

britannic group

News Release

EMBARGOED UNTIL 7AM, 15 DECEMBER 2004

Britannic Group acquires the Life Operations of Allianz Cornhill Insurance

Britannic Group plc (“Britannic”) today announces that it has agreed to acquire Allianz Cornhill Insurance plc’s life operations (the “Life Operations”) for an estimated cash consideration of £110 million⁽ⁱ⁾, to be funded from Britannic’s Shareholders Retained Capital.

Allianz Cornhill’s Life Operations are closed to new business and comprise approximately 506,000 policies, predominantly life non-profit and unit-linked business, with total assets of approximately £735 million⁽ⁱⁱ⁾, as at 31 December 2003. Britannic expects that the embedded value of the Life Operations as at 31 December 2004 will amount to approximately £152 million⁽ⁱⁱⁱ⁾.

As Allianz Cornhill Insurance plc is a composite insurer, the transaction is being effected through a series of contracts^(iv) and is expected to complete by 31 December 2004. During 2005 an application will be made to the court to effect the legal transfer of the policies to Britannic Assurance plc pursuant to the provisions of Part VII of the Financial Services and Markets Act 2000.

Britannic intends to migrate the administration of the Life Operations during 2005 from Allianz Cornhill Insurance plc’s current location in Guildford to Britannic’s main operations centre at Wythall. The Life Operations’ assets will be managed by Britannic Asset Management from shortly after completion.

Britannic is confident of achieving at least its stated return criteria of 12% post tax on risk based capital for this transaction. It should also enhance dividend paying capacity in the short and medium term.

Britannic also announces that Peter Thomas will be joining the group as Chief Executive of Britannic Management Services (the group service company). Peter has over 17 years’ experience in the UK life and pensions industry, principally in customer

services and administration. He has for the last three years been Vice President and General Manager of Unisys Insurance Services Limited.

Paul Thompson, Group Chief Executive, Britannic Group, said: "This is an attractively sized and priced acquisition which makes a very good start to delivering our aim of being a major owner and administrator of closed UK life funds. It also supports our aim to provide long term stability for all our policyholders within a growing closed life fund specialist environment."

George Stratford, Finance Director, Allianz Cornhill Insurance plc, said: "This sale of our Life Operations allows Allianz Cornhill to release capital which will enable it to concentrate on and grow its core business of general insurance. We are delighted that we are able to safeguard the interests of both our policyholders and our shareholders through the sale to Britannic – an organisation focused on service provision within the closed life fund arena."

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Notes

- (i) Britannic anticipates that the total consideration payable will be £110 million. The total consideration will be determined based on the adjusted embedded value at the completion date and is subject to a minimum of £93 million and a maximum of £120 million. The minimum consideration is payable at completion.
- (ii) In the year to 31 December 2003, the Life Operations' contribution to the modified statutory pre-tax profits reported by Allianz Cornhill Insurance plc was £6 million. The statutory surplus of the Life Operations amounted to £20 million as at 31 December 2003, but this is not expected to transfer as part of this transaction.
- (iii) Britannic anticipates that the adjusted embedded value of the Life Operations as at 31 December 2004 will be approximately £152 million (using an 8% risk discount rate). The adjusted embedded value of the Life Operations as at 31 December 2003 amounted to £140 million (using an 8% risk discount rate).
- (iv) Allianz Cornhill Insurance plc is a composite insurer and so it will only be possible to transfer the policies to Britannic Assurance plc with the approval of the court pursuant to the provisions of Part VII of the Financial Services and Markets Act 2000. However, Britannic will acquire the right to manage the Life Operations with effect from completion pursuant to a Business Purchase Agreement and an Administration Services Agreement. It will acquire economic ownership of the Life Operations with

effect from completion by way of reinsurance of the Life Operations pursuant to a Reinsurance Agreement.

Notes to Editors

Britannic – Life Operations

Britannic is a long-established life assurance and fund management group, whose origins date back to 1866. It has around £13.5 billion total assets under management, some £10 billion of these in its life operations. Britannic Group's strategy focuses on the acquisition of closed fund life and pensions businesses and its aim is to be the best owner and administrator of closed life funds from both a policyholder and a shareholder perspective.

Total policies - 2,800,000 at 31 December 2003
- Life 73%; Pensions 27%
- Non-profit 30%; unit-linked 15%; with-profit 55%

Total policyholder assets £9,870 million at 31 December 2003.

Based in Wythall, Birmingham with approximately 800 employees.

Embedded value as at 31 December 2003 £938 million.

Allianz Cornhill Insurance – Life Operations

Total policies - 506,000 at 31 December 2003
- Life 93%; Pensions 6%; PHI 1%
- Non-profit 77%; unit-linked 22%; with-profit 1%

Total policyholder assets £735 million.

Closed to new business during the last 3 months.

Based near Guildford with approximately 70 employees.

Adjusted embedded value at 8% discount rate £140 million as at 31 December 2003. Estimated embedded value as at 31 December 2004 £152 million.