

**Strength in Depth** Summary Report 2006



the whole of the Netherlands



More global specialities from Rally to Formula One teams



Leaders in marine insurance



Over \$300 billion of protection provided for businesses' property and liability

Our numbers continue to provide great reassurance to shareholders, customers, intermediaries, insurers, employees, and the great causes we support. Here are some of our 2006 headlines:

**No.1** we are Europe's largest independently owned insurance intermediary

**£1.5 billion** gross written premium controlled<sup>1</sup>

**£243 million** total 2006 income    **39.5%** growth in income 2006 v 2005

**£94 million** 2006 earnings<sup>2</sup>    **50.6%** growth in earnings<sup>2</sup>

**4,000+** agencies and outlets distributing our products

**123** acquisitions successfully made<sup>3</sup>

**200+** insurance products – the widest range in the market

**100** offices across the UK

**3,500** exceptional people making things happen

**£455,000** raised for Help the Hospices and other good causes in 2006

1 2006 on annualised basis includes PaymentsShield and CCV

2 Earnings before interest, tax, depreciation, amortisation, and other non-operating costs

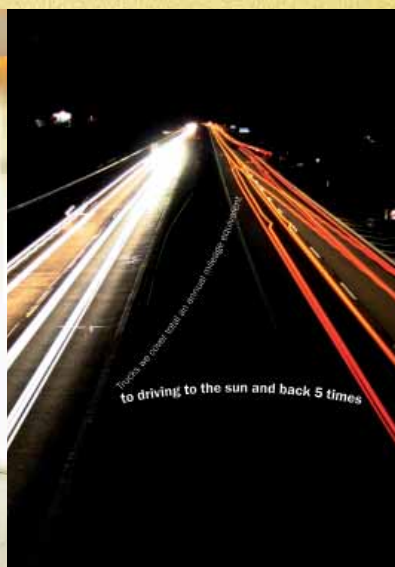
3 As at 31st December 2006



to the largest concerts



Towersgate covers more households than the population of Cardiff



Trucks are now used as efficient means of transport to driving to the sun and back 5 times



Providing cover for thousands of people, goods, cars and their luggage

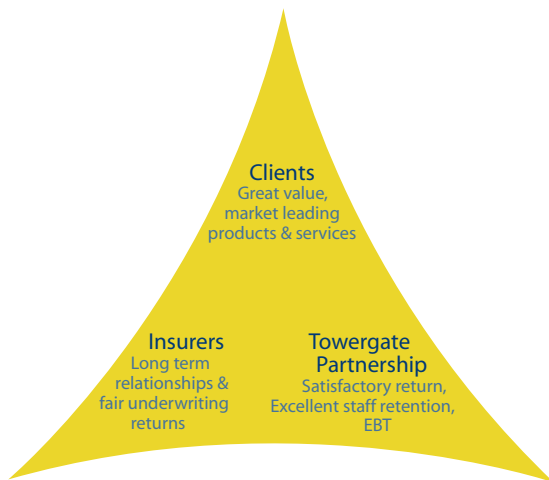
# The Chairman

2006 was a momentous year for Towergate. It saw the successful restructuring of the group to form our distinct Underwriting and Retail Broking Divisions; and the acquisition of many leading specialist companies, including our two largest deals to date. We also continued our trend of strong financial performance, which enables Towergate to sustain its cycle of growth and strength in depth.

## Win, Win, Win

Towergate has the widest range of products available of any single insurance group in the UK. This gives us a very broad spread in terms of underwriting performance for our insurers who carry the ultimate financial risk. Our emphasis on adequacy of pricing and delivering strong products to discerning and specialist audiences will consolidate our track record of providing insurers with a fair return on their investment. This creates a virtuous circle: maintaining our strong insurer relationships for the benefit of our customers and attractive returns for our stakeholders.

We call this our 'Value Triangle' and it is fundamental to the Towergate success story.



In a world of direct insurers, major retail brands selling insurance and an increased focus on price, I have no doubt that there will always be a demand for companies offering expert advice and providing peace of mind and great value. Towergate is distinctively positioned in the market with exceptional local coverage and strong niche market penetration.

## A ground-breaking decade

Later this year, we celebrate ten years of Towergate... we bought our first underwriting account in September 1997.

At the outset, we saw the potential in developing a niche underwriting business, through accumulating substantial business portfolios, to build strong insurer relationships and greater competitive advantage. Today, as the biggest



independently owned insurance intermediary in Europe, we are in the proud position of having re-written the rulebook on how insurance products are distributed to clients.

However, some things do not change: Towergate's mantra 'make money, have fun, do good' is the bedrock of our activities. We set out to attain the highest levels of performance for all our stakeholders (customers, insurers, employees and shareholders) whilst, at the same time, contributing to the communities within which we operate. For example, in 2006, Towergate, its employees and clients raised over £450,000 for the UK hospice movement and other worthy causes.

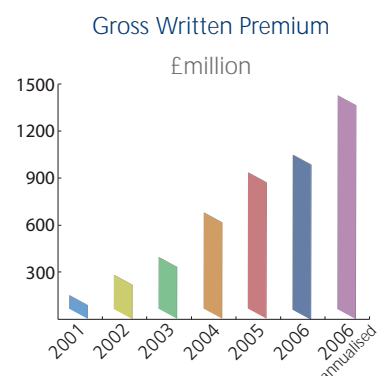
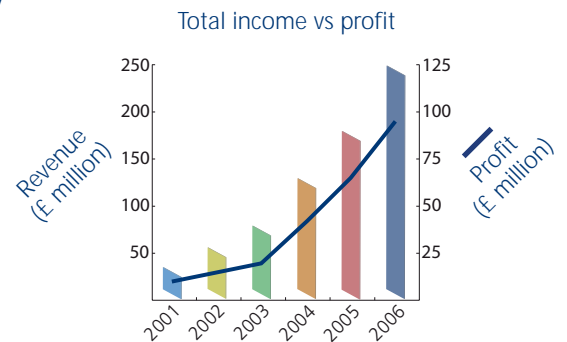
It's important to remember that, in both commercial competitiveness and social investment, it is our people who make the impact and deliver our success. This is a high-energy organisation, which now has over 3,500 talented players, and I would like to thank and congratulate every one of them.

I have always said that 'Towergate is team sport'. That remains so, and I am immensely proud to be part of this team.

Peter Cullum

Executive Chairman

2nd May 2007



# Business Overview

## How we do it

Towergate operates through two distinct divisions: Underwriting and Broking.

### Underwriting Division

Our underwriting business comprises a wide range of specialist 'zones', each of which is focused on a particular industry or market sector. As a 'virtual insurer' our zones carry out all the functions of an insurance company including assessing and underwriting risks, administering the policies and handling claims and renewals.

This underwriting service is offered to both Towergate-owned brokers and over 4,000 external brokers across the UK, all of whom benefit from the fact that we are in control of the high service levels we set across the board.

### Broking Division

Our clients' needs are at the heart of everything we do. Over many years our brokers have invested time and resources in building long-term relationships with clients, based on integrity and openness. Key to our success has been local service, specialist expertise and access to a suite of leading insurance products.

Both small and large clients benefit from working with trusted and experienced brokers that not only fully understand their issues and concerns, but have the industry relationships to fight their corner.

Our retail broking businesses either select from the leading underwriting products and facilities available from Towergate Underwriting or use alternative insurer markets according to the best interests of the client.

### Underwriting Division 'Zones'

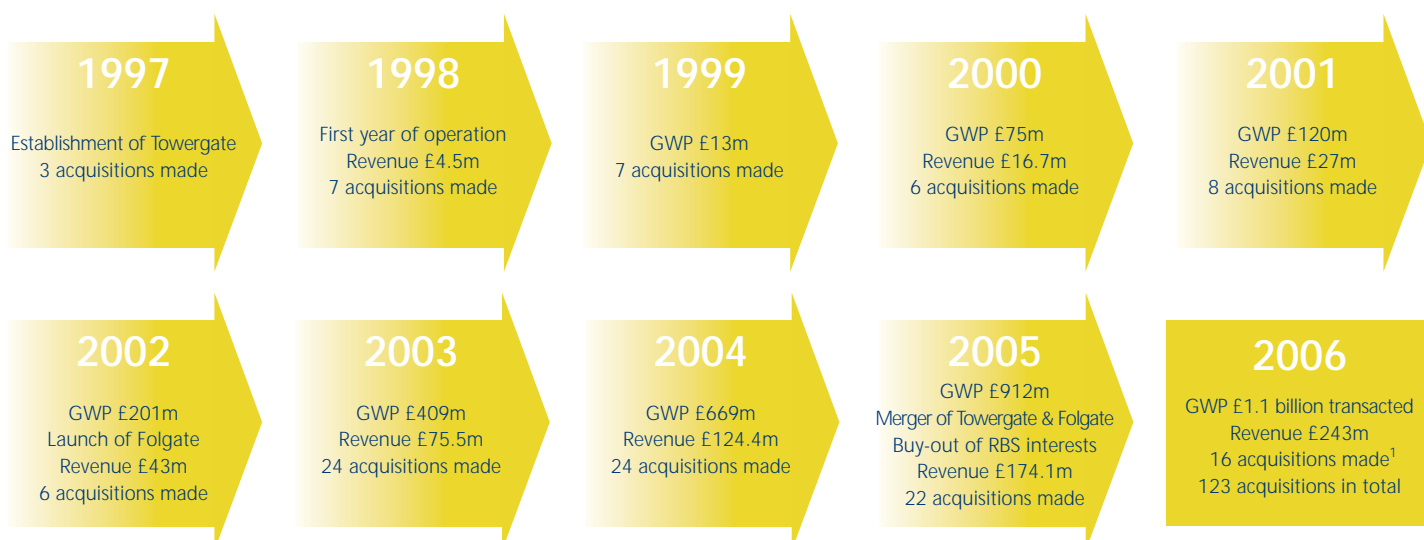
Agriculture	Liability and Construction
Aviation	Licensed Trades
Binder Management	Marine
Care Homes	Marine Cargo
Cherished Cars	Personal Accident
Commercial Property	Professional Indemnity
Commercial Underwriting	Sports and Leisure
Entertainment	Transportations
Fusion – Commercial (SME)	Travel
Household	

### Retail Broking Business locations:

Bournemouth	Hemel Hempstead	Poole
Bristol	Henley	Reading
Bury St Edmunds	Hull	Romford
Byfleet	Ilkley	Sevenoaks
Cardiff	Kettering	Sheffield
Colchester	Leeds	Shrewsbury
Didcot	Leicester	Southgate
Dumfries	Milton Keynes	Stafford
East Kilbride	Newcastle	Stockton-on-Tees
Falmouth	Newquay	Stoke
Fareham	Newton Abbot	Sutton Coldfield
Great Yarmouth	New Malden	Taunton
Guildford	Northampton	Telford
Halifax	North Walsham	Warwick
Harpenden	Nottingham	Whitstable
Harrow	Oxted	
Haywards Heath	Paisley	

### Specialist Niche Broking Businesses include:

Caravans & park homes	Medical Professions
Care and nursing homes	Military
Cherished cars	Motor
Consultants & therapists	Park homes
Education	Photography
Federation of Small Businesses	Professional Indemnity
Insurance for mortgage brokers	Towergate London Market
Insurance for mortgage brokers' clients	Travel
Marine	Truck & road haulage



<sup>1</sup> Including Paymentsshield

# The Chief Executive Officer

Well, if anybody thought that Towergate was going to have an introspective and conservative 2006 after the previous year's merger of Towergate and Folgate, they could not have been further from the truth. Growth, profitability and pushing boundaries have become expected of Towergate Partnership, but last year was breathtaking by anyone's standards.

The acid test for any company is the bottom line, and Towergate achieved figures that were an outstanding achievement, particularly in a soft market. Most significantly we enjoyed high retention levels across our businesses in the face of some indiscriminate price-driven competition – proof positive that our local and specialist communities appreciate the distinction Towergate offers.

## Getting the foundations right

We laid the cornerstone for further progress in 2006 by organising into two distinct Divisions: Underwriting and Retail Broking. This re-structure required a massive effort but went extremely well and enabled our management to direct their attentions to very clearly defined areas of responsibility and opportunity. It has also gone a great way towards answering any questions regarding how things work at Towergate and how we look after the interests of our respective audiences: intermediaries, clients, and corporate partners.

Our restructure and growth has necessitated the recruitment of talented individuals to bolster our staff at all levels, and put in place the experienced management required for a major, progressive, organisation. The quality of the people joining Towergate is impressive and we are increasingly seen as 'the place to be'. This recruitment comes against a backdrop of widespread job cuts across major insurers and broking firms.

The Towergate Academy, which delivers management qualifications for our staff, really came of age in 2006 with over 100 now participating and we have a further 500 or so progressing insurance and other relevant professional studies. If we are to maintain our high standards and distinctive culture, this 'grow your own' policy will play an invaluable role.

## Customer focus

We also continue to buck the trend of the 'dumbing down' of skill levels in many parts of our industry. Companies' drive for operational efficiency has been understandable, particularly in the increasingly commoditised personal lines market, but this should not



be at the expense of the customer experience. What Towergate offers its customers is not cheap insurance; we offer leading products and meaningful help and advice – and all our advisors are very much 'onshore' at home here in the UK.

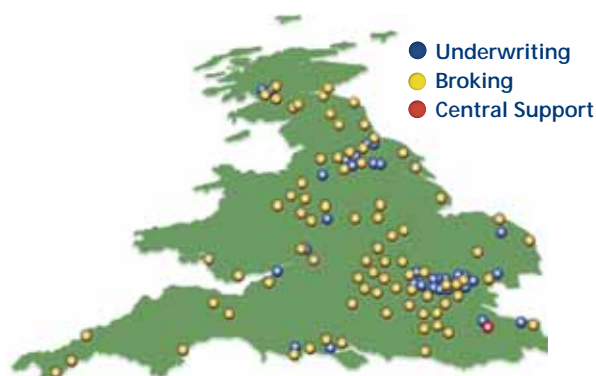
In insurance, you tend to get what you pay for and quality is remembered long after the price is forgotten. Our focus is on quality staff and quality customers – simple.

Towergate's distinctive offering is reinforced by the strength of our insurer relationships. The level of trust and authority we receive from them benefits our customers and brokers through our decision-making ability, very strong products, and the clout to deal effectively with any issues that may arise.

There is no doubt that people want insurance to be made as easy as possible for them. For many, this means an increased reliance on the internet. For many others, this means providing insurance products that give confidence, and access to knowledgeable advice and help whenever you need it. So, whether a customer wants virtual reality or actual reality, our aim is to make Towergate a great company to deal with.

A handwritten signature in black ink that reads "Andy Homer".

Andy Homer  
Group Chief Executive Officer  
2nd May 2007



# Insurance from A - Z

In addition to all you would expect from a leading insurance service provider, Towergate has an unparalleled range of specialist solutions including:

## A

Accident Sickness & Unemployment Cover  
Advertising Agencies  
Agricultural Combined  
Agricultural Vehicle & Fleet  
Agricultural Machinery Merchants  
Airforce Personnel  
Amateur Photographers  
Amusement Arcades  
Amusement / Theme Parks  
Army Personnel  
Aviation

## B

Bingo Halls  
Bio Fuel Industry  
Boat Builders / Repairers / Traders  
Bowling Alleys  
Builders Merchants  
Buy to Let Properties

## C

Cancellation, Abandonment & Non-Appearance Insurance  
Caravan Parks (Holiday, Touring & Residential)  
Caravans  
Care Homes  
Charities  
Cherished Cars  
Chiropractors  
Clubs & Societies  
Commercial Combined  
Commercial Package  
Commercial Vehicle  
Competition Cars  
Complementary & Alternative Medicine Practitioners  
Computers  
Confidential Death & Disablement  
Contractors  
Counselling & Other Therapists  
Credit Insurance

## D

Directors & Officers  
Doctors & Dentists  
Due Diligence

## E

Electrical Retailers & Wholesalers  
Engineering  
Equine Package  
Equipment Hirers  
Event Cancellation / Adverse Weather Events  
Excess Layer Liability  
Exhibitions  
Expatriate Home

## F

Farm Motor  
Farm Package  
Film Producers Combined  
Financial Failure  
Fine Dining Restaurants

## Flats

Fleet & Mini Fleet  
Fleet Risk Management  
Football Clubs  
Formula One

## G

Garden Centres  
Golf Clubs  
Golf Clubs (Personal) & Equipment  
Goods in Transit

## H

Hardware Shops  
Health & Fitness Clubs  
High Net Worth  
Holiday Homes & Chalets  
Home  
Hospices  
Hotels & Guest Houses

## I

Inns & Guest Houses

## J

Jetskis  
Joiners Liability

## K

Kennels & Cateries  
Kidnap, Extortion & Detention

## L

Legal Expenses (Commercial)  
Leisure Parks  
Let Properties  
Liability  
Listed Properties

## M

Management Consultants Scheme  
Marine Cargo & Liability  
Marine Trades  
Marketing Specialists  
Material Damage  
Medical Professions  
Military Home  
Military Kit  
Military PA & Travel  
Model Agencies & Model Management  
Mortgage Brokers PI Cover  
Mortgage Related Accident, Sickness & Unemployment Motor  
Motor for Specialist Entertainment Risks  
Motor Homes / RVs  
Motor Sport  
Motor Traders  
Music Producers Combined  
Musical Instrument Equipment

## N

Navy Personnel  
Netball Clubs

## O

Office Insurance  
Officers' Effects  
Overseas Homes  
Osteopaths

## P

Park Homes  
Performing Arts  
Personal Accident & Sickness (Commercial & Personal)  
Photo Laboratories  
Photo Libraries  
Photographic Studios  
Post Production Facilities  
Properties  
Private Car – Breakdown  
Private Car – Standard  
Professional Indemnity  
Professional Indemnity Medical Malpractice  
Professional Photographers  
Professional Sportspeople  
Property  
Property Owners  
Property Owners & Investors  
Public Houses

## Q

Quarries

## R

Radio Contractors  
Restaurants  
Retailers  
Risk Assessment Service  
Rugby Clubs & Players

## S

Schemes & Specialty Self Build  
Sports & Leisure Clubs  
Stock Throughput  
Supply Teachers  
Surgeries (Locum)

## T

Taxis & Mini Buses  
Thatched Property  
Tour Operators & Affinity Groups Combined Liability  
Travel  
Travel (Group Business)  
Travel (Tour Operators)  
Travel Indemnity Bonds

## U

Underpinned Properties  
Underwriting Binders  
Unoccupied Properties

## V

Veterinarians  
Village Halls  
Vintage Vehicles

## W

Wine Bars  
Weddings Insurance

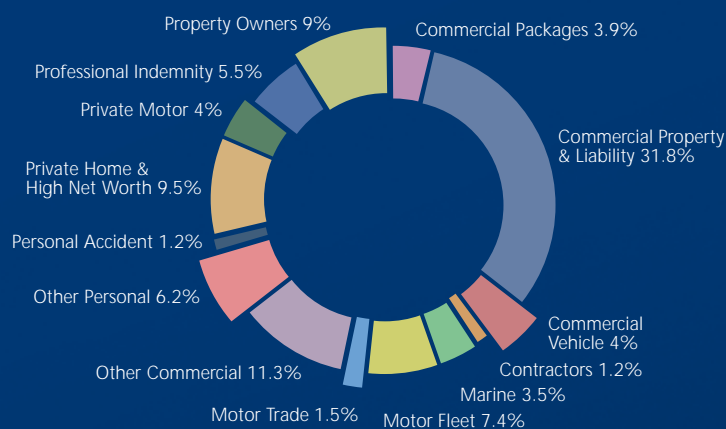
## Y

Yacht & Boating Clubs  
Yachts & Small Craft

## Z

Zoos & Safari Parks

Premium base between the key product classes - 2006



Towergate Underwriting Group Limited  
Registered Office: Towergate House, 2 County Gate, Staceys Street, Maidstone, Kent ME14 1ST  
Tel: 0870 908 3200 Fax: 0870 908 3201 www.towergate.co.uk  
Registered in England No. 4043759

Authorised and regulated by the Financial Services Authority

This document is printed on 80% recycled paper