

26 April 2002

COX INSURANCE HOLDINGS PLC

£73 million Cash Placing and Placing and Open Offer

The Board of Cox announces:

- a Cash Placing and Placing and Open Offer of New Ordinary Shares to raise approximately £73 million before expenses
- that the Company's two largest shareholders, Warburg Pincus and Palamon, who in aggregate have an interest in approximately 35 per cent of the Company's existing share capital, have irrevocably undertaken to take up their respective entitlements to New Ordinary Shares in full under the Open Offer
- that Cox has entered into a conditional agreement in relation to a Cash Placing of New Ordinary Shares with esure Insurance Limited ("*esure*"), the direct insurance business that was launched in 2000 as a joint venture between Peter Wood, previously the founder of Direct Line, and HBOS plc. This will result in *esure* having an effective interest in 1.3 per cent of the issued share capital of Cox following completion of the Proposals
- that the net proceeds of the Cash Placing and the Placing and Open Offer will be used primarily to support future underwriting of Cox's retail business, as well as to provide additional working capital for the Group and to repay indebtedness

Separately, the Company has also announced today its audited preliminary results for the year ended 31 December 2001. These preliminary results showed a significant improvement in the financial performance of its Retail Division with a 70% increase in operating profits to £36.7 million (2000: £21.5 million). In addition, the Group also reported a continuation in the first quarter of 2002 of the highly favourable trading conditions enjoyed by the Retail Division during 2001.

Peter Owen, Chairman of Cox Insurance Holdings Plc, said:

"We are delighted to announce this significant underwritten placing of Cox shares. Together with our previously announced restructuring this fund raising will ensure that our excellent retail business has a strong foundation from which to grow and develop."

- End -

An analysts' meeting will be held at the offices of HSBC Investment Bank, Vintners Place, 68 Upper Thames Street, London at 10.30 am today

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None of the Ordinary Shares or the New Ordinary Shares have been, nor will be registered in the United States under the United States Securities Act of 1933, as amended, or under the securities laws of Canada, Australia or Japan and they may not, subject to certain exceptions, be offered or sold directly or indirectly within the United States, Canada, Australia or Japan or to, or for the account or benefit of US persons or any national, citizen or resident of the United States, Canada, Australia or Japan.

This press release does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. This announcement has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by HSBC Investment Bank plc and Lexicon Partners Limited. HSBC Investment Bank plc and Lexicon Partners Limited, who are authorised by the Financial Services Authority Limited, are acting for Cox in connection with the Cash Placing and the Placing and Open Offer and are not acting for any other person other than Cox and will not be responsible to any other person other than Cox for providing the protections afforded to their customers or for providing advice to any other person in connection with the Cash Placing and the Placing and Open Offer. The above summary should be read in conjunction with the full text of the announcement which follows.

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Please refer to the definitions at the end of this document.

COX INSURANCE HOLDINGS PLC

£73 million Cash Placing and Placing and Open Offer

Introduction

The Board of Cox has today announced details of a Cash Placing and a Placing and Open Offer of New Ordinary Shares at a price of 41p per New Ordinary Share to raise approximately £73 million (before expenses).

A total of 173,744,862 New Ordinary Shares are being issued in connection with the Placing and Open Offer at the Issue Price. The Company's two largest Shareholders (Warburg Pincus and Palamon), who in aggregate have an interest in approximately 35 per cent of the Company's issued share capital, have irrevocably undertaken to take up their respective entitlements to New Ordinary Shares in full. The balance of the New Ordinary Shares that are being issued pursuant to the Placing and Open Offer has been underwritten by HSBC. A further 4,030,165 New Ordinary Shares are also being issued by means of a Cash Placing to *esure*, the direct insurance business that was launched in 2000 as a joint venture between Peter Wood, previously the founder of Direct Line, and HBOS plc.

Qualifying Shareholders have the right to subscribe for the New Ordinary Shares in accordance with the terms of the Open Offer, details of which are set out in a Prospectus which is expected to be posted to Shareholders shortly.

The Company announced its intention to seek new capital from Shareholders earlier this year when it outlined proposals relating to a restructuring of the Group's activities. In connection with this restructuring, the Company announced its intention to focus primarily on the Group's highly profitable retail operation, which is one of the leading motor insurance businesses in the UK. It is intended that the net proceeds raised from the Cash Placing and the Placing and Open Offer will primarily be used to support future underwriting by the Retail Division, as well as to provide additional working capital and to repay indebtedness.

In order to ensure that the retail businesses are able to achieve their full potential, the Directors believe that it is necessary to isolate them from any exposure to a deterioration in past underwriting liabilities. As a consequence, the Group entered into a contractual agreement with Lloyd's on 11 April 2002 that has the effect of isolating the underwriting liabilities of the Existing Capital Providers of Cox from the rest of the Group, so as to contain any further exposure of the Group (including losses arising from the events of 11 September 2001) to the underwriting liabilities of those subsidiaries. The overall effect of this restructuring will be to provide the retail business with a solid platform for future development.

All commercial lines underwriting by the Group has now ceased, with the exception of its nuclear and aviation accounts. The Group will continue to write these two classes during the remainder of 2002 to a limited extent and with increased reinsurance. The results of these classes will be included within the isolated businesses and the capital to support their underwriting for the remainder of 2002 will be provided by the Existing Capital Providers. As regards subsequent years, however, in respect of nuclear and aviation the Group will then either act as an underwriting agency for third party capital providers, or will seek other ways to maximise the value of these businesses. With effect from 1 January 2003, the

Group's own underwriting capital will, therefore, be used solely to support its participation on Lloyd's Motor Syndicate 218 (which trades as Equity Red Star).

The Company also announced today its preliminary results for the year ended 31 December 2001. These preliminary results showed a net loss after tax for the year of £201 million, which reflects, *inter alia*, the impact of the losses that have been incurred by the commercial underwriting activities and a substantial exceptional charge which has arisen as a consequence of the discontinuance of the Company's commercial activities. In arriving at this net loss for the year, the Directors believe that they have adopted a prudent approach when considering the amount of projected losses that have been incurred by the Commercial Division for the year ended 31 December 2001.

The magnitude of the loss incurred by the Group has resulted in the Company's audited financial statements for the year ended 31 December 2001 showing an accumulated deficit on the Company's profit and loss account of £201 million. In order to eliminate this deficit and to enable the Company to have the ability to resume the payment of dividends to Shareholders in the future, approval is being sought from Shareholders for a reduction in the Company's share capital and share premium account. In addition, the Company is proposing to re-organise its share capital in connection with the proposed Cash Placing and the Placing and Open Offer, in order to reduce the nominal value of its Ordinary Shares.

Background to and reasons for the Proposals

(i) Background

Following its flotation in November 1995, the Group announced its intention to develop a scaleable and less volatile portfolio of personal lines insurance businesses in order to balance its exposure to commercial insurance markets and the specialist high severity, low frequency underwriting carried out by its syndicates in areas such as nuclear, marine, property and aviation. Consequently, in 1996, Cox acquired the Christopherson Heath Group which included the management of Syndicate 218, a leading motor insurer at Lloyd's with a consistent track record of profitability. Following this acquisition, the Group successfully expanded its retail operations. Profitable growth has been achieved as a result of improved market conditions, distribution skills and selective acquisitions. Further details relating to the Group's Retail Division are set out below.

(ii) Overview of the Retail Division

Cox's retail business is now one of the leading motor insurance businesses in the UK. It has over one million customers and for the year ended 31 December 2001 underwrote gross premium income of £476 million (2000: £428 million). Cox's retail business also derives profit commission and fee income from managing Syndicate 218 and, in addition, it owns significant wholesale and direct distribution, premium financing and claims management businesses. In 2001, the direct distribution businesses had a premium throughput of £135 million and the wholesale business had premium throughput of £365 million. In 2001, the premium finance business financed premiums of £85 million. Operating profit (excluding amortisation and finance charges) reported by the Group's Retail Division for the year ended 31 December 2001 amounted to £37.6 million (2000: £21.5 million).

The Directors believe that the Retail Division's combination of underwriting and distribution activities contributes to a smoothing of the impact of the underwriting

cycle on its reported results. During a downturn in premium rates, improved margins in the distribution business should compensate to some degree for reduced underwriting profits.

(a) Underwriting

The Group participates in underwriting in two ways: first as the supplier of 57 per cent of the capacity of Syndicate 218, and secondly, as the managing agent for the Syndicate. This entitles it to an annual agency fee of 1 per cent of capacity and a 20 per cent commission on underwriting profits. In total therefore, for the year ended 31 December 2001, the Group received an amount equal to a 69 per cent share of the underwriting profits of the Syndicate.

Syndicate 218 underwrites most classes of personal motor insurance in the UK including private car, motorcycle and classic vehicles. It also underwrites cover for commercial vehicles and coaches, self-drive hire and taxi firms, motor fleets and agricultural vehicles and both administers and underwrites a breakdown recovery/rescue service. Additionally, Syndicate 218 underwrites personal accident, creditor and household insurance.

Syndicate 218 is a top 10 motor insurance business in the UK. It has traded profitably for more than 30 years and has a demonstrable track record of conservative claims reserving.

Gross premium income underwritten has more than doubled in the last five years, and in 2001 (excluding the impact of a reinsurance to close transaction) increased by 28 per cent to £476 million. The Group's motor combined ratio improved to 92 per cent (2000: 97 per cent) for the year ended 31 December 2001 which compares to a forecast combined ratio for the market of 107 per cent (2000: 114 per cent) (source: B&W Deloitte). For the year ended 31 December 2001, the Group's underwriting activities reported an operating profit of £24.4 million (2000: £11.6 million) for its share of Syndicate 218. In addition, the agency operation reported an operating profit (excluding amortisation and finance charges) of £4.5 million for the year ended 31 December 2001 (2000: £2.7 million).

(b) Distribution

Cox's distribution businesses cover both wholesale and direct distribution. For the year ended 31 December 2001, the distribution businesses reported an operating profit of £8 million (2000: £6.3 million). These profits include the results of the premium financing and claims management businesses described in section 2(ii)(c) below. In 2001, the wholesale business guaranteed premium of £365 million (2000: £280 million) and the direct distribution business had a premium throughput of £135 million (2000: £106 million).

The direct distribution businesses are Boncaster Limited and Argent Insurance Practice Limited which trades as insure-shop. Boncaster Limited is a broker of motor, household and other personal lines insurance. The business has grown through the acquisition of portfolios from other brokers and by operating numerous schemes for household name affinity groups. Boncaster also trades under its own brand, insure.co.uk, both online and offline. Gross written premium handled for the year ended 31 December 2001 amounted to £109 million (2000: £99 million), and approximately 550,000 policies were administered by the company.

The direct internet arm handled gross written premium of £10 million for the year ended 31 December 2001 and handled 31,000 policies.

Argent Insurance Practice Limited was acquired by the Group in 2000. It offers both personal insurance, through the "insure-shop" brand, and commercial insurance. A full range of products is available to individuals and businesses. Gross written premium handled in the year ended 31 December 2001 amounted to £17 million (2000: £8 million) and approximately 50,000 policies were administered by the company.

The wholesale distribution businesses are HML Marketing Limited and Brokersure.co.uk Limited. HML Marketing Limited acts as an intermediary between over 5,000 regional brokers and the Lloyd's and insurance company markets. In 2001, the company had premium throughput of £365 million. Brokersure provides traditional wholesale broker facilities for car, taxi, travel, pet and home insurance to other intermediaries, giving them access to an advanced range of products and providers including the placement of non-standard risks. Brokersure.co.uk offers innovative business-to-business e-commerce solutions to brokers and intermediaries, allowing them to exploit the latest in internet communications technology.

(c) Other retail businesses

Can Do provides finance for the payment of premiums to Cox businesses and to external brokers. This company has grown rapidly by delivering competitive prices, flexibility and a quality service. A total of 327 new brokers were signed up in 2001, bringing the total to almost 500. Significant growth was achieved last year, with gross loans rising 27 per cent to £85 million and operating profit rising 17 per cent to £1.7 million.

Cox Claims Management Limited has evolved from solely handling claims on behalf of Syndicate 218 into a more general provider, specialising in the administration of run-off business on behalf of other insurers. On 5 December 2001, the Group entered into an agreement to administer the run-off of Crowe Syndicate 963 motor portfolio for an upfront payment of £40 million and to acquire the renewal rights to its portfolio. No element of this sum was recognised as earnings in the 2001 accounts.

(iii) Commercial Division

In contrast to the success enjoyed by the Group's retail business, the underwriting climate for the Group's commercial insurance activities has proved to be extremely challenging and this has been reflected in their financial performance. The Group has responded to these challenges by taking firm action over the past two years to eliminate those businesses within its commercial portfolio which have failed to meet its return on capital targets. However, despite improvements in some areas, the overall scale of the losses incurred by the Group's commercial activities has been unacceptable. The terrorist attacks of 11 September 2001 and the resulting increase in the scale of the losses led the Board to undertake a comprehensive review of the Group's activities. On 21 March 2002, following the completion of this review, the Board announced that the Group would focus on its retail activities in future and that, as a consequence, it intended to restructure the Group's commercial activities in order to isolate the underwriting liabilities of the Group's two Existing Capital Providers.

(iv) Summary of the proposed restructuring of the Group's activities and the Lloyd's Agreement

In order to ensure that the retail businesses are able to achieve their full potential, the Directors believe that it is necessary to isolate them from their exposure to a deterioration in past underwriting liabilities.

The Group's underwriting liabilities have been reviewed extensively by external actuarial advisers and the Directors believe that, after allowing for all of the projected losses including the impact of the events of 11 September 2001 and the proposed restructuring, the Existing Capital Providers are solvent and are projected to remain so. Following a review of the Directors' assessment of the solvency position of the Existing Capital Providers, Lloyd's signed a contractual agreement with Cox and approved a restructuring, the effect of which has been to isolate the underwriting liabilities of the Existing Capital Providers from the rest of the Group and thereby contain exposure to the Group from the historic underwriting liabilities of the Existing Capital Providers. The Lloyd's Agreement also provides for the capitalisation of a new corporate member subsidiary of Cox (the New Capital Provider), dedicated to the underwriting of Cox's substantial personal lines portfolio.

The principal features of the restructuring and the Lloyd's Agreement are summarised below:

- The New Capital Provider will own the Group's rights to participate on Syndicate 218, representing 57 per cent of the syndicate's capacity, and will commence underwriting on or after 1 June 2002. Following completion of the Proposals, the Group will be able to continue to underwrite on a Lloyd's basis up to £205 million of premium income for the 2002 Year of Account and up to £240 million of premium income for each of the 2003 and 2004 Years of Account;
- Whilst the Group will continue to write nuclear and aviation business to a limited extent and with increased reinsurance for the 2002 Year of Account, it will either act as an underwriting agency for third party capital providers in subsequent years or seek other ways of maximising value from these businesses. The remaining commercial underwriting businesses have been discontinued;
- The historic underwriting liabilities of the Existing Capital Providers and any liabilities incurred in respect of the balance of the 2002 Year of Account will be met, to the extent necessary, as and when they fall due for payment from the following sources:
 - Funds at Lloyd's provided by the Group of up to £168 million;
 - Profits of the Existing Capital Providers arising in respect of the 2002 and prior Years of Account;
 - Profits of the New Capital Provider arising in respect of the 2002 Year of Account;
 - Any value that may be realised by the Existing Capital Providers arising from tax losses utilised elsewhere within the Group (recognised on the balance sheet at £39.6 million as at 31 December 2001); and
 - Any other assets of the Existing Capital Providers.

Save as stated, neither the profits generated by the Group's non-underwriting activities (including its distribution and agency operations businesses) nor the Funds at Lloyd's of the New Capital Provider, nor any surplus generated by the New Capital Provider after 31 December 2002 will be available to meet the historic underwriting liabilities that have been incurred by the Existing Capital Providers. No other Group assets will be available to meet the historic underwriting liabilities that have been incurred by the Existing Capital Providers.

Financing charges of up to £875,000 may be incurred by the New Capital Provider under the Lloyd's Agreement.

Current trading

The Company also announced today its preliminary results for the year ended 31 December 2001 and reported that trading conditions for its retail insurance activities remain highly favourable. The UK motor insurance market has improved since 1999 and this trend has continued during the first quarter of 2002. The improved rating environment has helped the Group realise significant growth in its premium income levels during the first three months of 2002, compared to the same period in 2001. Similarly, both the direct and wholesale distribution businesses have seen first quarter 2002 combined revenues exceed the record levels achieved over the same period in 2001. As a consequence, the Directors remain optimistic about the current financial year and the future prospects of the Group.

Financial and other issues regarding future prospects

Certain financial and other issues affecting the Group's future prospects are summarised in the paragraphs below.

(i) Consolidated net assets

As at 31 December 2001, the Group had net liabilities amounting to £11 million. The Proposals will have the effect of replenishing the Group's consolidated net assets and, taking account of the net proceeds raised, will result in the Group having pro forma net assets of £54 million.

Whilst the impact of the exceptional losses clearly had a marked effect on the financial position of the Group from an accounting perspective, the Directors believe that following the successful completion of the Proposals, the Group will have sufficient capital to enable it to underwrite up to £205 million of premium income for the 2002 Year of Account and up to £240 million of premium income for each of the 2003 and 2004 Years of Account. These figures are on a Lloyd's basis and relate only to Cox's participation. When combined with the third party capital and restated on an insurance company basis, the £205 million of premium capacity for 2002 equates to approximately £600 million of gross written premium for Syndicate 218.

(ii) Future financial results

Shareholders should be aware that the implementation of the restructuring and the Lloyd's Agreement will have an impact on the future financial results that will be reported by the Group. Going forward, the Group will consist of two principal elements: first, a continuing Retail Division combining underwriting, distribution and managing agency operations; and secondly, a Commercial Division substantially in run-off.

The extent to which future results can be impacted by further losses in the Commercial Division is limited to:

- any underwriting earnings from the 2002 and prior underwriting Years of Account, including investment income on the Funds at Lloyd's of £168 million;
- any value realised in the future from existing tax losses over and above the amount recognised in the balance sheet at 31 December 2001; and
- £875,000 (in relation to a potential financing fee).

In contrast, should a surplus from liabilities provided at 31 December 2001 emerge over time then the profit and loss account would reflect this benefit.

As the underwriting earnings from the 2002 and prior Years of Account are pledged to support the Existing Capital Providers and the liabilities of these capital providers are as yet uncertain, the worst case is that such underwriting earnings may not fall to the benefit of Shareholders in the future. This means that, in the near term, Cox may not benefit from underwriting earnings from its Retail Division's underwriting. It will however, gain full value from the results of its distribution businesses, managing agency and net investment returns on corporate assets. Underwriting earnings in 2003 and beyond will not be subject to such restrictions. Cox will also still receive profit commission on its own involvement in the Retail Division's underwriting for the 2000 to 2002 Year of Account even though the underwriting result itself is pledged to support Existing Capital Providers.

(iii) Cash flow

No free cash flow will be generated from the Group's retail underwriting activities by the New Capital Provider until 2006 due to the Lloyd's convention of closing each Year of Account after three years have elapsed. The cash flow of the business during this period will be derived from the distribution, agency, premium financing business and the investment return on underwriting capital. Cash flow from the Existing Capital Provider may be received after 2005 if there is a surplus of assets and the 2002 Year of Account is closed.

(iv) Debt refinancing

In connection with the Proposals, the Group has also, subject to the fulfilment of various conditions precedent, concluded a refinancing of its existing banking arrangements. This will result in the Group having committed banking facilities available amounting to £82.5 million. These facilities are due for repayment by 30 June 2005.

(v) Dividend policy

In light of the restructuring and of the impact of the Proposals on the financial position of the Group, the Board does not intend to recommend the payment of a dividend to Shareholders in respect of the current financial year. However, the Board wishes to resume the payment of dividends as soon as possible. Subject to financial performance and the Group being in a position to do so, the Board hopes to be able to recommend the payment of a final dividend in respect of the year ending 31 December 2003.

(vi) Ownership of Syndicate 218 capacity

Cox does not intend to purchase further capacity on Syndicate 218 unless it considers that the price for such capacity will enable it to achieve the Group's return on capital targets.

(vii) Existing Capital Providers

It is important to note that the Group will also receive the benefit of any surplus arising from the Existing Capital Providers should their assets (including the £168 million FAL and tax losses) prove to be more than adequate to fund the underwriting liabilities which have been isolated in accordance with the Lloyd's Agreement. It is the Group's intention to manage actively the run-off of the isolated business with a view to optimising its ultimate value for the Group.

(viii) Corporate cash balances

At the year end, the Group had cash balances (excluding funds within insurance broking accounts) of £49 million. From this sum, the Company has an obligation to collateralise loan notes of £9.4 million. The Group has also agreed to put up to £25 million into a separate trust account in respect of the administration of the run-off services relating to Syndicate 963.

Management and incentivisation

As announced on 12 April 2002, Peter Owen has been appointed Group Non-executive Chairman in succession to Duncan Clegg, who will remain a member of the board as Non-executive Deputy Chairman. Neil Utley will continue as Chief Executive of the Cox Retail Division. Michael Dawson will remain in his current role as Group Chief Executive, with specific responsibility for the management of the Lloyd's regulatory and reporting functions. He will also be responsible for the active management of the Group's isolated business, with a view to optimising its ultimate value to the Group. Richard Brewster will remain as Group Finance Director.

The Directors believe that the refocusing of the Group around its retail business will involve new challenges which require the implementation of a revised incentive package for key executives, managers and staff.

The first stage of implementation of these incentivisation proposals involves the grant of one-off options under the Cox 2001 Unapproved Share Option Scheme to certain executive directors and other senior employees at an exercise price of 50p per share. This requires an amendment to the rules of that scheme and shareholder approval is to be sought for the necessary amendment at the Extraordinary General Meeting that is to be convened for the purpose of approving the Proposals.

It is intended that detailed proposals relating to the other elements of the incentivisation arrangements set out below will be put to Shareholders at the Company's forthcoming Annual General Meeting in June:

- the establishment of a new bonus scheme for senior employees and executive Directors, together with a bonus-related long term incentive plan; and
- the establishment of a long-term incentive plan for executive Directors only.

Use of proceeds

Of the aggregate £65 million net proceeds received from the Cash Placing and the Placing and Open Offer, £50 million will be used to support future underwriting of the New Capital Provider, £12 million will be employed as working capital, and £3 million will be used to repay indebtedness.

Details of the Placing and Open Offer

HSBC has agreed, as agent on behalf of the Company, to invite Qualifying Shareholders to apply under the Open Offer for 173,744,862 New Ordinary Shares at the Issue Price on the basis of:

4 New Ordinary Shares for every 3 Existing Ordinary Shares

held by Qualifying Shareholders and registered in their names at close of business on the Record Date, and so in proportion for any other number of Existing Ordinary Shares then held. Entitlements of Qualifying Shareholders will be rounded down to the nearest whole number of New Ordinary Shares. Fractional entitlements will be aggregated and included in the Placing, with the proceeds retained for the benefit of the Company. Qualifying Shareholders may apply for any number of New Ordinary Shares up to their maximum entitlement as set out on their Application Form. Qualifying Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate entitlements under the Open Offer.

The Open Offer Shares will be offered at the Issue Price to Qualifying Shareholders on a pre-emptive basis under the terms of the Open Offer. Pursuant to the Placing Agreement, HSBC has conditionally agreed to place firm with institutional and other investors, or, to the extent that it fails to do so, itself subscribe for the Firm Placing Shares (which represent New Ordinary Shares which certain Shareholders have irrevocably undertaken not to take up). HSBC has further agreed to place with such investors or, to the extent that it fails to do so, itself subscribe for the Open Offer Shares (other than the 60,366,067 New Ordinary Shares which certain Shareholders have irrevocably undertaken to take up), comprising 113,378,795 New Ordinary Shares, subject to clawback to satisfy applications made by Qualifying Shareholders under the Open Offer. The Placing and Open Offer is being underwritten by HSBC on the terms and subject to the conditions set out in the Placing Agreement.

No application in excess of a Qualifying Shareholder's *pro rata* entitlement will be met, and any Qualifying Shareholder so applying will be deemed to have applied for his maximum entitlement.

The New Ordinary Shares issued pursuant to the Placing and Open Offer will rank *pari passu* in all respects with the New Ordinary Shares to be created pursuant to the Share Capital Reorganisation and to be issued pursuant to the Cash Placing and will rank in full for dividends and other distributions declared, made or paid after Admission in respect of the ordinary share capital of the Company.

The Placing and Open Offer are both conditional, *inter alia*, upon:

(i) the Placing Agreement (save for any condition relating to Admission in that agreement) not having lapsed or been terminated in accordance with its terms prior to Admission;

(ii) the passing of certain of the Resolutions to be considered at the Extraordinary General Meeting; and

(iii) Admission having become effective by no later than 8.00 a.m. on 23 May 2002 or such later time and/ or date as Cox and HSBC may agree (but, in any event, not later than 5.00 p.m. on 31 May 2002).

If the Placing and Open Offer does not become unconditional, no New Ordinary Shares will be issued under the Placing or the Open Offer and all monies received by the Registrars will be returned to the applicants (at the applicants' risk and without interest) within 14 days.

Application has been made for the New Ordinary Shares to be admitted to the Official List and to trading on the London Stock Exchange's main market for listed securities. Admission is expected to occur on 23 May 2002, when dealings in the New Ordinary Shares are expected to begin.

Details of the Cash Placing

In conjunction with the Placing and Open Offer, Cox has also entered into a conditional agreement with *esure* in relation to a Cash Placing. This agreement provides that Cox will issue 4,030,165 New Ordinary Shares to *esure* at the Issue Price and this will result in *esure* having an effective interest in 1.3 per cent of the Company's enlarged issued share capital. The Cash Placing to *esure* is conditional only upon the completion of the Proposals.

esure is a new direct insurance business which was launched in 2000 as a joint venture between Peter Wood, previously the founder of Direct Line, and HBOS plc. The Cash Placing represents a small investment for *esure* and it is intended that this will encourage a dialogue between the two companies on operational and market matters of mutual interest.

Shareholders' intentions

Warburg Pincus and Palamon, the Company's two largest shareholders, which in aggregate have an interest in 45,274,550 Existing Ordinary Shares, representing approximately 35 per cent of the Company's issued share capital, have irrevocably undertaken to take up their respective entitlements to New Ordinary Shares in full pursuant to the Open Offer. In consideration for this undertaking, both Warburg Pincus and Palamon will receive a commission payment of 0.5% of the aggregate value of the Issue Price of the New Ordinary Shares to be taken up by them. They have also irrevocably undertaken to vote in favour of the Resolutions to be proposed at the EGM.

The ESOP and QUEST Shareholders have elected not to take up their entitlements to 8,262,664 New Ordinary Shares, representing 4.8 per cent of the New Ordinary Shares that are being issued pursuant to the Placing and Open Offer. These New Ordinary Shares have been placed firm with institutional and other investors. Two Directors, namely Richard Brewster and Neil Utley, have offered to act as placees in respect of New Ordinary Shares with an aggregate value at the Issue Price of £250,000 and £200,000 respectively, and will receive payment in accordance with the standard Placing and Open Offer terms.

Extraordinary General Meeting

An Extraordinary General Meeting of the Company will be convened to consider a number of resolutions to facilitate the Proposals. These resolutions will include, *inter alia*:

- a reorganisation of the share capital;
- a reduction of the share capital and share premium account to facilitate future dividend payments, which will be subject to subsequent confirmation by the High Court;
- an increase in the Company's borrowing powers under its Articles of Association; and
- an amendment to the Company's 2001 Unapproved Share Option Scheme.

The Prospectus

It is expected that a prospectus, containing full details of the Placing and Open Offer, further information on the Company and a notice convening the Extraordinary General Meeting, will be posted to Shareholders later today, accompanied in the case of Qualifying Shareholders by the Application Form. Application Forms will be personal to Qualifying Shareholders and may not be transferred except to satisfy bona fide market claims.

Indicative timetable

Record Date for the Open Offer	close of business on 23 April 2002
Latest time and date for splitting Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 p.m. on 16 May 2002
Latest time and date for receipt of Form of Proxy	12 noon on 18 May 2002
Extraordinary General Meeting	12 noon on 20 May 2002
Latest time and date for receipt of Application Forms and payment in full under the Open Offer	3.00 p.m. on 20 May 2002
Share Capital Reorganisation becomes effective	8.00 a.m. on 23 May 2002
CREST members' accounts credited and dealings commence in New Ordinary Shares	8.00 a.m. on 23 May 2002
Definitive share certificates to be despatched	by 30 May 2002

Definitions

“Admission and Disclosure Standards”	the requirements contained in the publication ‘Admission and Disclosure Standards’ dated April 2002 containing, amongst other things, the admission requirements to be observed by companies seeking admission to trading on the London Stock Exchange’s main market for listed securities
“Admission”	admission of New Ordinary Shares to (i) the Official List and (ii) trading on the London Stock Exchange’s main market for listed securities becoming effective in accordance with, respectively, the Listing Rules and the Admission and Disclosure Standards
“Application Form”	the application form for use by Qualifying Shareholders in connection with the Open Offer
“Articles of Association”	the Company’s articles of association
“Can Do”	Can Do Finance Limited
“Cash Placing”	The conditional cash placing of New Ordinary Shares to <i>esure</i> pursuant to the subscription agreement described in the Prospectus
“Commercial Division”	the underwriting activities of Syndicate 1208 and Syndicate 1176 and related agency business carried on by the Group. It excludes some business that is underwritten by Syndicate 1208 which is managed by the Retail Division
“Cox” or “Company”	Cox Insurance Holdings Plc
“Cox ESOP”	The Cox Insurance Holdings Plc 1996 Employees’ Share Ownership Plan Trust
“Cox 2001 Unapproved Share Option Scheme”	The Cox Insurance Holdings Plc 2001 Unapproved Share Option Scheme
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo is the operator (as defined in the Regulations)
“CRESTCo”	CRESTCo Limited
“Directors” or “Board”	the directors of the Company
“Existing Capital Providers”	Cox Dedicated Corporate Member Limited (CDCM) and Equity Red Star Limited (ERSL)
“Extraordinary General Meeting” or “EGM”	the extraordinary general meeting of the Company to be held at the offices of HSBC, Vintners Place, 69 Upper Thames Street, London, EC4V 3DF, at 12

68 Upper Thames Street, London EC4V 3BJ at 12 noon on 20 May 2002 (including any adjournment thereof)

“Firm Placing Shares”	the New Ordinary Shares which are the subject of undertakings from Qualifying Shareholders not to take up their entitlements under the Open Offer
“Form of Proxy”	The prepaid proxy form for use at the Extraordinary General Meeting
“Funds at Lloyd’s” or “FAL”	Funds held in trust at Lloyd’s to support a member’s underwriting activities
“Group”	Cox and its subsidiaries
“HSBC”	HSBC Investment Bank plc
“Issue Price”	41p per New Ordinary Share
“Lexicon Partners”	Lexicon Partners Limited
“Listing Rules”	The listing rules made by the UK Listing Authority (as amended from time to time)
“Lloyd’s”	The Society and Corporation of Lloyd’s incorporated by the Lloyd’s Act 1982 or, as the context may require, the Council of Lloyd’s and any person or delegate acting under its authority
“Lloyd’s Agreement”	The agreement dated 11 April 2002 described in the Prospectus
“London Stock Exchange”	London Stock Exchange PLC
“Managing Agent”	an underwriting agent responsible for managing a syndicate and, among other things, employing the active underwriter
“New Capital Provider”	Cox Underwriting Limited
“New Ordinary Shares”	the ordinary shares of 10p each in the capital of the Company which are the subject of the Cash Placing and the Placing and Open Offer or arising on the Share Capital Reorganisation
“Official List”	the Official List of the UK Listing Authority
“Open Offer”	the invitation to subscribe for New Ordinary Shares at the Issue Price made by HSBC, acting as agent on behalf of the Company, to Qualifying Shareholders on the terms and subject to the conditions set out or referred to in the Prospectus and in the Application Form

“Open Offer Shares”	the New Ordinary Shares being offered to Qualifying Shareholders under the terms of the Open Offer
“Ordinary Shares”	Ordinary shares of 50p each in the capital of the Company, proposed to be reorganised pursuant to the Share Capital Reorganisation
“Palamon”	Palamon European Equity LP, Palamon European Equity ‘B’ LP, Palamon European Equity ‘C’ LP, Palamon European Equity ‘D’ LP, and Palamon European Equity GmbH & Co Beteiligungs KG
“Placing”	the firm placing of New Ordinary Shares and the conditional placing of New Ordinary Shares, each on the terms and subject to the conditions contained in the Placing Agreement
“Placing Agreement”	the conditional placing agreement relating to the Placing and Open Offer described in the Prospectus
“Proposals”	the Placing and Open Offer, the Share Capital Restructuring, the reduction of the Company’s share capital and share premium account and the increase in the Company’s borrowing powers
“Qualifying Shareholders”	Ordinary Shareholders (other than certain overseas shareholders on the register of members of the Company at the Record Date)
“Record Date”	the close of business on 23 April 2002
“Registrars”	Capita IRG Plc
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Resolutions”	the resolutions set out in the notice of Extraordinary General Meeting in the Prospectus
“Retail Division”	the underwriting of Syndicate 218 and related agency business, and the distribution activities carried on by the Group including some personal lines business that, prior to 1 January 2002, was written by Syndicate 1208
“Share Capital Reorganisation”	the reorganisation of the Company’s share capital contemplated by Resolution 1 to be proposed at the Extraordinary General Meeting
“Warburg Pincus”	Warburg Pincus Ventures LP
“Year of Account”	the year to which a risk is allocated and to which all premiums and claims in respect of that risk are

attributed. The year of account of a risk is determined by the calendar year in which it is first signed. A year of account is normally closed by reinsurance to close at the end of 36 months

- End -

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None of the Ordinary Shares or the New Ordinary Shares have been, nor will be registered in the United States under the United States Securities Act of 1933, as amended, or under the securities laws of Canada, Australia or Japan and they may not, subject to certain exceptions, be offered or sold directly or indirectly within the United States, Canada, Australia or Japan or to, or for the account or benefit of US persons or any national, citizen or resident of the United States, Canada, Australia or Japan.

This press release does not constitute an offer to sell or issue or the solicitation of an offer to buy or subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. This announcement has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by HSBC Investment Bank plc and Lexicon Partners Limited. HSBC Investment Bank plc and Lexicon Partners Limited, who are authorised by the Financial Services Authority Limited, are acting for Cox in connection with the Cash Placing and the Placing and Open Offer and are not acting for any other person other than Cox and will not be responsible to any other person other than Cox for providing the protections afforded to their customers or for providing advice to any other person in connection with the Cash Placing and the Placing and Open Offer. The above summary should be read in conjunction with the full text of the announcement which follows.

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