance
- Combined ratio excluding political risk and trade credit 76% (2008 88%)
- Catastrophe-exposed rates now reducing

# Specialist Lines



	2009 £m	2008 £m
Premium Income	72.8	46.3
U/W Result*	0.7	7.5
Reserve Movement	7.5	18.3
	%	%
Claims Ratio	68	48
Expense Ratio	31	34
Combined Ratio	99	82
Rating Index		
2010E		+1.2%

\* Excludes impact of foreign exchange on non-monetary items

- 2009 was challenging for the specialist lines market
- Financial institutions growth (30% of income) and international treaty launch
- US hospital malpractice (25% of income) continues to be profitable
- Away from financial institutions, rates remain under pressure with new capacity reaching the market

	2009 £m	2008 £m
Premium Income	158.6	132.2
U/W Result*	(12.2)	(3.0)
Reserve Movement	(2.2)	4.8
	%	%
Claims Ratio	83	74
Expense Ratio	26	28
Combined Ratio	109	102
Rating Index		
2010E		+14.1%

\* Excludes impact of foreign exchange on non-monetary items

- Another testing year for the UK motor market
- Credit hire and the activities of claims farmers were market wide problems
- Introduced significant rate increases from mid 2009
- Emphasis away from third party only business
- Pricing to a sub 100% combined ratio for 2010 business

	2009 £m	2008 £m
Premium Income	15.7	14.7
U/W Result*	10.0	9.1
Reserve Movement	3.0	3.4
	%	%
<b>Combined Ratio</b>	<b>26</b>	<b>24</b>

\* Excludes impact of foreign exchange on non-monetary items  
 Non-cyclical: no maintenance of rating index

- Another excellent underwriting performance
- Loss record remained favourable
- Rates remained broadly stable across the portfolio

	2009	2008
	£m	£m
Syndicate 4242		
Premium Income	10.5	8.6
U/W Result*	1.9	(0.9)
	%	%
Combined Ratio	59	118

\* Excludes impact of foreign exchange on non-monetary items

- Syndicate 4242
  - Good result, benefitted from significantly reduced weather-related losses in the US
- Syndicate 1274 (Antares)
  - Continues to develop satisfactorily
  - Successful novation to new managing agency
  - £17m holding company investment

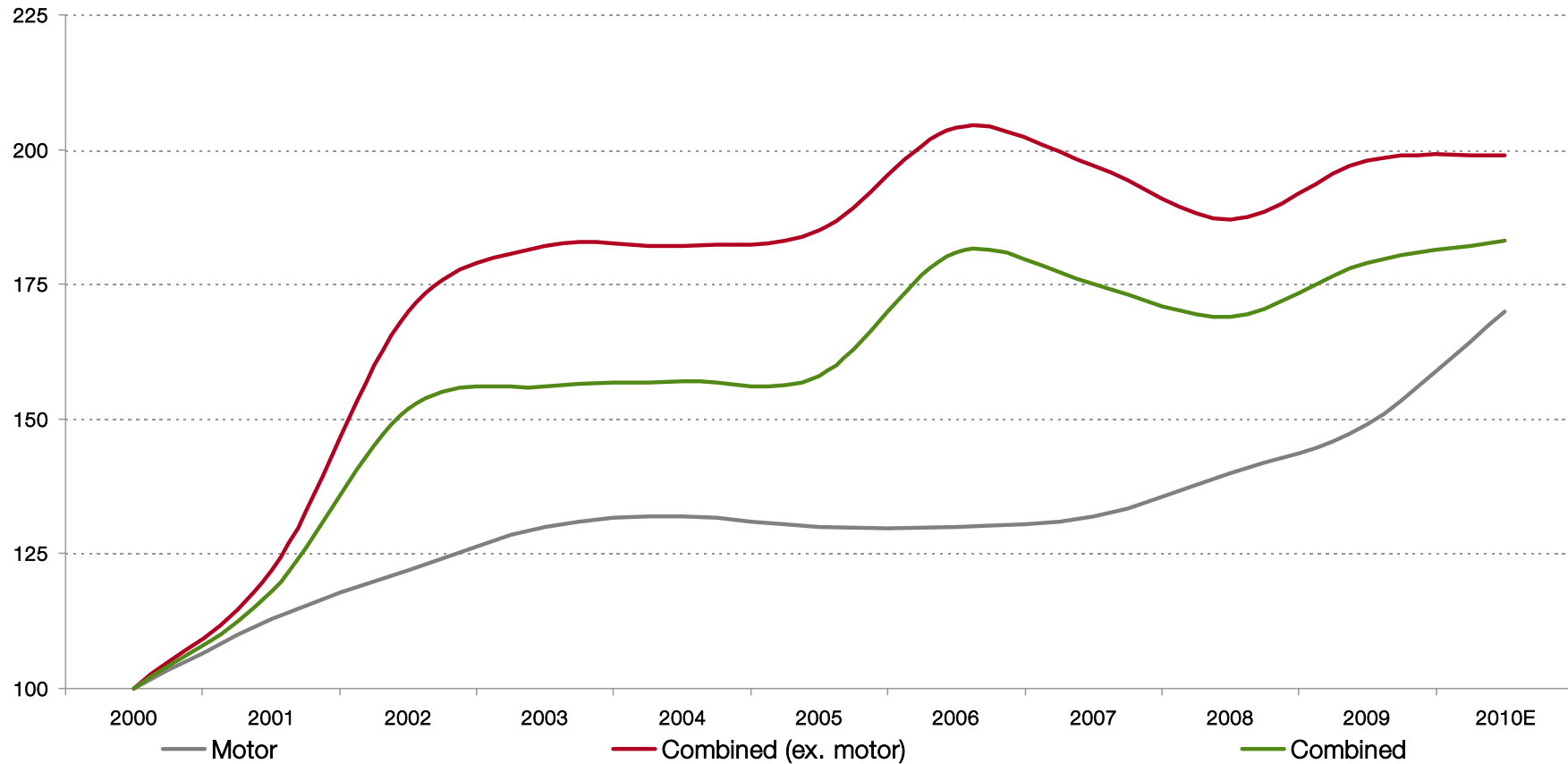
# Update on Syndicate 4000 run off



Breakdown of 2008 and prior net losses at 31 December 2009	£m
Outstanding claims	39.3
Total IBNR	80.3
Total reserves*	119.6
*Outstanding claims plus Total IBNR	

- 2006 and prior YOA continue to develop well
- More pessimistic view of emerging claims adopted for 2007 and 2008
- Combined ratio of 138%

# Positive rating outlook



Premium rating index (2000 = 100)	2010 Expected	2009 Actual	2008 Actual
Motor	+14.1%	+6.4%	+6.1%
Combined (ex. motor)	+0.5%	+5.9%	+5.1%
Combined	+2.2%	+5.9%	+3.4%

- Rates generally remain at attractive levels
- Capacity of Syndicate 1084 increased by £73m to £707m
- Targeting growth of profitable classes e.g. Energy and Aviation
- Continued expansion of classes of business via international network
- Significant re-rating of UK motor to return the account to profit
- Creation of new International Liability Insurance Division



## Our objectives and strategy

Bob Stuchbery, Chief Executive Officer

- We are an independent business, built on underwriting expertise
- Since 1998, we have created an exceptionally strong Lloyd's underwriting franchise
- We have an established, diversified and balanced £700m+ book of business
- We have significant underwriting strength in depth
- We have the capital in place to support our development
- This is a substantial platform from which to grow in hard markets and create value for shareholders

- Our objective is to build a leading diversified Lloyd's insurance group
- Having worked hard to build a strong Lloyd's underwriting franchise, we are committed to the Lloyd's platform
- Our aim is to deliver a market leading return on capital to shareholders across the insurance cycle
- We are committed to underwriting excellence and profitable cross-cycle growth

- Our strategy has three elements
  1. To achieve underwriting excellence
  2. To build an international network
  3. To maintain capital strength

## The Vision

We are a leading underwriter within each major class of business that we write

## The Objectives

- Our underwriting teams have the proven ability to outperform the market cycle
- Our underwriting teams attract the highest quality business from brokers, leading business in chosen classes
- Our distribution network enables our underwriting teams to source the highest quality business worldwide
- Our underwriting teams have the operational platform on which to excel

- Focusing on our current Lloyd's platform:
  - An international network will improve our access to the highest quality business worldwide
  - This business will diversify our underwriting and improve portfolio management
  - We are building an international network, using our established presences in Denmark, Singapore and Houston
  - We are developing underwriter and producer focussed models

- Long-term capital security enables us to plan the development and to maintain the long-term value of the business with confidence
- Our diversified business provides us with significant capital benefits and enables us to withstand severe losses
- Actions taken in 2009 to strengthen our capital position
- At the end of 2009, our capital buffer was £81m

- Good market conditions
- We are in an excellent position to take advantage of this
- Clearly defined strategy to achieve underwriting excellence
- We have the capital and talent in place to support our plans
- Syndicate 1084 capacity increased from £634m in 2009 to £707m in 2010



## Preliminary results

Year ended 31 December 2009