



Challenge. Performance. Innovation.

2009



Summary
Overview

May 2010

The Chairman

There will be a common theme coursing through virtually all companies' reports and accounts this year and I am not going to row against the tide - 2009 was extraordinary. The worst economic conditions since the Great Depression saw global markets struggle with unimaginable debt, resulting in a crushing impact on business liquidity and cash flow. This had a particularly pernicious effect on SMEs, who represent a significant proportion of our market.

It's against this backdrop that I want to present Towergate's accounts. Premium turnover for Towergate Partnership increased to £1.86bn and income derived from this increased to £323m (2008: £318m). Earnings before interest, tax, depreciation, amortisation, directors' bonuses and non-operating costs rose from £112m to £118m.



'Creditable'... I think that's the word to sum it up. 'Resilient' might be an even better one given that these results were achieved in perfect-storm conditions for brokers – with rock-bottom rates, downsizing or disappearing clients, competitors fighting tooth and claw for survival, banks applying the credit squeeze and insurers cutting costs to the bone. Our resilience in these difficult conditions derives largely from our innovation, proven business model, and the way we manage our company.

Last year saw us renew our banking arrangements – providing us with both stability and significant headroom for our next phase of growth, and the peace of mind to know we can deal with any further drama the economy could potentially throw at us. Having achieved impressive scale, and in light of the volatile economic conditions, Towergate's strategy in 2009 shifted more towards organic growth. This will continue through 2010, although we remain interested in highly selective acquisitions with a concentration on strong, client-focused businesses to sustain our brand values.

Talking of brand, our position in the marketplace rests fairly and squarely on the shoulders of our staff who are, unquestionably in my view, amongst the most talented in the insurance industry. In the context of working together, it is immensely pleasing to me that once again we managed to hit the £1m mark for money raised for the good causes we support. This is an amazing achievement and yet another example of the way in which our staff and clients work together for the general good.

I would like to thank all our customers and business partners, and the fantastic people at Towergate who have enabled us to remain so well placed to continue to deliver strong results.

Peter Cullum
Executive Chairman

The Chief Executive Officer

You simply won't find an insurance intermediary that said 2009 was an easy year, but some were far better able to handle the dramatic shift in economic confidence and drop in revenues faced by most of their customers.

I am proud of the way that Towergate has been able to remain a rock for our clients.

We have adhered firmly to our policy of staying close to our customers and providing them with the flexible support they need in difficult conditions. At the same time we have confirmed that, in spite of our size, we have the agility to respond to serious challenges.



Our customers clearly like what we do, which is not surprising given the way our people have thrown themselves wholeheartedly into the task of helping them plan their insurance needs carefully in recessionary times.

Throughout my career in insurance I have believed firmly in the importance of working with the best people. I know it is currently fashionable within the insurance industry to use slogans such as: 'people are our biggest asset' or 'we recruit and retain the best', but I can say with my hand on my heart that Towergate puts its employees first. I am convinced that we have a team of people that any company would covet and we will continue to invest in them at all levels.

The most important thing to measure is the outputs of our people - whether they can be more efficient, effective and innovative for their customers, and demonstrate their solutions-focused 'can-do' culture.

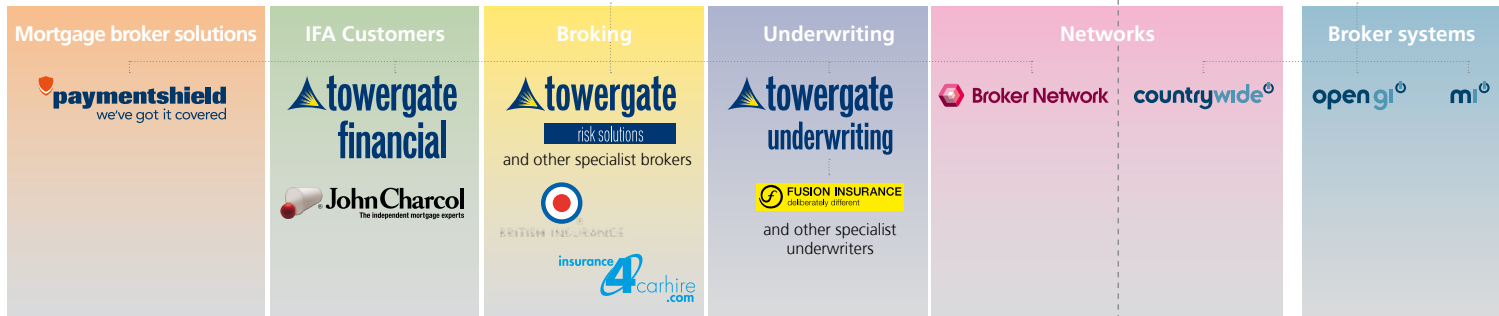
Over a half of our business comes from our broker partners and I would like to thank them for their loyalty and support in 2009. We never ever take this for granted.

I have referred before to our partnership with the Chartered Insurance Institute and we remain proud of our Chartered status and being the largest Chartered Broking firm in the world.

I would like to send my thanks to the talented and committed staff of Towergate. My message to them is: I hope you realise you are a vital part of a special organisation, with every opportunity to realise your potential and make a real difference to our customers.

Andy Homer
Group Chief Executive Officer

The Towergate Family Structure as at 15 March 2010



At the heart of the Towergate 'family' is Towergate Partnership - originally founded in 1997, and now Europe's largest independently-owned intermediary.

In addition, we have companies related by common shareholders. They include Open International, incorporating Open GI, the largest supplier of insurance systems and software to the broking industry.

Towergate Partnership has five main areas of operation: Broking, Underwriting, Networks for independent brokers, Towergate Financial Services and Paymentshield.

Towergate's **Broking Division** has our customers' needs at the heart of everything it does. Over many years our brokers have built long-term relationships based on integrity and openness. Key to our success has been local service and specialist expertise for our chosen communities and access to excellent advice, risk management, and a suite of leading insurance products.

Both small and large customers benefit from working with trusted and experienced brokers who 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.

Our **Underwriting Division** comprises a wide range of specialist businesses, each of which is focused on a particular industry or market sector. As 'virtual insurers' our businesses carry out many or all of the functions of an insurance company such as assessing and underwriting risks, administering the policies and handling claims and renewals.

This underwriting service is offered to both Towergate-owned brokers and thousands of non-Towergate brokers across the UK, all of whom benefit from the fact that we are in greater control of the service levels brokers receive and we set high standards across the board.

Our **Network Division** provides independent brokers with a range of services and facilities to enhance their efficiency, competitiveness, and profitability. This may simply mean access to leading insurance products, or full business support from regulatory compliance to marketing.

At the core of the network division is **Broker Network** who were pioneers in the mid 1990s and have long been the leading general insurance network. In addition, Countrywide provides members with access to advantageous products and other support.

Towergate Financial has already grown into one of the leading financial advisor businesses in the UK since its inception in 2008, and provides independent financial advice to high net worth customers and SMEs.

In 2009 Towergate Financial became a new division of the Towergate Partnership. This provides the business a stronger financial footing to help build its regional base of IFA businesses whilst continuing to provide excellent ongoing financial advice service to customers and give them access to personal finance through to general insurance needs.

Paymentshield is the UK's leading supplier of general insurance products through the UK Financial intermediary market working closely with underwriters to provide simple and competitive policies. Products include mortgage payment protection, buildings and contents and landlord's insurance. There are plans for further products and new distribution channels.

Related Companies - Open International is the UK and Ireland's leading supplier of IT solutions to insurance brokers through Open GI and global market specialists, MI Limited. With over 25,000 users of its system and a presence in around 2,000 commercial and personal lines broking sites, Open GI has about 40% of the UK market.

Powerplace is a revolutionary way of doing business for brokers with commercial clients. It enables brokers to access a wide range of leading products via a simple entry of data to receive quotes, raise documentation, and populate their back-office systems. This not only saves on the high level of re-keying of information and inefficiency for which the industry is known, but it also helps eliminate errors. Independent studies showed that brokers can realistically achieve a 30% reduction in operating costs through using Powerplace.

Overview

Since Towergate was launched into the insurance market in 1997 with the creation of Towergate Underwriting, we have grown into the UK's pre-eminent insurance provider. We now offer customers a broad range of over 200 general and specialist products – the widest range of specialisms in the UK market. We also have leading positions in our chosen fields.

Towergate is an entrepreneurial company led by people with a reputation for innovation and dynamism. With around 4,000 committed staff based across more than 100 UK offices, we are well positioned to provide a local and personal service in virtually every corner of the UK.

Towergate Partnership business locations



- Towergate Underwriting
- Paymentsshield
- Towergate Risk Solutions
- Towergate Financial
- Broker Network
- Central Support

Retail Broking business locations:

Aberdeen	Halifax	Northampton
Banff	Harpenden	Nottingham
Berwick-upon-Tweed	Hemel Hempstead	Oxford
Birmingham	Henley-on-Thames	Perth
Braintree	Hinckley	Poole
Bristol	Hull	Romford
Buckie	Inverness	Sevenoaks
Bury St Edmunds	Jedburgh	Sheffield
Byfleet	Kettering	Southgate
Cheltenham	Kirkcaldy	Stevenage
Colchester	Lancaster	Stirling
Didcot	Leeds	Stockton-on-Tees
Driffield	Leominster	Stoke on Trent
Dumfries	London	Sutton Coldfield
Elgin	Maidstone	Taunton
Falmouth	Manchester	Telford
Fareham	Milton Keynes	Warwick
Galashiels	Newcastle	Whitstable
Glasgow	Newquay	Wokingham
Great Yarmouth	Newton Abbot	Worcester
Guildford	New Malden	

Specialist Niche Broking businesses include:

Agriculture	Insurance for mortgage brokers and their clients
Archaeology	Marine
Aviation	Medical professions
Caravans & park homes	Military
Care and nursing homes	Photography
Cherished cars	Professional Indemnity
Consultants & therapists	Towergate London Market
Education	Travel
Entertainment	Truck & road haulage
Federation of Small Businesses	

Specialist Underwriting Areas

Agriculture	Household
Binder Management	Let Property
Cherished Cars	Liability & Construction
Commercial Property Owners	Marine
Commercial Underwriting	Motor
Entertainment	PA & Travel
Financial Risks	Transit & Cargo
Fusion – Commercial (SME)	Transportation
Fusion – Marine Cargo	Travel

Towergate Financial

North	South	East	West	Scotland
Leeds	London	Grantham	Warwick	Edinburgh
Huddersfield	Maidstone	Hinckley	Henley	Glasgow
Newcastle	Colchester	Nottingham	Bristol	Perth
		Teesside		Aberdeen

We maintain the belief that insurance is a people's business, but our numbers continue to provide great reassurance to shareholders, customers, intermediaries, insurers, employees, and the worthy causes we support. Here are some of our 2009 headlines:

Towergate Partnership

No.1

we are Europe's largest independently owned insurance intermediary

4.3 million

individual and commercial insurance customers

4,100+

agencies and outlets distributing our products

170+

acquisitions successfully made

200+

insurance products – the widest range in the market

100+

offices across the UK

£1 million

raised for good causes in 2009

£323 million

total 2009 income

£118 million

2009 earnings (EBITDA)

Towergate Family

4,000+

exceptional people

£2.4 billion

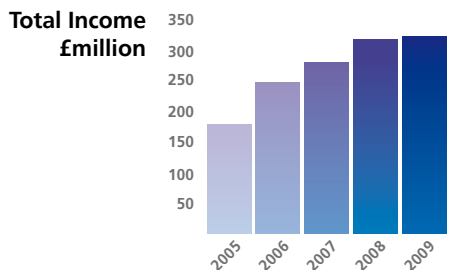
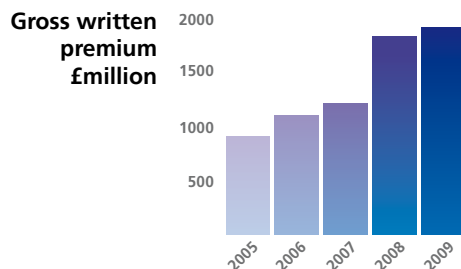
gross written premium in 2009¹

£392 million

total 2009 income¹

1. Aggregated full year results for Towergate Partnership, Broker Network, PaymentsShield and Open International

Five year progress Towergate Partnership



Towergate in Action: A look at some of Towergate's specialisms...

Towergate provides protection for a third of a million businesses and, on average, somebody takes out a policy with us every seven seconds.

Here are just some examples of our areas of leading expertise:



Our **motorsports** experts' clients range from **formula 1** to aspiring **rally car** enthusiasts.

We are leading specialists for doctors and other medical professions, and the largest provider of cover to people who practice **talking therapies** or alternative medicine.



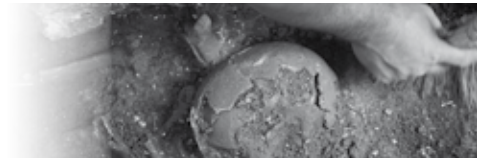
From **dinghies** to **jet-skis**, our **marine broking** team covers 20,000 leisurecraft.

Top provider of insurance to professional **photographers**.



We cover the vast majority of **light aircraft and helicopters** in the UK.

The UK's main **archaeological** insurance specialist recommended by council for British Archaeology and Institute for Archaeology.



Towergate's wide range of **travel policies** provided includes cover for over 240,000 **children** and **students** on activity breaks.

Our **professional indemnity** team has major clients across a range of professions and are accredited brokers to British Insurance Brokers Assoc, and Assoc. of Consultant Architects



Leading providers of kit, personal accident and life cover to **military**, and we cover **Royal Hospital Chelsea**.

Market leaders in non-standard household from **underpinned property**, to **holiday homes**.



Insurance 4 Car Hire has successfully filled a real gap in the market to cover the high excess charges people incur if their hire car is damaged or stolen.

Having Fun, Doing Good



Financial performance is critical to any company, but so is a heart and soul, and Towergate's fundraising efforts increased to such a scale that we established the Towergate Charitable Foundation.

Having fun and doing good are the two mainstays of the Towergate culture. A major factor in creating this is our focus on charity and community support. Thanks to the efforts of employees, clients and partner donations, in 2009 Towergate once again exceeded the £1 million mark for hospices and other charities - a fantastic performance in the current economy. Our employees have dressed up, dressed down, shaken buckets and jumped out of planes and we are thankful for their enthusiasm and generosity.

The majority of fundraising is directed through the Towergate Charitable Foundation, a transparent registered charity vehicle, to channel funds raised effectively to our chosen causes. These are primarily: Help the Hospices, Childline, Great Ormond Street Hospital and Cancer Research UK. In addition Towergate Wilsons supports military-related charities.

Wherever possible, we like to know that the money raised is being put to tangible use e.g. for specific equipment or research. For example, an isolation room for Great Ormond Street and ground breaking research into arresting bowel cancer.

Towergate Business School continued to set the industry standard with the help of partners including Ashridge and Chartered Insurance Institute. The school gives every one of our colleagues a chance to help reach their potential and we have maintained our investment in people development at a time when many companies are cutting back. We are proud of our Chartered Broker status and we remain the world's largest intermediary accredited with such a status.

The quality of people and management at Towergate is well known throughout the industry and Ashridge executive leadership programme leader, Stefan Wills, commented "From the outset, I had a feeling that working with Towergate was going to be exciting and challenging. I've been particularly taken by the warmth, openness and strength of desire of all those whom I've come into contact with in what is clearly a fast paced and results-driven and entrepreneurial culture."



Our recognition

Towergate has received a number of accolades in recent years, but 2008 brought significant recognition in the form of ACQ magazine, who voted us 'Private Company of the Year' for the second year running. In addition, the Sunday Times Fast Track awarded us the title of 'Management Team of the Year' – a strong testament to the talent across the Group. Our broking division was one of the first intermediaries to be awarded CII

Chartered Broker status when it was first launched, and our membership is the largest of any intermediary. We are also proud to be a Partner of the British Insurance Brokers Association.



www.towergate.com

Towergate Underwriting Group Limited

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