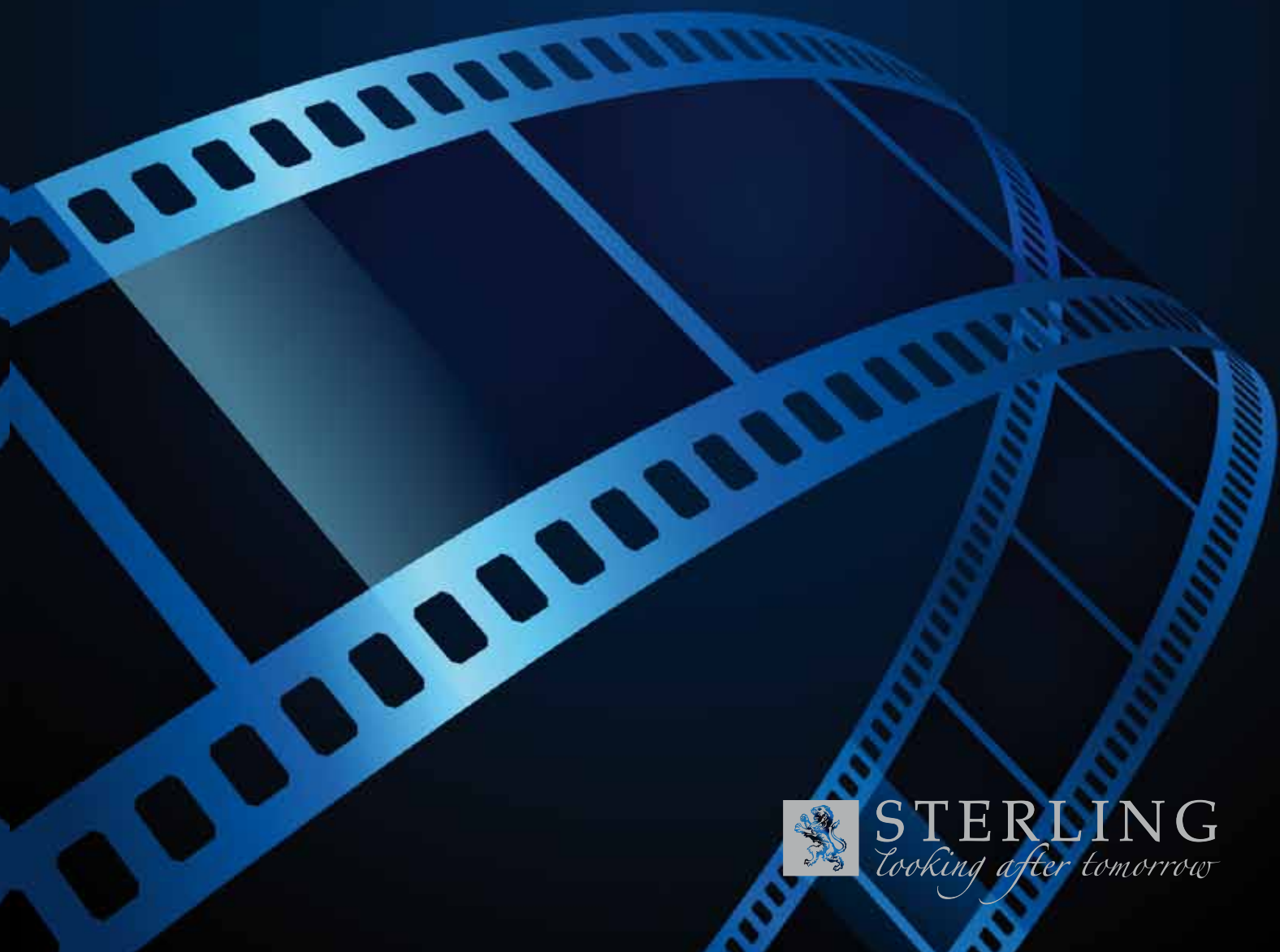


THE MANE NEWS

JANUARY 2013



STERLING
looking after tomorrow

2013 vision



Welcome to the first Mane News of 2013. This year the Sterling team will continue to deliver excellent service, fantastic products and provide great people who can help you and your teams grow both our businesses profitably. Our key goal this year is to 'make service real' and truly deliver what you need. We will continue to listen and respond to your needs and we have plans to launch some exciting new products this year that will help you write more business.

Last year Sterling received a lot of very gratifying recognition from the market. Our claims team won the Insurance Times Claims Excellence Award for Outstanding Claims Team of the Year and more recently our commercial team won the number one spot in the Insurance Times Commercial Lines Broker Service Survey. This year, we hope to continue our success by working harder and smarter to ensure we are delivering the people, products and service that you have come to expect.

There are many issues in the market that will impact the insurance industry in the near future, such as regulation changes, ELTO requirements, government flood plans as well as the continuing

austerity measures. The difficult market conditions are likely to continue, as will the number of mergers and acquisitions. If you are thinking of such moves then please approach us, as we may be able to provide assistance in the form of broker funding. If you can demonstrate a sound business plan then speak to your Regional Development Manager about how you think we can help.

Our people are our greatest strength and we will continue to encourage the growth and development of our employees. As a Chartered Insurer we already have a strong emphasis on CII qualifications throughout our teams and we anticipate many of the underwriters and claims handlers will continue their ongoing education this year. We recognise the importance of employing quality people and so will continue our graduate recruitment scheme this year.

Here is to a successful 2013 for all of us!

David Sweeney



A night with our stars

Over 250 brokers attended the Pre-Christmas Drinks Reception at the London Film Museum on South Bank on Thursday 15 November 2012. Storm troopers greeted our guests as they arrived whilst the paparazzi clicked away furiously as they entered the reception.

Champagne and canapés were served in the Museum Gallery before our guests took a tour of the museum which included many action heroes and exhibits like the Tardis from Dr Who. Guests had photos taken on the Star Wars set with Storm Troopers, R2D2 and C-3PO, who seemed to come off a little worse for wear after numerous battles with our brokers! The evening carried on in the Rotunde room where further drinks and canapés were served accompanied by some well known film soundtracks which could be heard until late into the night. We would like to thank all our guests for joining us at what was a fantastic evening.



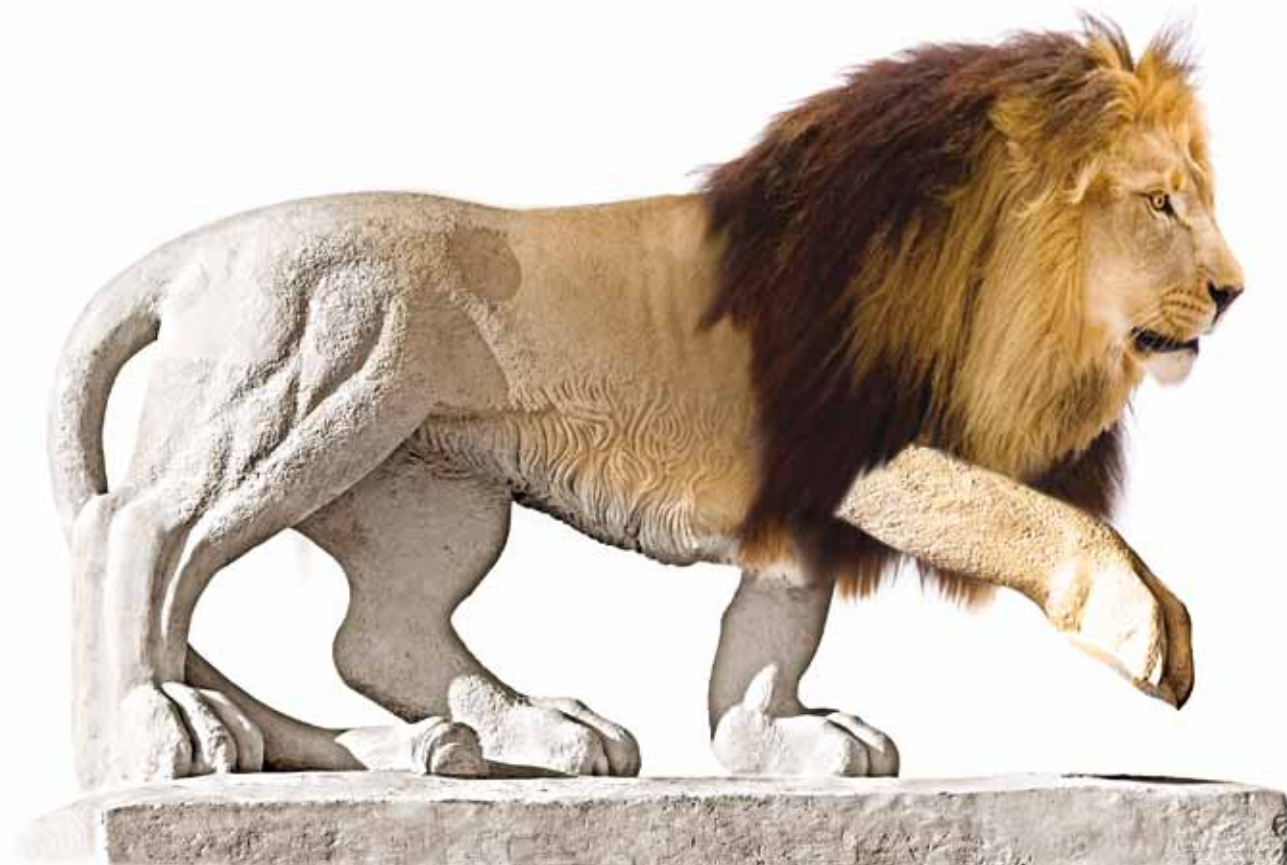
Making Service Real

Our 2013 corporate message is all about "making service real" to you; our client and your customers. But in essence, what does this statement mean and how do we make service real and bring it alive for you? Providing a high quality service to you and your customers is what drives us on a daily basis. From your feedback, we know that there are many aspects that make up the overall service we provide that we aim to be second to none.

That swift and fair settlement of claims is vital and the results of our broker survey suggest that you feel we make every effort to keep you informed on the progress of claims and that we do indeed make fair and reasonable decisions quickly. Testament to that is the fact that our claims service received the accolade of being shortlisted at the British Insurance Awards for 'General Insurer of the Year' and also won the prestigious Insurance Times title of 'Outstanding Insurer Claims Team of the Year'. Our efforts have been recognised by the industry and we will continue to exceed expectations across our claims service and be market leading in this area.

Direct access to decision makers is another important part of our service and the feedback in our surveys suggest that this is another thing you like about Sterling. Our aim is to provide you with immediate contact with knowledgeable and professional individuals and deliver flexible and efficient underwriting decisions. Linked to this, we aim to get our documentation correct first time and delivered in a timely manner to support your sales process.

We regard you, our brokers, as true partners and clear communication is vital to our continued good relationships with you. We endeavour to listen, communicate and support our brokers in as many ways as possible, through our regional offices, our team of Regional Development Managers, our road shows, events and the use of surveys and social media. We are also developing an online Partner portal that will give easy access to important information that will help you manage your account more effectively. So whether service to you is about claims handling, 5 star products, accurate documentation and MI, dealing with knowledgeable people or direct access to decision makers, our aim is deliver all of these to you in a real and tangible way.

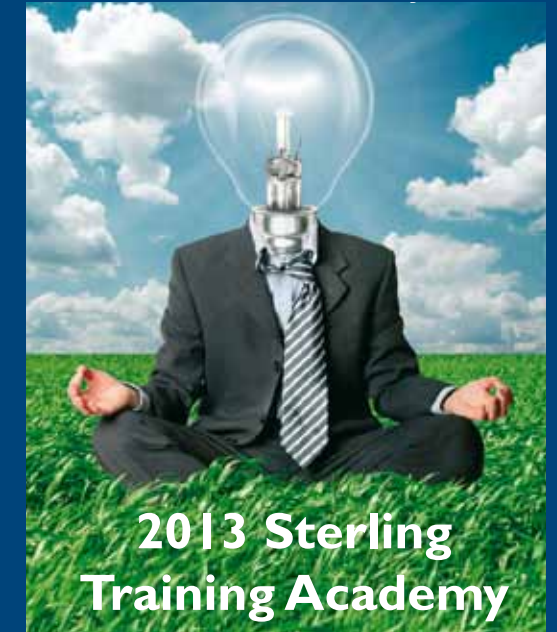


Sterling Training Academy 2013

We are pleased to announce the launch of our training schedule for 2013! This year we have taken a more technical focus, offering courses on range of High Net Worth and Commercial topics.

As a result of broker feedback and the issues facing the market, we have introduced new topics such as Health & Safety, Physical Security and Forensic Investigations. Some popular courses will be returning including Gold, Jewellery and Watches, Flooding and Fine Art. They will be available at a variety of locations across the regions. As part of the Partnership benefits, a select number of courses will be available for delivery at broker's convenience in their own offices. These courses will be delivered by our own technical managers who will discuss requirements with the brokers beforehand.

Our supporting brokers will be invited to register for the courses via our email, up to three months ahead of each course. Partners are given preferential access to each course. Full details of the schedule can be found on our website at www.sterlinginsurancegroup.com/training



2013 Sterling Training Academy

Partnership 2013

We are delighted to unveil several new benefits for our Partners in 2013 as well as improving the delivery of the existing core benefits.

Partners tell us we should always emphasise quotation exclusivity and also include minimum service levels however you are becoming more interested in other areas, such as the availability of broker funding initiatives and how we can work together on marketing support and business plans. To back up the key service commitments in 2013 we have introduced:

- A no quibble guarantee of £25 additional commission if we let you down, we guarantee no fuss - just tell us why we failed so we can put things right.
- Mystery shopping - our partners can request a confidential survey of their business using mystery shopping techniques.
- Marketing support - is available to help critique existing plans, develop new strategies or even assist with design work.
- Partner Broker Portal - work is progressing on this exciting improvement for our Partners and more news will follow.

- Broker staff mentoring for CII qualifications and Internship opportunities at our West Malling offices.

Overall this year's Partner agreement recognises the importance of forming good, solid relationships and supports our Partners plans with the result that both businesses grow successfully together.

To become a Sterling Partner broker we look for brokers that have £250k or more income placed with Sterling and should have the ability to grow with us to generate £500K.



Metalworking is the process of working with metals to create individual parts, assemblies, or large scale structures. The term covers a wide range of work from ships and bridges to precise engine parts and delicate jewellery. It therefore includes a wide range of skills, processes, and tools.

Modern metalworking processes, though diverse and specialised, can be categorised as forming, cutting, or joining processes. This is a broad sector of industry and can be broken down into the following areas of activity:

- General Engineers
- Metal Fabricators
- Foundries
- Metal Production
- Electroplaters and Heat Treatment
- Heavy Engineering

Business Size

The engineering sector is complex, companies ranging from large international manufacturing groups which include engineering activities as part of their overall activities, down to small companies whose turnover is less than £1 million per annum. Interestingly, 90% of all engineering companies have a turnover of less than £1 million and 98% have less than 100 employees.

Geography

In the 17th century, industry began to dominate. The plentiful natural resources of coal, clay and abundant woodlands helped the West Midlands to become the birthplace of the industrial revolution.

Even in 2012, the Midlands continue to hold almost 1/4 of all metalworking and engineering risks in the United Kingdom.



Industry Focus

Subcontracting

Extensive sub contracting is a feature of this trade sector and the majority of engineering businesses are likely to be supplying components or tools that will become part of a finished product, or be part of a further manufacturing process.

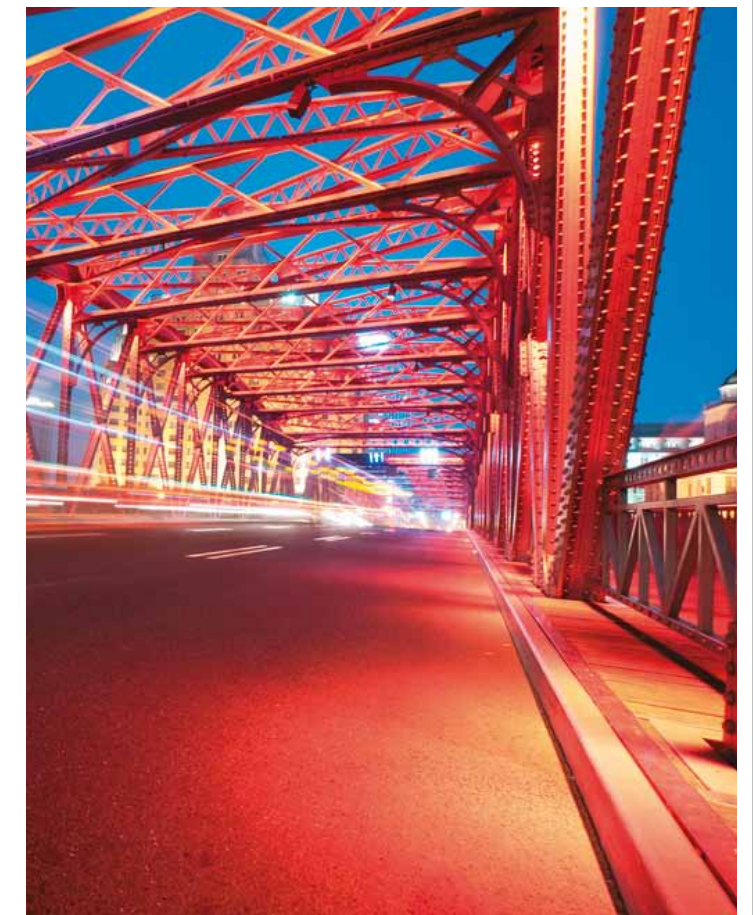
Some businesses will provide metal components for assembly into other companies' products, while others will provide engineered support services to manufacturers.

Most commercial policies will only provide cover for property damage and a resulting loss of profit if the incident occurred on the insured's premises.

Non Ferrous Metal

In the last 10 years, the demand for non ferrous metal from rapidly developing countries such as China and India has driven up the price. This has resulted in the well publicised spate of metal thefts that continue to affect businesses, transport and religious buildings.

The constantly fluctuating price of these metals can also cause a problem for metalworkers and impact on their insurance cover. An increase in the cost price of non ferrous metal since the start of the period of insurance could leave the policyholder in a position of underinsurance when the metal has to be replaced following a loss.



Executive Business for Metalworkers and Engineers



Executive Business for Metalworkers and Engineers



We have further enhanced our comprehensive Executive Business commercial combined policy to provide a flexible solution for the engineering industry, with some of the product benefits including:

- Metal Workers Extension for the insured's property whilst in transit and at any machine maker's, engineer's, founder's, sub-contractor's or other metal worker's premises within the territorial limits up to £50,000
- Protection for non ferrous metal stock against rising commodity prices up to 125% of the declared value
- Loss of Gross Profit resulting from loss or damage to the insured's property whilst at any machine maker's, engineer's, founder's, sub-contractor's or other metal worker's premises up to £50,000
- Loss of Gross Profit cover up to £100,000 as a result of death or permanent disablement to any of the insured's principals.

Executive Professions

We have recently made some changes to the way we underwrite our Executive Professions contract to make this even more attractive to Brokers. We are able to create bespoke arrangements to manage books of Office based businesses in a simple and efficient manner.

Options include our Packaged Executive Profession product. PEP, as it's commonly known, was created to provide a simple package arrangement for specific Office orientated trades. Cover comes in 4 options ranging from £265 (including IPT) for contents up to £25,000, computer equipment up to £10,000 and loss of revenue up to £200,000.

At the higher end the limits are increased to £60,000, £30,000 and £750,000 respectively for a premium of £1,060 including IPT. The standard elements of cover, such as Money, Employers Liability, (IL £10m) Public/Products Liability (IL £5m), embedded equipment breakdown, tenant's improvements (£15,000) and ICOW (up to £25,000) are included. The product also provides comprehensive cover and additional extension as you would expect from a Sterling product. As an alternative we could provide a telephone hotline to one of our underwriters.

The options can be tailored to provide a solution that works for you. So if you would like to consolidate or simplify your office risks why not speak to your Regional Development Manager for further information.

Legal reforms update

The Legal Aid, Sentencing and Punishment of Offenders Act 2012 (LASPO), will slash £350m from the £2.2bn legal aid budget and will also radically redraw the 'no win, no fee' (CFA) regime and ban the payment of referral fees.

Changes to costs in personal injury and clinical negligence claims (QOCS - qualified one way costs shifting) will result in claimants no longer being required to pay the defendant's costs if the claim is unsuccessful (except in very limited cases) but the defendant will still be required to pay the claimant's costs if the claimant's case succeeds. LASPO also enables rules additional to CPR Part 36 to be made whereby a defendant who refuses a reasonable settlement offer, which is not beaten at trial, has to pay an amount additional to the judgment figure to the claimant.

So that damages (which may be intended to cover future medical care) are not substantially eaten into by legal fees, awards of general damages for pain, suffering and loss of amenity will be increased by 10%. CFA success fees will no longer be recoverable from the paying/losing party. The government intends to protect personal injury claimants by limiting the success fee to 25% of damages recovered (excluding damages for future losses). The MOJ announced recently a proposed 50% cap for commercial cases.



Damages Based Agreements (aka contingency fee or no win no fee agreements) will result in a successful claimant being able to recover his base costs from the unsuccessful defendant but be responsible for paying its lawyers a pre agreed percentage of the damages recovered.

Potential changes to the way in which liability claims are processed are likely to include:

- an increase in the small claims limit from £5,000 to £10,000
- compulsory automatic referral to mediation for claims up to £5,000
- cases under £100,000 to be taken out of the High Court's jurisdiction
- RTA cases up to £25,000 - liability to be decided within 15 days
- Fixed fast track costs - the RTA Scheme is to be extended. For the time being there will be a dual system under which the costs for PI cases up to £25,000, EL, RTA and PL cases, will be fixed. The MOJ's consultation is due to close on 4 January 2013 on this aspect.



The Consumer Insurance (Disclosure and Representations) Act 2012 received Royal Assent on 8 March 2012 and the Law Commission hope that it will come into force in spring 2013. This will change radically the way in which consumers' pre contractual obligations are assessed.

Sterling turn up the heat on Regulation



On the only 'snow day' of 2012, understanding the impact of regulation in 2013 was integral, as some of our Partner Brokers battled the elements to attend an intensive workshop with Sterling Managers to learn about and discuss issues of common concern.

John Constable of Searchlight Solutions was there to lead the discussions and highlighted some conflict of interest concerns including duty of agency; delegated authorities and commercial remuneration.

The proposed CASS 5 regime that looks at client money oversight was high on the priority list for brokers. Sterling's standard ToBA's already includes 'unconditional risk transfer' so additional reissuing work is not anticipated. That said any broker handling client money or co-mingling insurer and client money needs to ensure they follow CASS 5 rules, particularly as regulatory supervision of client money is high on the FCA agenda.

IMD 2 may raise some additional duties for brokers and also disclosure requirements in respect of commissions as well as, potentially raising the issue of professional qualifications within general insurance broking.

Compared with the Regulation outlook for 2013, the weather is looking mild now!

Specialist lawyer recruited to improve service

We are always looking for innovative ways to adapt to the fast evolving legal landscape. Our latest investment, to enhance the quality and speed of our client service, has been to bring in house a trusted dispute resolution specialist (Catherine May) who we have known for many years.

Her experience, gained as a partner in national and international law firms, will help us to improve our service by giving us immediate advice on critical issues.

Catherine will also help to further develop our claims teams' and underwriters' technical performance by rolling out a training programme covering key legal developments.

Catherine's years of experience of pricing and responding to tender requests in different law firms will also be used to good effect in supporting the contentious aspects of our legal service tender later in 2013.



Quick action enables business to continue trading



Our customer designs, manufactures and supplies specialist optical equipment used in a wide range of industries including aerospace, medical and security.

One morning a 4" plastic pipe forming part of the cooling system sheared allowing water to escape into three of four coating machines. Prompt action by the staff prevented water spreading to other areas of the factory and one of the affected machines dried successfully.

The manufacturers of these specialist machines indicated replacement of the other two would cost £1.3million and repair might be feasible but at a cost of £610,000. They were also adamant that comparable second hand refurbished machines were not available from other suppliers.

Our licensed loss adjuster was sceptical about the manufacturer's claims and using his own engineer established that alternative machines were available. Details were supplied to the customer who inspected one machine (available at a cost of £158,000) and found it acceptable.

It was quickly installed and commissioned with the result that the customer could return to full capacity significantly reducing the business interruption loss. The Insured reviewed their operational requirements and approached us for a cash settlement for the value of the other machine, which we were happy to agree to.



Water damage from burst pipes and leaks costs property owners and insurers over £730,000,000* each year



Exciting new products are appearing in the market to help reduce these huge financial losses, and to mitigate the disruption caused by this common occurrence.

LeakSafe Solutions, a UK company, have developed a range of products that can dramatically reduce the risk of water damage in both residential and commercial properties. Their products have been independently tested by BRE (the Building Research Establishment) for functionality and durability to ensure that they can be introduced to clients without reputational risk.

LeakSafe offer a number of solutions from manual Water Switches to automated Flow Control and Leak Detection systems. Most LeakSafe systems are modular and can be upgraded, offering flexible solutions in a variety of applications.

LeakSafe WaterSwitch
Wired and wireless water switches where it is important to be able to switch water on and off frequently or easily. The wireless switch incorporates a 1, 2 or 3 hour delay function for instances where water is needed for a period after the building is vacated.

LeakSafe FlowGuard
Designed principally for holiday homes or second homes, FlowGuard will automatically turn the water off if no water flows through the valve during a 24 hour period. The water is reinstated at the touch of a button.

LeakSafe LeakDetectors
LeakSafe wired or wireless LeakDetectors can be located under water storage tanks, in bathrooms and kitchens or anywhere that water is used and will automatically shut the LeakSafe valve if they are in contact with water.

Further information on LeakSafe products can be found on their website www.leaksafesolutions.com or contact them on 0844 848 0488 or email info@leaksafesolutions.com

*Association of British Insurers

Mid Kent Young Achiever of the Year Award

We are very proud to recognise that Executive Plus Underwriter, Kirstie McElwaine was shortlisted as a finalist for the Young Achiever of the Year Award.

The award was announced at the Mid Kent CII Dinner in which Lee Venamore, Alison Colver and Nic Hartley hosted brokers and young Sterling staff alike, it was a great opportunity for the insurance community to congratulate those studying towards exams and encourage them in their efforts for success.



Taking in the dizzy heights of London!

Chris Bland and Lee Venamore hosted a number of brokers at a networking event to enjoy the spectacular London sky line. The scene looked fantastic as guests were wined in an exclusive pod on the London Eye...it required a steady hand to stop any spillages as the wind picked up near the top of the eye!!

After the ride, guests were then invited to enjoy a hearty curry at The Cinnamon Club which was a short walk through Westminster, the perfect way to warm up after a windy wheel! This event gives Sterling the opportunity to introduce some of new brokers to our established partner and supporting brokers.



Broker Expo

On November the 8th we packed up our Sterling stands, literature and goodies and headed off to Coventry for Insurance Age Broker Expo. This event is gathering great momentum within the industry and is supported by many insurers as well as large numbers of brokers. This year James Guthrie, Jane Flaherty, Keith Callaway, Gordon Russell and Kirk Peattie manned the stand. We were visited by huge numbers of brokers, some that we know and some that we didn't and obtained a number of business opportunities on the day.

A big thank you to all of you that came to say hello, this event was a thorough success and we have already booked in for 2013.

Manchester CII Dinner



The annual Manchester CII dinner was held at the Palace Hotel on 9th November and we took the opportunity to introduce our new team to the market! David Sweeney, Martin Kerrison and James Leigh hosted 12 of our Northern partner brokers and the evening commenced with a champagne reception where we were able to celebrate the news that Sterling had secured 1st Place in the Insurance Times Commercial Lines Broker Service Survey 2012. Following the reception we sat down to an evening of fine food and wine, which were followed by some interesting comedy...cue the top table delivering a 'Gangnam' style dance!

After dinner our party retreated to the bar where we were able to enjoy the post dinner entertainment and of course, the opportunity to talk the competition through the results of the service survey!

Prizes for Prospects

We want to ensure a strong start to 2013 and increase our enquiry levels, so for every prospect or quote submitted, you will be entered into a monthly draw with the chance to win some great prizes! If your quote goes on cover, we will enter your name again!

These are the fantastic prizes up for grabs:

- 1st Prize - Ipad
- 2nd Prize - £150 Luxury Hamper
- 3rd Prize - £100 Shopping Vouchers

That's not all - for each new business case bound over £2,500 we will send you a Kindle! So pocket your prize Kindle as a thank you from Sterling for your support for our market leading products. If you would prefer to share your good fortune we are happy to make a charitable donation on your behalf instead of a prize - just let us know when you win or bind that £2500 case!

Send your Prospects and quote requests to the teams:

Commercial:

0845 676 9991 or commercialnewbusiness@sterlinginsurancegroup.com

Executive Home:

0845 271 1487 or frontoffice@sterlinginsurancegroup.com

Executive Plus:

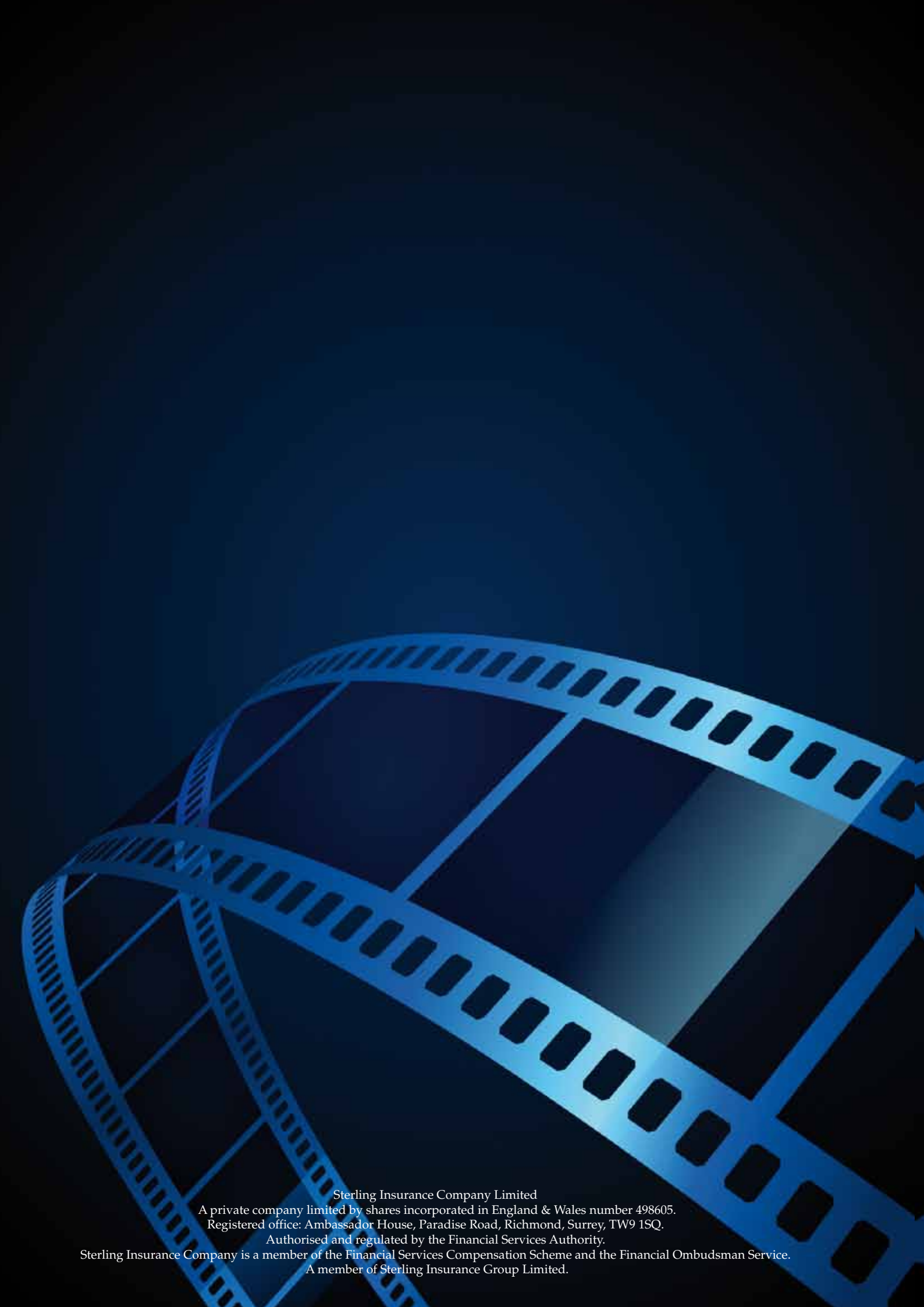
0845 070 1274 or executiveplus@sterlinginsurancegroup.com

Manchester:

0870 186 1400 or manchester@sterlinginsurancegroup.com

We look forward to hearing from you, Good Luck!





Sterling Insurance Company Limited

A private company limited by shares incorporated in England & Wales number 498605.

Registered office: Ambassador House, Paradise Road, Richmond, Surrey, TW9 1SQ.

Authorised and regulated by the Financial Services Authority.

Sterling Insurance Company is a member of the Financial Services Compensation Scheme and the Financial Ombudsman Service.

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