

“Another agile performance”



FirstAssist Insurance Annual Report 2008

C O N T E N T S

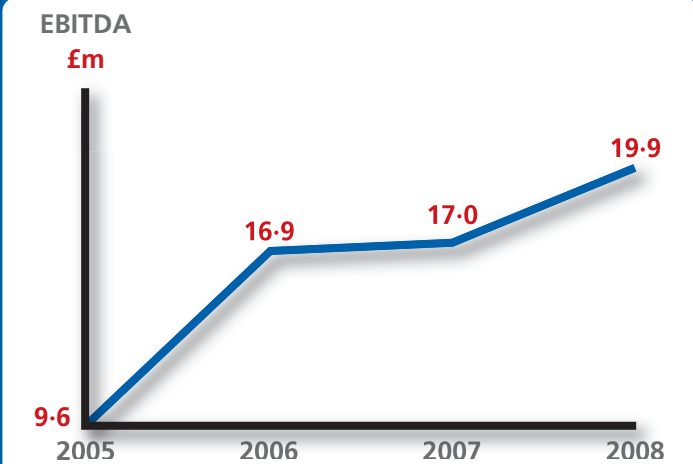
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Financial Highlights 2008

EBITDA Compound Annual Growth Rate (CAGR) of 28% (2005 to 2008)

	2008 £m	2007 £m	% Δ
GWP	137.4	137.4	-
Income	42.7	42.3	1%
Expenses	[22.8]	[25.3]	10%
EBITDA	19.9	17.0	17%

- GWP maintained at £137m
- Income up to £42.7m
- Expenses reduced by 10%
- EBITDA growth of 17%
- Outlook positive



View from the top

“ 2008 was an excellent year for the company, in which we grew our profits further despite the deteriorating economic environment.

Profit (EBITDA) increased to £19.9M in 2008, a 17 per cent increase over 2007. We successfully replaced some of our inherited legacy business with new contracts and renewals of other long standing relationships. We also organised the business to service our clients and customers more efficiently.

In the year we won some notable new accounts. The Speciality Insurance unit added contracts to provide travel insurance products for Saga, HBOS, Sainsbury's and esure.



Our Before the Event Legal Protection unit won more new business in 2008 than ever before, including the accounts of Home & Legacy and MMA Insurance.

And our After The Event Legal Protection business saw healthy premium growth and significant new business in support of complex commercial litigation. Here, insured cases on cover represent significant 'embedded value' which will be realised in future years.

Our success in winning major contracts from household-name firms is testament to the unique combination of technical expertise, experience and enthusiasm for corporate partnering that runs through our organisation.

We deliver what we promise and believe this helps earn the loyalty of our clients and customers.

“ 2008 was an excellent year ”

“ The company is well positioned for further growth ”

As a result, we were pleased to be included recently in the Sunday Times "Fast Track Top 100 MBOs" measured by profits growth over the past three years.

Our business is financially secure. We have invested in enhancing our distribution capabilities and in a new claims centre which gives us plenty of scope for expansion. Our operating systems can support significant growth without further capital investment and the business will have repaid all of the bank borrowing which funded the MBO by the middle of 2009.

A set of new innovative products to meet the demand for Income Protection was introduced to help fill the vacuum created following the Competition

Commission ruling on Payment Protection Insurance. These products have generated considerable interest from both client partners and their customers.

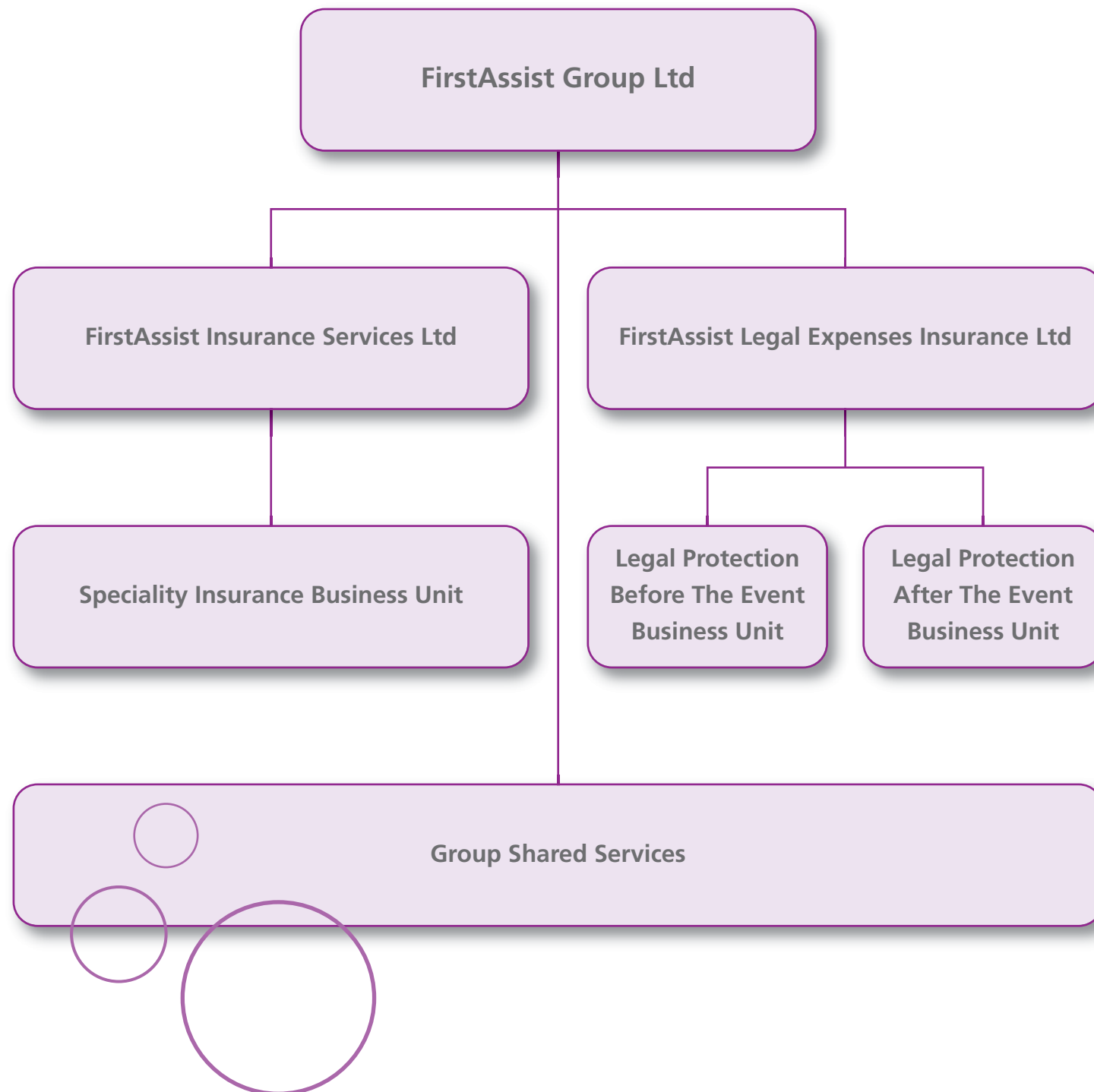
We also expect to further develop and expand our range of products and services in 2009 which will include a major new line of business. We therefore look forward to 2009 and beyond with confidence and believe the company is well positioned for further growth.



Martin Totty
Managing Director



Business Structure



“ We insure over 2 million people ”

FirstAssist provides bespoke insurance and assistance solutions in the Travel, Budget Health, Protection and Legal markets to individuals and small businesses. We go to market via client partners, in whose name we offer a wide range of products to their customers.

We pride ourselves in being expert at what we do and have a sharp focus on a few key sectors. Everything we do is core to us.

Our expertise in these markets and proven distribution skills allow us to provide additional profitable income for our client partners with insurances that complement their mainstream financial products.

As a provider of “white label” financial solutions to client partners, we understand how vital it is to offer the same level of service and expertise to their customers as they do themselves. We are very aware that we hold their brand reputation in our hands, particularly as we offer complex and highly regulated financial services on their behalf.

It gives us great satisfaction that we retain the loyalty of the overwhelming majority of our existing clients year after year and we judge this as a key measure of success.

We count high-street brands among our clients including; Barclays, HSBC, Lloyds TSB, HBOS, AA, RSA, Saga, RAC, More Than and esure. We insure over 2 million people through over 100 tailored-solution schemes.



Our strong track record in complying with the changing regulatory climate and in treating customers fairly – a key requirement of the Financial Services Authority – is vital to our corporate partnering business model, as we transact with our partners’ customers each and every day in their names.

We don’t seek to sell “off-the-shelf” products to our clients. We go out of our way to understand their unique requirements and tailor a solution that fits their needs. We say we like fussy clients because we do!

We also make it easy for our clients to work with us. They can elect to use our full services as an insurer or, if they prefer, we can tailor our solution to fit a client’s preference or own expertise. For example, retail customers may prefer to control sales and marketing themselves, leaving product design and claims handling to us.

“ Supported by one of the largest global insurers ”

We help our client partners to reach new customers through our ability to effectively distribute products via a number of different channels. We regard our telemarketing, telephone sales and e-commerce capabilities as being both highly effective and highly efficient.

Barclays Private Equity owns 90 percent of the business, with the balance held by management. This strong alignment of interest between the owners and executives is reflected in the group's consistent financial performance over recent years.

The business is highly cash generative and benefits from a long-term underwriting relationship with Great Lakes UK, a part of the Munich Re group, which provides capacity and delegated authority to write business in our chosen classes.

The support of one of the largest global insurers gives us strong financial security and access to a highly regarded financial institution with a reputation for technical excellence. Munich Re

has been involved since the formation of FirstAssist in 2003.

Our business has grown strongly in recent years, having won a number of important new contracts with affinity groups that build on our strong existing client base.

FirstAssist is headquartered in south London, with customer contact centres located here and in two locations on the south coast of England. All of its core processes are predominantly in-house with only peak capacity or specialist services sourced externally. All processes are delivered from on-shore UK facilities.

In 2007 the group was restructured into two separate companies, FirstAssist Insurance Services Ltd and its sister company, FirstAssist Legal Expenses Insurance Limited.

The company is organised into three Strategic Business Units (SBUs) with shared services functions organised at a group level.



Speciality Insurance

Alistair Hardie
Managing Director
Speciality Insurance



Legal Protection – After the Event

Peter Smith
Managing Director
Legal Expenses Insurance and Head of ATE



Legal Protection – Before the Event

Graham Hollebon
Commercial Director
Head of BTE



Corporate and Social Responsibility

At FirstAssist we are intent on being a good corporate citizen. In 2008, we launched our corporate social responsibility and environmental policy to reflect our commitment to help protect the environment.

Reduce Consumption

We set a target of reducing our consumption of paper, power and petrol by 10 percent in 2008 through a number of measures:

Energy

We aim to monitor and manage our use of energy by continuously looking for ways to cut down on consumption, reducing our emission of harmful gases and other pollutants.



Waste

We look to reduce the volume of waste we produce by, wherever possible, repairing, re-using or recycling.

Travel

We monitor and seek to reduce our greenhouse-gas emissions from travel undertaken for business purposes.

Community work

We give our employees the opportunity to participate in conservation projects near to their offices run by local authorities and recognised environmental taskforces.

“ We set a **target** of reducing our consumption by 10% ”

“ We are **intent** on being a good corporate citizen ”

We have established a very successful scheme that offers each member of staff the opportunity to apply for a day's fully paid leave of absence to do volunteer work for local conservation and wildlife trusts.

As part of the scheme, seven members of staff, led by Jeremy Standen, our Head of Supply Chain Management, took part in a river survey of Daubenton's bat population along a stretch of the River Mole.

Bats are a protected species and play an important role in our ecosystem, but falling numbers of aquatic insects are hitting the bat population. The data collected by the team was used to help the Bat Conservation Trust create a map showing the distribution and activity of Daubenton's bats throughout the UK.

Ten members of our Plymouth office, led by Finance assistant Jenny Gibbons took part in the "Shore Thing Initiative", on behalf of MarLIN (the Marine Life Information Network).

The team travelled to Mount Batten at Plymouth in Devon, to identify sea creatures. The main objective of the survey was to collect information on marine life found on rocky shores around Britain. The information collected by the team was entered onto a nationwide database used to identify the effects of climate change on our coastline.

Both Jeremy and Jenny plan to repeat their surveys this year along with many other initiatives planned by other employees.



Photograph: Hugh Clark / Bat Conservation Trust

2008 Highlights

- We strengthened our position in all of our core markets and restructured our legal protection business into two separate business units. This allowed us to focus on growing our legal business in both After the Event Legal Protection and Before the Event Legal Protection, which represent increasingly different and distinctive opportunities.
- The Speciality Insurance unit doubled its Travel insurance business in 2008, signing up Saga, HBOS, Sainsbury's, esure and Shearings Coaches as new clients amongst others.
- Sainsbury's Bank was voted "Best Direct Travel Insurance Provider 2008" by Your Money which is a scheme we took over this year. 
- New value for money portable Income Protection products were introduced including a new distribution relationship through British Insurance, the country's leading intermediary for Income Protection products.
- The Before the Event Legal Protection unit won more new business in 2008 than it had ever done before, with a number of important new clients including Home & Legacy (the high net worth broker) and MMA Insurance.



“Speciality Insurance **doubled** its Travel business in 2008”

“After the Event **grew** premiums by 25%”

- The After the Event Legal Protection unit saw premium growth in excess of 25 percent for the third year in succession, reinforcing our position as an innovative thought-leader in a fast growing market.
- We opened a new claims centre in Plymouth and a new sales operation in Bournemouth that provide the extra capacity required to support current and projected future growth.
- We invested in a new Management Information Data Warehouse to provide us with improved insights on the business and high quality information on scheme performance for our clients.
- More than 500 colleagues are now building their careers at FirstAssist with nearly 100 joining in the last year to support newly acquired business.



esure®

HALIFAX
a little extra help

home & legacy

SAGA

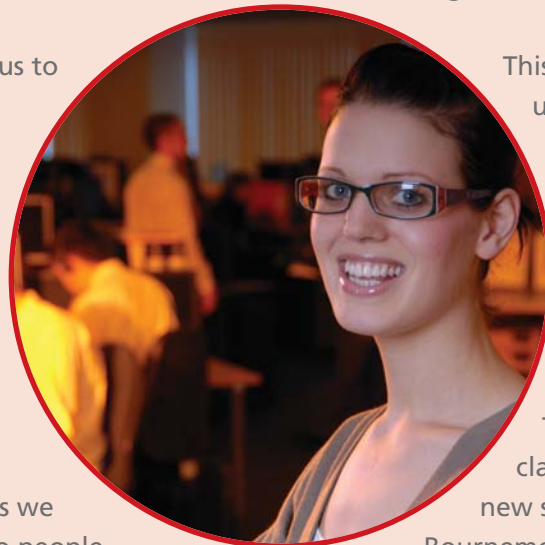
BRITISH INSURANCE

Speciality Insurance

This is the largest of our strategic business units and focuses on three product families: Travel, Budget Health (e.g. Personal Accident) and Protection (e.g. Accident, Sickness and Unemployment or "ASU").

We understand our clients work hard to win and retain all of their customers, so do not want their insurance partner to decline any of them who are looking to purchase cover, and risk losing their loyalty.

This sharp focus has allowed us to develop demonstrable expertise in these areas. What may be niche for our customers is core for us and our purpose is to be the best specialist provider for our client partners.



This inclusive proposition helped us double our Travel insurance premiums in 2008 and add Saga, HBOS, Sainsbury's and esure to the growing list of clients for whom FirstAssist provides insurance solutions.

A good example of this is Travel insurance. Our underwriting expertise means we are prepared to offer cover to people often excluded by other insurers, such as those between the ages of 65 and 85 and with pre-existing medical conditions.

This year we opened a new claims centre in Plymouth and a new sales operation in Bournemouth, providing extra capacity to support our expansion, consistent with our strategy of providing in-house capability for our core business processes.

“ We are prepared to offer **cover** to people often excluded by other insurers ”

“ What may be niche for our customers is **core** for us ”

We launched a new direct brand – getMY.com – that will provide important research and development information for the products we offer and allow us to test new concepts before we market them for clients.

for people in today's uncertain times and which aren't tied to a loan or credit agreement from the same provider.

We are forging a reputation for innovation and swiftly bringing new products to market, demonstrated by our development and introduction of new standalone Income Protection products as an alternative to traditional Protection Insurances such as PPI.



In 2008, we signed an agreement with British Insurance, the leading Income Protection intermediary in the country, to market this new generation of Protection products through their distribution channels, including both independent insurance brokers and via the internet.

We have developed alternative products that offer customers value for money, as well as covering a range of risks that are real concerns

Speciality Insurance will see premium income grow significantly in 2009 on the back of new business acquired during this year.

Legal Protection Before the Event

This business provides a range of Legal Protection products to individuals and small businesses through brokers, insurers and affinity partners.

We have over 30 years knowledge and experience to draw upon in this market, and pride ourselves on being able to write quality cover at sustainable pricing supported by excellent client and customer service.

Our technical expertise has enabled us to design solutions for defendant and liability insurers that are truly unique in the marketplace. For example, "Defence" is a groundbreaking proposition that allows liability insurers to protect their claims spend against the additional costs associated with Conditional Fee Agreements. Already proven with the Motor Insurers Bureau and RSA, this product is being rolled out to other insurers keen to manage down their claims costs.



Our claims handling capability, and in particular our unrivalled know-how in dealing with "freedom of choice" claims, further sets us apart.

Where a client's customers require the freedom to use their own solicitors, we provide them with a personalised service they value. Our expertise in dealing with these claims allows us to carefully manage the cost of this service to our clients and, as a result, better control the total claims cost whilst meeting the customers' needs.

Our customers recognise these characteristics. This year was our best ever for new business wins, adding Home and Legacy, the Scottish Prison Officers Association and MMA Insurance, among others, to the list of clients recognising FirstAssist's capabilities.

“Relationships with many of our major clients have lasted many years”

“The expert partner for your business”

We also have a proud track record in retaining the loyalty of our existing clients. Relationships with many of our major clients have lasted many years and we value highly their confidence in our team.

We successfully repositioned the business from a traditional Legal Expenses insurer to a broader Legal Protection provider, offering a wide range of services that are more representative of the needs of our clients.

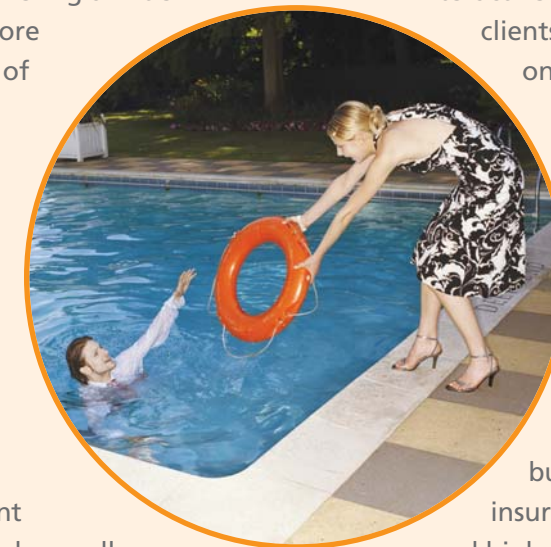
We are now able to offer customers a range of help, advice and support which could help them resolve a legal issue before it turns into a claim.

This has never been more important than in the current economic climate. For example, small business customers may be in the unfortunate position of needing to reduce staff numbers,

but may not be fully aware of the procedures governing redundancies. We can offer them online support and telephone advice from legally qualified staff to help them manage the process properly and fairly and avoid an unfair dismissal claim.

In 2009, we will re-launch "BusinessCare", our interactive online advice service for SME clients. We're focusing our efforts on making sure that customers have all the relevant assistance they need to help them manage their way through the recession and to cope with the many varied extra pressures this places on small businesses.

As such, our Legal Protection business extends far beyond just insurance into innovative, relevant and high quality personal and commercial advice and helplines representing an increasing source of new revenues.



Legal Protection After the Event

The After the Event (ATE) market is still a relatively new sector of insurance and provides cover for claimants in legal disputes against having to pay their opponent's legal costs should an action they bring be ultimately unsuccessful.

Growth in our ATE business has been impressive, with gross written premiums increasing by over 25 percent a year for the past three years and set to accelerate beyond this rate in the coming years.

This growth is all the more impressive in that no policy can be renewed – each covers a single dispute. The business has rapidly expanded as our innovative products and thought leadership in the sector have become recognised as an important contributor to litigation funding and wider access to justice.



We have a strong base in personal injury, clinical and professional negligence cases and more recently in insolvency and environmental litigation. All now contribute significantly to our overall business.

The emergence of the ATE market has benefited from efforts to mitigate the effect of the “loser pays” system of costs that has been seen as a major disincentive to bringing legal actions in Britain.

Lawyers increasingly now act on behalf of clients on a conditional fee, or “no win, no fee” agreement (CFA). ATE Legal Expenses insurance is highly appropriate for this type of agreement as the premium will only be paid if the opponent loses and will be paid directly by them, rather than being taken out of any damages that may be awarded to the successful party.

“ It is a growing market where we have a **leading position** ”

We have the largest underwriting team of any ATE provider. The specialist knowledge of our underwriters, all of whom have either a legal degree or are qualified solicitors or barristers, provides the expertise to assess risk and individually underwrite high numbers of cases, including large and complex commercial disputes.

This expertise has enabled us to pioneer products that open up new markets, such as for large groups involved in collective redress actions, where competition authorities have determined that collusion between parties has occurred. We expect considerable growth in this area in the future, which will mean our skills in risk assessment and tailoring cover to precisely match the structure of the specific case will be highly valued by prospective clients.

Although the number of cases we have written has grown considerably in the past few years, there is a time lag between when cover is written and when premiums are recorded. This is because premiums are only earned (or a claim is payable) when the outcome of the case is known. As such, the “embedded value” in the book, of cases on risk but not yet concluded, is sizeable and growing.



We expect ATE will be one of FirstAssist's key drivers of sales and profits over the next few years. It is a growing market where we have a leading position. Our well differentiated proposition, deep seated knowledge and risk assessment expertise will underpin long term growth in a market. There are relatively few recognised providers and even fewer with the appetite or necessary underwriting skills to confidently write the larger complex commercial risks which represent a major part of the growth potential.

“ We have the largest **underwriting** team of any ATE provider ”

A Growing Voice

In 2008, we rebranded our Legal Protection business, updating and refreshing its website and lifting our brand from the rather bland, corporate crowd to a more innovative and distinctive proposition image which seeks to answer the question, "Why FirstAssist?"

The rest of our business will be similarly presented in 2009. Our distinctive and precisely targeted message covering our approach to the various markets we service, how we aim to work with clients and why we believe FirstAssist should be on clients' preferred supplier shortlists,



will receive widespread press and direct marketing exposure.

We have also raised our profile as thought leaders to demonstrate our knowledge and expertise and why we believe we can help our clients anticipate, as well as respond to, market opportunities. We have been regularly featured in top industry magazines such as Professional Broking, Post, The Lawyer and Litigation Funding, where we are frequently invited to comment on important industry-wide issues.

“ We have been regularly featured in top industry magazines ”



Our Promise

“We take our responsibilities seriously”

We provide individually tailored solutions for our client partners that increase their income by selling relevant, value for money products to their customers. This is what we do and all that we do. It defines our business and our reason for being.

We treat our client partners and their customers fairly. We offer solutions to a genuine need or interest in protecting a perceived risk. We aim to be straightforward in our dealings with customers and to handle their claims with the minimum of fuss.

We understand our clients' reputations depend on the trust their customers have in their brands. We work hard to understand our clients and then operate as if we were part of them – we take on their brand values. When we have contact with client's customers we are part of the same team and customers will have the same experience.



We take our responsibilities seriously. We seek and respond to customer feedback and we empower people within our organisation to make decisions with the customers' best interests in mind.

Our senior managers are closely involved in the day to day business and are always available to meet or speak with our clients. The openness and accessibility to clients runs throughout the organisation.

We say we have only two types of role in the company: those directly responsible to our clients – and those who support those directly responsible to our clients!

We also recognise that each of our client partners is different and regard this difference as key to their customers. We take time to really understand their business so we can devise solutions that fit their needs. We don't sell a "one size fits all" solution. We believe differentiation is valuable and can be used to generate greater loyalty to our clients' brands – and therefore to us.

We work hard but we have fun along the way and try not to take ourselves too seriously. Our style is informal but we always do what we say and a promise made is a promise delivered. Our promise.

What next?

We aim to keep growing premiums and earnings to build on the strong performance of recent years. All of our existing lines of business have potential to grow further.

After the Event will continue to grow strongly as a key enabler of government's aim to promote wider access to justice. Our unrivalled expertise and reputation for offering tailored risk solutions to cover both small and large litigation actions ensures we are well placed to capitalise on this opportunity.

Before the Event's repositioning to become a full-service Legal Protection provider, and the corporate rebranding completed this year, will allow us to exploit new market opportunities in the coming years, from a position of offering a broader range of legal insurance and services solutions to both personal and commercial clients.



In Speciality Insurance, we are adding more components to our existing covers. In Travel, for example, we will cover Scheduled Airline Failure and, in certain circumstances, (Medically) Impaired Lives. Our range of Income Protection products will be expanded further as demand for this type of insurance inevitably increases,

as the economic climate remains challenging and people consider alternatives to traditional forms of Protection insurance. And we expect to add further to our client relationships across our full portfolio of products.

In 2009, we will expand our commercial insurance proposition, with an emphasis on the small business sector, where firms are increasingly buying their cover directly, often over the internet, rather than going through brokers. In the past, small businesses sometimes found it difficult to buy commercial insurance where cover and pricing is transparent and where they can be accepted for cover immediately.

“We aim to continue to grow”



For more information visit www.firstassistinsurance.co.uk
or call us on 020 8652 1313

FirstAssist Legal Protection is a trading style of FirstAssist Insurance Services Limited.
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For more information on the FSA's Register visit the FSA's web site www.fsa.gov.uk/register or telephone the FSA on 0845 6061234.