<u>One of our Names kindly prepared these notes for us</u>

<u>EQUITAS REINSURED NAMES MEETING 12th September 2003</u>

Hugh Stephenson in the Chair.

Michael Crall, in his last appearance as CEO, (Scott Moser now takes over) summed up the achievements since 1996.

Of the largest 50 pollution claims, 45 were now closed out.
Making substantial progress in closing out Asbestos claims
Annual compound rate of reduction in expenses since 1996 is 16%.

The overall position over the period from 1996 to march 2003 has been

Cash received from ceding syndicates	£10.4bn
Investment returns	£3.7bn
R/I recoveries	£5.8bn
Claims Payments and expenses	(£13.7bn)
Other movements	£ 0.1bn
Balance for future	£6.3bn

Scott Moser then addressed current activity focussing mostly on the asbestos issue.

90% of anticipated claims have not tendered so reserves will change.
Still settled £1.0 billion of claims last year
83 commutations on R/I
Collected £325 million from reinsurers
The developments on the hoped for legislation have been disappointing in the last few weeks
If the new legislation is not passed "we do have other strategies"

Jane Barker the finance director explained in a clear and lucid way the movements in the surplus and the way in which liabilities and assets are matched (hedged) to give certainty to the longer term. She defended the use of discounted reserves. She described the measure of "life of the reserves" at 26 years compared to average US insurance companies as a "crude" measure.

Glenn Brace addressed the current claims activity

On asbestos "the atmosphere has changed"
Since Equitas introduced DR's in 2001 there have been 10 arbitrations and court hearings. One court has refused to declare the DR's invalid. None of the arbitrations have resulted in Equitas changing its procedures.
On the plus side 18 policyholders have now certified over 50,000 claims in accordance with Equitas requirements. This is a change of attitude.
They are seeing far fewer inventory deals
Some reinsurers are tightening up their own standards.

The biggest change in attitude relates to policy buybacks – Since June 2001 16 buybacks were completed - 4 of the top 20 included.
The proposed Hatch legislative reforms carry risks to Equitas as well as opportunities. A badly drafted piece of legislation (e.g. a "no-blame" approach could open floodgates to everyone to claim as no one was to blame) or a poor structuring of the splits within the insurance contributions to the settlement might be trouble. Equitas is the World leader in reserving for asbestos. That does not automatically mean it should pay the biggest slug of the settlement if it comes about.
They have not identified any new claims types that would affect Equitas (e.g. Silicosis)

"IT IS STILL A TREACHEROUS LANDSCAPE"

Adam Ridley, Chairman of the Equitas Trustees recommended the ALM "Equitasian" to get the up to date position on "re Yorke" court procedure in England and Wales. He said Scotland was now moving into line but has a more complex procedure at present.

He thanked Michael Crall for all that had been achieved since 1996. (solid applause from large audience)

Hugh Stephenson then invited questions.

A well-known action group participant started with a question about what happens in event of scaling down of claims. Stephenson said no one know what will happen and at present they are still working very hard on avoiding it happening. The questioner then went into long statement about her multiple appearances in court and she is back in court next week again to attack Lloyd's and her recruitment as a Name. Having been shut up (politely) by the chairman questions moved along smartly for 45 minutes.

Interesting answers to questions were from Scott Moser:-
The window of opportunity for the proposed new US legislation on Asbestos closes next March. After that all bets are off until after the elections. There might be a vote in the Senate this year but not the House of Representatives. Perhaps Jan/Feb if progress is still being made.

Any bill is unlikely to produce any windfall to Equitas. The best they are hoping for is some certainty in the system and an outcome that is fair.

Jane Barker said that while Equity investment of part of the surplus dropped £141 million last year and caused the reserve percentage to drop to 8.1% there has been a significant improvement in equities this year (20%) and they have not changed their investment policy as a result of the fluctuations.

The meeting closed at 12.40 pm