MONTPELIER UNDERWRITING AGENCIES LIMITED

REPORT AND ACCOUNTS

FOR THE PERIOD ENDED 31 DECEMBER 2008

(Registered Number 06539650)
MONTPELIER UNDERWRITING AGENCIES LIMITED

REPORT AND ACCOUNTS
FOR THE PERIOD ENDED 31 DECEMBER 2008

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MONTPELIER UNDERWRITING AGENCIES LIMITED

DIRECTORS AND ADVISORS

Directors
TGS Busher
RMM Chattock
N Newman-Young*
G Perdoni
MS Paquette
PJ Rand
PT O’Neill*
JS Goldsmith*
CL Harris*

*Non-executive

Company Number
06539650

Company Secretary
G Phillips

Registered Office
7th Floor
85 Gracechurch Street
London
EC3V 0AA

www.montpelierua.com

Bankers
Royal Bank of Scotland
London Corporate SC
2 1/4 Devonshire Square
London
EC2M 4XJ

Auditors
PricewaterhouseCoopers LLP
Hay’s Galleria
1 Hay’s Lane
London
SE1 2RD
MONTPELIER UNDERWRITING AGENCIES LIMITED

DIRECTORS' REPORT

The directors submit their report and the audited financial statements of the company for the period ended 31 December 2008.

Incorporation

The Company was incorporated on 19 March 2008 as Montpelier Underwriting Agencies Limited, and is presenting its initial set of financial statements.

Activities and Business Review

The principal activity of the Company is to act as a Lloyd's managing agent for syndicate 5151, commencing on 1 January 2009. Montpelier Underwriting Agencies Limited ("MUAL") intends to continue to act as a managing agent for Lloyd's syndicate 5151 for the foreseeable future.

The Company is a wholly owned subsidiary of Montpelier Holdings Limited ("MHL"). MHL owns 100% of Montpelier Capital Limited, a corporate vehicle, which provided £143,000,000 (100%) of the capacity for the 2008 underwriting year to Lloyds' syndicate 5151.

The loss for the Company before tax for the period was £36,908.

The directors do not propose any dividend.

The directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance and position of the Company's business.

Principal Risks

As a managing agent at Lloyd's the principle risk to the Company arises from future cash flows in respect of income that it receives from its management of Lloyd's syndicate 5151. Income arises from fees that it charges members on the syndicate. This is directly related to the future size of the capacity of the managed syndicate. Therefore, reduction in the size of the capacity due to unprofitable underwriting or reduction in members' capital support for the syndicate will reduce income to the Company.

Regulatory, legal, compliance and operational risk

The managing agent is required to operate under the regulatory, legal and compliance frameworks set by the Financial Services Authority as regulator, and Lloyd's as franchisor. As managing agent, the company is required by Lloyd's to maintain a minimum level of funds. Regulatory and compliance risk is considered to be the inability or failure of the syndicate to comply with UK or overseas regulatory requirements. Legal risk is defined as the impact on the syndicate from legal developments affecting the insurance business itself, or non-insurance commercial and employment-related litigation.

Operational risk is the risk of failure of a management control or process giving rise to operational disruption and/or financial loss. Examples of operational loss include, but are not limited to, business continuity risk, risk relating to outsourcing processes or functions, human resource risk and policies, procedures and control risks.
MONTPELIER UNDERWRITING AGENCIES LIMITED

DIRECTORS’ REPORT (continued)

Financial Instruments

Any cash deposits are held with UK clearing banks and therefore there is limited exposure to liquidity or credit risk. The Company holds no derivatives or investments.

Directors

The following were directors of the company for the period:

<table>
<thead>
<tr>
<th>Name</th>
<th>Appointed</th>
</tr>
</thead>
<tbody>
<tr>
<td>TGS Busher</td>
<td>19 March 2008</td>
</tr>
<tr>
<td>RMM Chattock</td>
<td>19 March 2008</td>
</tr>
<tr>
<td>N Newman-Young*</td>
<td>19 March 2008</td>
</tr>
<tr>
<td>G Perdoni</td>
<td>26 September 2008</td>
</tr>
<tr>
<td>MS Paquette</td>
<td>26 September 2008</td>
</tr>
<tr>
<td>PJ Rand</td>
<td>26 September 2008</td>
</tr>
<tr>
<td>PT O’Neill*</td>
<td>26 September 2008</td>
</tr>
<tr>
<td>JS Goldsmith*</td>
<td>26 September 2008</td>
</tr>
<tr>
<td>CL Harris*</td>
<td>26 September 2008</td>
</tr>
</tbody>
</table>

*Non-executive directors

Charitable Donations

The company made no charitable donations in the year.

Statement as to disclosure of information to auditors

The directors of the Company have individually all taken the necessary steps to make themselves aware, as directors, of any relevant audit information and to establish that the auditors are aware of that information. As far as the directors are aware there is no relevant information of which the company auditors are unaware.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the appointment of PricewaterhouseCoopers LLP as auditors of the company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD

[Signature]

G Philips
Company Secretary
24 April 2009

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MONTPELIER UNDERWRITING AGENCIES LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for that period. In preparing those financial statements the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors confirm they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably available to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors are responsible for ensuring that the directors' report is prepared in accordance with company law in the United Kingdom
MONTPELIER UNDERWRITING AGENCIES LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF MONTPELIER UNDERWRITING AGENCIES LIMITED

We have audited the financial statements of Montpelier Underwriting Agencies Limited for the period ended 31 December 2008 which comprises the Profit and Loss Account, the Balance Sheet, the Accounting Policies and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and all of the other information listed on the contents page. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.
Opinion
In our opinion:

• the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company’s affairs as at 31 December 2008 and of its loss for the period then ended;

• the financial statements have been properly prepared in accordance with the Companies Act 1985; and

• the information given in the Directors’ Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
24 April 2009
MONTPELIER UNDERWRITING AGENCIES LIMITED

PROFIT AND LOSS ACCOUNT
PERIOD ENDED 31 DECEMBER 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>2</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(36,908)</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(36,908)</td>
</tr>
<tr>
<td>Loss on ordinary activities before taxation</td>
<td>(36,908)</td>
</tr>
<tr>
<td>Taxation credit for the period</td>
<td>4</td>
</tr>
<tr>
<td>Loss on ordinary activities after taxation</td>
<td>(26,574)</td>
</tr>
</tbody>
</table>

Period 19 March to 31 December 2008

All operations relate to continuing activities during the current period.

The company had no recognised gains and losses other than the loss for the period. Therefore, no statement of total recognized gains and losses is presented.
# MONTPELIER UNDERWRITING AGENCIES LIMITED

## BALANCE SHEET

31 DECEMBER 2008

<table>
<thead>
<tr>
<th>Notes</th>
<th>2008 £</th>
</tr>
</thead>
</table>

## CURRENT ASSETS

- Cash at bank: 499,980
- Called up share capital not paid: 1
- Deferred tax asset: 10,334

**Total Current Assets:** 510,315

## CREDITORS

Amounts falling due within one year:

- Other creditors: 26,888

## NET CURRENT ASSETS

483,427

## TOTAL ASSETS LESS CURRENT LIABILITIES

- Accruals and deferred income: 10,000

**Net Assets:** 473,427

## CAPITAL AND RESERVES

- Called up share capital: 1
- Called up share capital not paid: 1
- Share premium: 499,999
- Profit and loss account: (26,574)

**Total Shareholder’s Funds:** 473,427

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The financial statements on pages 9 to 14 were approved and authorised for issue on 24 April 2009 and signed on behalf of the Board:

- RMM Chattock
  - Director

- G Perdoni
  - Director

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1 ACCOUNTING POLICIES

(a) Accounting convention and basis of preparation
The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards and section 226A of schedule 4 to the Companies Act 1985.

In accordance with Financial Reporting Standard No. 1 the company has taken advantage of the exemption available to it, as a wholly owned subsidiary, not to present a cash flow statement. Accordingly, no cash flow statement is included in these financial statements.

(b) Turnover
In the period ending 31 December 2008, turnover was nil. As of 1 January 2009, turnover will comprise the following:

Agent fees
Credit is taken for agent fees (0.5% of syndicate capacity) on a basis which apportions the fee over the duration of a year of account taking account of the timing of services provided under the agency agreement.

(c) Interest receivable
Interest receivable is recognised as it becomes receivable.

(e) Expenses
Overhead expenses are incurred on an accruals basis.

(f) Deferred Taxation
Deferred taxation is recognised, on an undiscounted basis, in respect of the timing differences between the treatment of certain items where such differences have arisen between taxation and accounting but have not reversed by the balance sheet date, except as otherwise required by FRS 19. Deferred taxation is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.
MONTPELIER UNDERWRITING AGENCIES LIMITED
NOTES AND ACCOUNTING POLICIES
PERIOD ENDED 31 DECEMBER 2008

2 TURNOVER

Turnover was nil in the period.

3 DIRECTORS' EMOLUMENTS

Non-Executive Directors' emoluments for their services to the company were as follows:

£

Remuneration  10,136
Defined contribution pension costs  -

10,136

The following amount was paid to the highest paid director:

£

Remuneration  5,068
Defined contribution pension costs  -

5,068

4 TAX ON LOSS ON ORDINARY ACTIVITIES

2008 £

Current tax:
Tax on loss at standard UK Corporation tax (28%)  10,334
Adjustment in respect of prior years  -
Total current tax  10,334

Deferred tax:
Tax on loss at standard UK Corporation tax (28%)  10,334
Tax on loss on ordinary activities  -

10,334

There are no other factors affecting the tax charge for the current period.

The current tax assessed for the period is equivalent to the standard rate of corporation tax in the UK (28%).
5 OTHER CREDITORS

<table>
<thead>
<tr>
<th>2008</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts falling due within one year</td>
<td>26,888</td>
</tr>
<tr>
<td>Sundry creditors</td>
<td>26,888</td>
</tr>
</tbody>
</table>

6 ADMINISTRATIVE EXPENSES

<table>
<thead>
<tr>
<th>2008</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss on exchange</td>
<td>1,688</td>
</tr>
<tr>
<td>Other administrative expenses</td>
<td>35,220</td>
</tr>
<tr>
<td></td>
<td>36,908</td>
</tr>
</tbody>
</table>

7 DEFERRED TAX ASSET

<table>
<thead>
<tr>
<th>2008</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opening asset for deferred taxation</td>
<td>-</td>
</tr>
<tr>
<td>Credit in the period</td>
<td>10,334</td>
</tr>
<tr>
<td>Closing asset for deferred taxation</td>
<td>10,334</td>
</tr>
</tbody>
</table>

The deferred tax asset arises on the loss in the period. The asset is deemed fully recoverable as the agency expects significant profits from 2009 onwards on the basis of enhanced turnover from agency fees, together with a similar cost base to the current year.

8 ACCRUALS AND DEFERRED INCOME

<table>
<thead>
<tr>
<th>2008</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>10,000</td>
</tr>
<tr>
<td></td>
<td>10,000</td>
</tr>
</tbody>
</table>

9 CALLED UP SHARE CAPITAL

Authorised:
Ordinary shares of £1 each | 5,000,000 |

Allotted and issued:
Ordinary shares of £1 each fully paid | 1 |
Ordinary shares of £1 each not paid | 1 |
MONTPELIER UNDERWRITING AGENCIES LIMITED

NOTES AND ACCOUNTING POLICIES
PERIOD ENDED 31 DECEMBER 2008

10 PROFIT AND LOSS ACCOUNT

<table>
<thead>
<tr>
<th>2008</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance brought forward</td>
<td>-</td>
</tr>
<tr>
<td>(Loss) for the period</td>
<td>(26,574)</td>
</tr>
<tr>
<td>Balance carried forward</td>
<td>(26,574)</td>
</tr>
</tbody>
</table>

11 SHARE PREMIUM ACCOUNT

<table>
<thead>
<tr>
<th>2008</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance brought forward</td>
<td>-</td>
</tr>
<tr>
<td>Addition in the period</td>
<td>499,999</td>
</tr>
<tr>
<td>Balance carried forward</td>
<td>499,999</td>
</tr>
</tbody>
</table>

12 PROFIT/LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss for the period is stated after the following:

<table>
<thead>
<tr>
<th>2008</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit fees</td>
<td>10,000</td>
</tr>
</tbody>
</table>

13 ULTIMATE PARENT COMPANY

As at 31 December 2008, the immediate parent company was Montpelier Holdings Ltd, a company incorporated in the United Kingdom. The ultimate parent company was Montpelier Re Holdings Ltd, a company incorporated in Bermuda. The company has taken advantage of the exemption contained in FRS8 and has, therefore, not disclosed transactions or balances with entities which are part of that group. The consolidated financial statements of Montpelier Re Holdings Ltd within which this company is included can be obtained from that company's offices at Montpelier House, 94 Pitts Bay Road, Pembroke, Bermuda, PO Box HM 2079, Hamilton, Bermuda.