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Highlights

- **Prices increase to highest ever level**
- **Individual members make the running**
- **Strong buying activity from new MAPAs**
- **Buyers outnumber sellers three to one by volume**

Auction One – An Overview

£56m of capacity changed hands in the first of this year's auctions. With large pre-emptions and a market that has not scaled the peaks predicted six months ago, we were surprised that prices have increased to the degree they have. While volumes were up on 2008's first auction, appetite for additional capacity was strong, with both existing and new members playing their parts. Argenta's own MAPA 7008, formed for new members joining for the 2010 account, secured almost £10m of capacity and a new Hampden MAPA 7210 secured over £18m.

Although the average price paid for capacity increased by 16%, the more meaningful index of average price of all third party capacity increased by 36%, to a new high of almost 27p per £1. The highest this index had reached previously was 26p.2p in Auction One of 2007.

Aligned buyers were generally notable by their absence. **Hiscox** bid for £25m at less than 10p, which wasn't even close to the strike price. **Atrium** upped earlier years' bids for its managed syndicates; 570 to 27.5p and 609 to 25p (having bid at 15p for both in 2008), but was still a little short.

There was no sign of any bidding activity from **Kiln** for any of its managed syndicates, nor from **Equity** for 218, from **Cathedral** for 2010 or from **Max** for 2525 and 2526. All these syndicates traded no lower than they had in 2008, and most saw price rises. **Argo** (for 1200) was another non-bidder, the price falling 40% from 2008. However, the most significant

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No bid from Omega Holdings

absentee was **Omega** for Syndicate 958. Omega's June offer document warned that it may not stand in the auction, and if it did, it would not pay more than the offer price of 40p per £1. This did not deter over £3.5m of capacity that evidently spurned the offer from trying their luck in the auction. The actual price for Syndicate 958 at 27.3p fell neatly between last year's strike price of 10.8p and this year's 40p offer. We will be watching to see if speculators begin to inch the price back towards the offer, or whether the weight of sales moves it back down again.

Beaufort buys at less than last year's offer price

Elsewhere, Beaufort secured £0.5 million of capacity at rather less than the 27.5p it offered in 2008. The average price fell to 14.3p. Given that the amount of capacity purchased by Beaufort is not a round number (the successful subscription was for £494,058), it is a safe bet that this was a partial success. In the 10p to 10.9p range, it was also one of the lowest successful bids. Perhaps spooked by the first forecast loss in Mike Pritchard's 25 year tenure, third party capital tendered over £9m of capacity on the syndicate, many of whom were left vainly hoping for a repeat of 2008's price.

Equity accelerates

Another syndicate with losses forecast for the open years is **KGM** Syndicate 260, the price of which fell two-thirds. £6m of capacity remained unsold and may have to be brought back to auction next week at a lower reserve.

The other motor syndicate, **Equity** 218, was the beneficiary of many members looking for diversification and traded 22% higher at almost 42p. Over £9m of third party bidders went empty handed.

Beazley buys at 25p

Beazley trumped most unaligned buyers, securing 96% of the £4.6m of Syndicate 623 capacity changing hands at a price of 25p, having upped its 2008 bid of 20p.

Atrium sells more MAP 2791 at 25p

Meacock Underwriting was another successful aligned buyer, increasing its share of Syndicate 727 by £600k, picking up all of the capacity traded on the syndicate at a knock-out price of 38.1p.

Atrium unloaded another part of its remaining spread portfolio in a bilateral deal with a Hampden MAPA for £7 million of capacity on **MAP** Syndicate 2791. Unusually, both the auction and bilateral trades were conducted at the same average price of 25p.

Nuclear takes off

Chaucer's Nuclear Syndicate 1176 reached a new high at over 150p per £1 share, although the amount traded (£31,600) is just a single bespoke share.

High volumes of lower priced capacity traded

There was enthusiasm for the lower price range, with **Argenta** 2121 and **Kiln's** 807 and 557 all heavily traded and each had some buyers leaving empty handed, presumably to return at a later date.

Despite the fact that only one more year remains on the limited tenancy arrangement with **Sportscover** 3334, more than £400,000 changed hands at 2.7p.

Auction One – In Numbers

	2009 Auction 1	2008 Auction 1 to 3
Capacity successfully traded	£56.2m	£109.1m
Subscription (buy) orders	£274.1m	£472.6m
Tender (sale) orders	£91.6m	£203.8m
Bilateral trades	£7.0m	£25.0m
No. of syndicates traded	23	25
Average paid to acquire capacity	19.6p	16.9p
Average of all Lloyd's capacity	26.9p	19.7p

Top Five Price Rises

	Average 2008 Price	Auction 1 Price	Price Rise
557 RJ Kiln & Co	0.52	4.46	757.85%
727 SA Meacock & Co	23.66	38.10	61.03%
033 Hiscox Syndicates	23.04	34.52	49.82%
2791 Managing Agency Partners	16.91	25.00	47.86%
958 Omega Underwriting Agents	10.80	27.31	152.94%

Top Five Price Falls

	Average 2008 Price	Auction 1 Price	Price Fall
260 KGM Underwriting Agencies	24.19	7.23	(70.10%)
3334 Sportscover Underwriting	6.78	2.67	(60.66%)
318 Beaufort Managing Agency	27.50	14.33	(47.88%)
1200 Argo Managing Agency	4.92	2.93	(40.37%)
2121 Argenta Syndicate Management	3.10	2.14	(30.89%)

Top Five Buys

Syndicate	Capacity	Buyer
2791	5,000,000	Hampden Agencies MAPA 7210
623	4,372,264	Beazley Underwriting Limited
510	3,000,000	Argenta MAPA 7008
510	3,000,000	Hampden Agencies MAPA 7210
609	3,000,000	Hampden Agencies MAPA 7210

Top Five Sales

Syndicate	Capacity	Seller
2791	7,450,615	Atrium 5 Limited
510	1,000,000	Argenta SLP
557	1,000,000	Argenta NameCo
2121	693,300	Hampden NameCo
308	528,428	Argenta NameCo

What do we expect in Auction Two?

Given the volume of unsatisfied subscriptions in Auction One, we can expect upward pressure on prices.

In particular, where the demand for capacity was a multiple of capacity tendered, prices are likely to go up. For Syndicates 33, 570, 623, 727 and 2010 the volume subscribed was at a multiple of capacity tendered of respectively 15, 30, 15, 10 and 13.

Prices expected to rise in Auction Two

Some potential buyers will probably withdraw, having decided that prices have gone too high. On the other hand demand from new entrants has still to be satisfied.

As in previous years, there is likely to be a narrowing of the spread between the highest and lowest successful bids, now that the parameters have been set in the first Auction.

Auction One Summary

The table below is a summary of Auction One trades against the 2008 average prices, as well as the most recent aligned capacity share.

Auction Summary							
Syndicate	Managing Agent	Unadjusted 2008 Average Price	Adjusted 2008 Average Price	2010 Proposed Pre/(De)-Emption	Aligned Capacity	Average Price p/£1 ²	Volume (£000s) ²
33	Hiscox	23.04	21.51	33.3%	72.5%	34.52	2,272
218	Equity	34.21	31.82	7.5%	64.0%	41.79	1,415
260	KGM	24.19	17.91	7.4%	56.7%	7.23	649
308	Kiln	21.24	15.57	36.4%	52.1%	21.42	638
318	Beaufort	27.50	22.00	11.5%	72.0%	14.33	2,070
386	QBE	88.40	82.32	7.4%	69.6%	98.55	968
510	Kiln	11.99	11.19	46.0%	52.9%	15.00	11,032
557	Kiln	0.52	0.52	0.0%	<25%	4.46	3,654
570	Atrium	28.21	24.40	15.6%	<25%	34.78	461
609	Atrium	21.81	23.52	37.7%	25.8%	30.28	3,344
623	Beazley	20.37	21.54	62.3%	82.5%	25.17	4,562
727	Meacock	23.66	21.83	8.4%	<25%	38.10	598
779	Jubilee	25.02	27.80	(10.0%)	<25%	19.90	653
807	Kiln	2.80	2.41	16.2%	51.1%	3.75	1,820
958	Omega	10.80	8.98	12.0%	34.8%	27.31	502
1176	Chaucer	128.58	112.29	0.0%	55.1%	149.26	32
1200	Argo	4.92	4.92	7.5%	83.6%	2.93	4,322
2010	Cathedral	31.53	27.03	16.7%	57.8%	36.97	851
2121	Argenta	3.10	2.68	34.6%	26.6%	2.14	4,621
2525	Max	29.06	29.06	0.0%	2.0%	29.19	1,520
2526	Max	22.75	22.75	0.0%	36.4%	24.84	400
2791	M A P	16.91	13.66	23.8%	21.1%	25.00	9,354
3334	Sportscover	6.78	5.09	25.0%	67.8%	2.67	440

Notes

¹ 2008 auction price adjusted to reflect any pre-emption or de-emption approved for the 2009 year of account.

² Average prices and volumes include bilateral deals

Connected Party Trades

The table below shows Auction One transactions that were successfully entered into by Members with Argenta Private Capital Limited (**APCL**) “connected person” status.

Connected Parties				
Synd	Type	Capacity	Member	Status
2791	Subscription	50,000	E S Harborne	Consultant
33	Tender	3,8749	Aardvark Underwriting Ltd	Third party adviser
510	Tender	69,568	Aardvark Underwriting Ltd	Third party adviser
623	Tender	80,960	Aardvark Underwriting Ltd	Third party adviser
2791	Tender	45,497	Aardvark Underwriting Ltd	Third party adviser
623	Tender	135,617	Romsey Underwriting Limited (Lord Brabourne)	Director
2121	Tender	514,281	Romsey Underwriting Limited (Lord Brabourne)	Director
2121	Subscription	4,039	Minhotex LLP (David Harrison)	Director
3334	Tender	5,333	Minhotex LLP (David Harrison)	Director
318	Subscription	50,000	Talisman Corporate Underwriting 2000 Ltd	¹
2791	Subscription	25,000	Talisman Corporate Underwriting 2000 Ltd	¹
2791	Subscription	20,000	Talisman Corporate Underwriting 2000 Ltd	¹
510	Tender	18,513	Rechter Underwriting Limited	²
623	Tender	9,330	Rechter Underwriting Limited	²
2010	Tender	5,716	Rechter Underwriting Limited	²
2791	Tender	9,020	Rechter Underwriting Limited	²
557	Tender	300,135	BHC Winton Underwriting Limited	²
623	Tender	222,380	BHC Winton Underwriting Limited	²
623	Tender	131,820	BHC Winton Underwriting II Limited	²
510	Subscription	100,000	Ransome's Underwriting Limited	³
308	Subscription	100,000	Lady Delves Broughton	Council or Board Member
308	Subscription	100,000	Lady Delves Broughton	Council or Board Member
308	Subscription	100,000	Lady Delves Broughton	Council or Board Member
623	Tender	17,020	C G Harman	Council or Board Member
33	Subscription	60,001	The Michael Deeny LLP	Council or Board Member
609	Tender	200,000	The Silent Scorpion LLP (Lady Delves Broughton)	Council or Board Member
2526	Subscription	300,000	The Silent Scorpion LLP (Lady Delves Broughton)	Council or Board Member

Notes

- ¹ David Monksfield and Paul Sandilands (respectively executive and non-executive director of APCL) are directors and shareholders in Talisman Corporate Underwriting 2000 Ltd.
- ² Alan Tucker (executive director of APCL and non-executive director of Argenta Syndicate Management Limited) is a director of Rechter Underwriting Limited and the BHC Winton corporate members.
- ³ Andrew Annandale (non-executive director of APCL and Chief Executive Officer and Managing Director of Argenta Holdings plc and Argenta Syndicate Management Limited respectively) is a director of Ransome's Underwriting Limited.

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