

Lloyd's Market Disclosures

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Argenta MAPAs for 2009

For the 2009 account Argenta Private Capital Limited (**Argenta**) will operate two MAPAs, 7006 and 7049. The syndicates within these MAPAs have now issued their initial business forecasts for 2009 and a number are planning to de-empt their capacity. In addition, Syndicate 6102, on which both MAPAs participated, is ceasing at the end of this year. As a consequence, both MAPAs have an overall de-emption. This is currently 14.34% for MAPA 7006 and 14.24% for MAPA 7049. These de-emptions may change if syndicates modify their business plans.

MAPA 7007, which was established for the 2008 account only, will cease and members have been written to under separate cover concerning their eligibility to offer their MAPA underwriting capacity to the Manager of either MAPA 7006 or 7049.

Members will also be able to purchase additional capacity on MAPAs 7006 and 7049. However, in order that purchases do not unbalance the MAPAs, increases will be limited to a maximum of 10% of a member's de-empted MAPA limit, subject to an aggregate limit for the MAPA of 5%.

The cost of acquiring capacity in either of the 2009 MAPAs will be based on the actual cost of acquiring capacity in the auctions, including transaction costs associated with buying capacity. The ability of the MAPA Manager to satisfy purchase orders will ultimately depend on the availability and price of capacity in this year's auctions. We anticipate that auctions prices for 2008 will be similar to those seen in 2007. On this basis, the cost of acquiring capacity on the MAPA would be in the region of 30p per £1 of capacity purchased.

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KGM Underwriting Agencies Limited (KGM) Syndicate 260 Proposed Pre-emption

KGM has advised that it has received the necessary support from capital providers for its proposed 2009 pre-emption. They have confirmed their proposal to increase Syndicate 260's capacity from the 2008 capacity of £53,700,000 to a 2009 capacity of £72,495,000, an increase of 35% for the 2009 year of account.

The background to, and rationale for, the proposed increase is summarised below:

- Trading since 1957, Syndicate 260 has seen significant growth in recent years, rising from £19.6m of gross premium income in 2002 to an expected £50.1m of gross premium income in 2008, a 156% increase. This has been achieved through changes in both cover and mix of business.
- Underwriting conditions for UK motor business are recovering during 2008 and are expected to continue to improve during 2009, allowing for increases in line with or ahead of claims inflation.
- Profitability is achieved by careful management of the business mix taking into consideration forecasts on market pricing.
- The acquisition of Premium Choice Ltd (Insurance Brokers) was completed during 2007 which has enhanced their Group Retail business. The full impact of this acquisition and its further alignment with the goals of Syndicate 260 will generate increased volumes in 2009.
- The parent company is looking for a further acquisition that would present c.£2m Specialist Vehicle business to KGM in 2009.

Comment: Subject to approval of KGM's business plan for 2009, Members will be offered a 35% pre-emption. Syndicate 260 remains on Argenta's "not recommended" list for 2009.

Accordingly, KGM has now made a formal pre-emption offer to increase the syndicate capacity of Syndicate 260 by 35% for the 2009 year of account. KGM has informed Lloyd's of their 2009 pre-emption intentions and they understand that this request will be considered as part of the normal syndicate business plan review process by Lloyd's Franchise Performance Division (**FPD**). Hence, this formal offer is conditional upon the approval by Lloyd's FPD of Syndicate 260's 2009 syndicate business plan. If a lower increase in Syndicate 260's 2009 syndicate capacity is agreed by Lloyd's FPD, then KGM's subsequent formal pre-emption offer will be proportionately reduced to members participating on Syndicate 260.

Beaufort Underwriting Agency Limited Syndicate 318 Capacity Offer

Announcement of Capacity Offer by Beaufort Underwriting Agency Ltd for and on behalf of Beaufort Dedicated No 2 Ltd (each being companies incorporated in England and Wales with registered numbers 4039137 and 4296437 respectively) for all non-aligned capacity on Syndicate 318.

Comment: Members of Syndicate 318 will have received details of the offer together with Argenta's view that the offer price does not represent a fair valuation plus an exit premium. The offer (which closed at 16:00 on 22nd August) has been made solely to enable two corporate capital providers (Cathedral and SCOR) to achieve certainty of price rather than selling in this year's auctions. However, in accordance with Lloyd's requirements, Beaufort was required to make the same offer to all syndicate members. It has not been made for the purpose of buying out all third party capital. Beaufort confirmed that they continue to welcome this form of capital.

Beaufort Underwriting Agency Ltd (**the managing agent**), on 23rd July 2008, announced that an offer (**the Offer**) had been made by the managing agent for and on behalf of Beaufort Dedicated No 2 Ltd (**the offeror**), each wholly owned subsidiaries of Munich Re, to all non-aligned members on Syndicate 318 to acquire all of the capacity not already owned by the offeror or any connected companies of the managing agent (together **the Group**). The Offer relates to capacity for 2009 and onwards and does not affect prior years. The Offer has been made in an offer document which has been issued in accordance with the Capacity Offer Rules.

The connected companies of the managing agent together own 47.4% or £95.6million of the total capacity of £201.8m of Syndicate 318 for the 2008 year of account and, pursuant to the terms of the Offer, has offered to acquire all of the remaining capacity that it does not already own. The Offer remained open for acceptance until 3.00 p.m. London time on 22 August 2008. The Offer is not conditional upon Lloyd's granting consent to any Minority Buy-out, and no such application is intended to be made during 2008. The offeror has not reserved the right to make the Offer a reducing offer or an increasing offer.

The Offer consideration comprises 27.5p in cash for each £1 of capacity held on Syndicate 318 for the 2008 year of account, and is not conditional upon any minimal level of acceptances being received.

The offeror received commitments to accept from the two corporate members representing £30.6m or 15.1% of the capacity for the 2008 year of account, to accept the Offer in respect of the whole of their capacity entitlements. If all members elected to take up the offer the total consideration payable is £29.2m following closure of the Offer, on or around 9 September 2008.

Beaufort Underwriting Agency Limited (Beaufort) Syndicate 318 Appointment of a Senior Underwriter

On 8 August, Beaufort announced that, subject to any necessary consents, it proposed to appoint a Senior Underwriter with a long and established career in Lloyd's to focus on the development of a new

Comment: We have serious reservations about Beaufort's proposal to form a new syndicate for the purpose of writing business similar to that of Syndicate 318. We will be meeting with them shortly to make our views known.

specialist small business book, predominately from the USA and sourced via delegated authorities and lineslips. Historically, and other than in respect of its UK commercial account, Syndicate 318's core underwriting has focused on large scale International Property risks on an open market basis, which is where its expertise lies, as well as Aviation business.

A detailed business plan is in the process of being drawn up. Once finalised and approved by the Beaufort Board, an application is likely to be made to the Franchise Board for Beaufort to establish a new Syndicate for the 2009 year of account. Subject to the necessary consents being forthcoming, it is intended that the new syndicate would be backed exclusively by the Group's existing corporate member subsidiaries.

Beaufort Underwriting Agency Limited Syndicate 318 Updated Results' Forecast

The latest forecast results for the 2006 and 2007 years of account of Syndicate 318 which have been included in the 2nd Quarter 2008 Quarterly Monitoring Return (QMR), are as follows:

Year of Account	Capacity (£'000)	Current Forecast (%)	Previous Forecast (%)
2006	158,574	+5 - +10	+4.1 - +9.1
2007	201,581	-0.7 - +4.3	+2.7 - +7.9

Comment: Although 2006 shows a modest improvement, 2007 has been revised downwards due to adverse claims development.

The above forecasts are shown after deduction of Names' expenses which comprise personal expenses, including Managing Agents' fees and profit commissions, but exclude Members' Agents' fees. These forecasts are made subject to the usual caveats applicable to Lloyd's syndicate results forecasts, and accordingly are subject to revision in due course; in particular it should be noted that the 2007 year remains on risk at the present time.

Whilst the 2006 year of account continues to develop in line with expectations, it has been necessary to revise the 2007 year of account forecast at this stage. The Board of Beaufort has felt it prudent to reduce this owing to a general adverse claims development seen during the quarter affecting each of the syndicate's accounts. Two notable losses are the Santa Barbara Airlines loss in Venezuela; and for the International Property account, the Varanus Island pipeline fire loss.

Comment: We are supportive of the alignment of interest of capital providers and underwriters. However, we continue to believe that it is inappropriate that staff should benefit from the capital value of capacity granted under this arrangement, or that they should have voting rights. Atrium has agreed to these conditions.

Atrium Underwriters Limited Syndicates 570 and 609 Staff Pre-emption

The Syndicate Pre-emption Byelaw: Notice to Allocate up to 2% of Managed Syndicate Capacity was amended on the 26th September 2006 to permit the allocation of syndicate managed capacity to "agency staff" participating via a Limited Liability Partnership (**LLP**). Accordingly, Atrium Underwriters Limited has given notice that it may allocate capacity on Syndicates 570 and / or 609 of up to 2% of the 2009 syndicate capacities to "agency staff."

Chaucer Syndicate Limited (Chaucer) Syndicate 1176 Premium Income Monitoring – 2006 Account

Chaucer has written to notify us that it has now received confirmation from the Nuclear Pool (which constitutes 80% of Syndicate 1176's book) that the income on the 2006 year of account has increased further from the overwriting position which it reported in May 2007.

Syndicate 1176 has received an additional £300,000 from the Pool into the 2006 year of account. Syndicate 1176's capacity on the 2006 year of account had allowed limited 'head room' and the further increase in premium income is almost entirely due to fluctuating rates of exchange. Chaucer has, as undertaken when it contacted us last year, closely monitored this situation and has confirmed that it is now satisfied that there will be no further payments via the Pool for the 2006 year of account, which has proved to be an exceptional year. Having pre-empted for the 2007 year of account, Chaucer has also confirmed that the syndicate remains comfortably within capacity on both the 2007 and 2008 years.

Chaucer has informed Lloyd's of this position and received FPD agreement to this additional overwritten premium.

Comment: The amount of overwriting on 2006 has increased. However, the forecast profit has been revised from a mid-point of 47.5% to 57.5% (see following disclosure).

Chaucer Syndicate Limited (Chaucer) Syndicate 1176 Results Forecasts and Business Forecasts

Results Forecast

The latest forecast results for the 2006 and 2007 years of account of Syndicate 1176 that have been included in the second quarter 2008 QMR are as follows:

Year of Account	Capacity (£m)	Current forecast (%)	Previous forecast (%)
2006	22.5	+50.0 to +65.0	+40.0 to +55.0
2007	27.5	+30.0 to +50.0	+25.0 to +45.0

The above forecasts include the deduction of Names' expenses, which comprise personal expenses, including Managing Agent's fees and profit commissions, but exclude Members' Agents' fees. These forecasts are subject to the usual caveats applicable to Lloyd's syndicate results forecasts, and accordingly are subject to revision in due course.

Business forecast

In June 2008, Chaucer Syndicates Limited submitted the 2009 Syndicate Business Forecast (**SBF**) for Syndicate 1176, which proposed a pre-emption in underwriting capacity of £4.0m or (14.5%) from £27.5m to £31.5m.

In the event of Lloyd's approving the pre-emption, Chaucer Corporate Capital (No. 2) Limited, which underwrites capacity of £15.5m on Syndicate 1176 for the 2008 year of account, will take up its full entitlement.

Comment: Subject to approval of the Business Plan, Members of Syndicate 1176 will be offered a 14.5% pre-emption.

Heritage Managing Agency Limited Syndicate 1200 Mandatory Capacity Offer

On 13 August 2008, Heritage (No. 604) Limited issued an offer circular (**the Offer Circular**) relating to its proposed offer (**the Offer**) to acquire all of the outstanding capacity on Syndicate 1200 not already owned by Heritage (No. 604) Limited or any of its associates or connected companies (being £72,501,206 for the 2008 year of account). The Offer, which will be made by way of an announced auction offer in Auction 3 on 23 and 24 September 2008, is in respect of capacity for the 2009 year of account onwards and does not affect prior years.

Comment: Heritage is making an announced auction offer of 4.9p per £1 of capacity on Syndicate 1200 (not recommended by Argenta) in Auction 3 on 23 and 24 September.

Comment: We are supportive of the alignment of interest of capital providers and underwriters. However, we believe that it is inappropriate that staff should benefit from the capital value of capacity granted under this arrangement, or that they should have voting rights and we will be in discussion with MAP accordingly.

The Offer is a mandatory offer. The consideration under the Offer comprises 4.9 pence for each £1 of capacity held on Syndicate 1200 for the 2008 year of account. The price has been set by reference to the highest price paid by Heritage (No. 604) Limited or any of its connected companies or associates for capacity on Syndicate 1200 since 1 January 2006, with an adjustment made for the pre-emption of 3.3337% from the 2007 year of account to the 2008 year of account. The consideration is payable in cash.

The full terms of, and other details relating to, the Offer are set out in the Offer Circular which was prepared and issued in accordance with the Capacity Offer Rules. Copies of the Offer Circular and of the Syndicate Business Forecast (as defined in the Offer Document) can be obtained from Heritage Managing Agency Limited, 47 Mark Lane, London EC3R 7QQ.

Managing Agency Partners Limited (MAP) Syndicate 2791 Staff Pre-emption

At present, the staff of the managing agency and Syndicate 2791 underwrite on Syndicate 2791 through MAP Capital Limited with a de minimis participation underwritten through the staff LLP. In addition, a number of staff also participate on Syndicate 6103 through the LLP.

With the proposed cessation of Syndicate 6103 at the end of this year, a number of the staff have indicated that they wish to utilise their existing funds at Lloyd's (**FAL**) to support Syndicate 2791. MAP are therefore seeking consent to enable them to take advantage of the ability to allocate up to 2% of capacity under the Syndicate Pre-emption Byelaw to the staff. Unfortunately, they will not be in a position to determine the amount of the staff pre-emption they will be seeking at this stage but it is likely to be de minimis in the context of Syndicate 2791's overall capacity.

2006 forecasts for third party syndicates and Argenta MAPAs as at 30 June 2008

Syndicate /MAPA	Previous Forecast at 31/03/08			Latest Forecast at 30/06/08			Change %
	Worst Case %	Best Case %	Mid- Point %	Worst Case %	Best Case %	Mid- Point %	
33	17.50	25.00	21.25	22.50	30.00	26.25	+5.00
44	-1.88	-0.11	-0.99	4.15	5.89	5.02	+6.01
218	3.50	8.50	6.00	3.50	8.50	6.00	
260	1.96	6.96	4.46	2.58	7.58	5.08	+0.62
308	3.60	8.60	6.10	2.17	7.17	4.67	-1.43
318	4.08	9.08	6.58	5.02	10.03	7.53	+0.95
382	11.00	16.00	13.50	11.00	16.00	13.50	
386	32.02	37.02	34.52	34.85	39.85	37.35	+2.83
510	12.41	17.41	14.91	12.75	17.75	15.25	+0.34
557	20.95	25.95	23.45	25.08	30.08	27.58	+4.13
570	11.50	16.50	14.00	11.50	16.50	14.00	
609	12.04	17.05	14.54	12.04	17.05	14.54	
623	12.49	17.49	14.99	12.49	17.49	14.99	
727	10.00	20.00	15.00	11.50	18.50	15.00	
779	2.91	7.92	5.42	4.35	9.35	6.85	+1.43
780	17.50	22.50	20.00	17.50	22.50	20.00	
807	9.94	14.94	12.44	10.18	15.18	12.68	+0.24
958	14.00	19.00	16.50	14.00	19.01	16.51	
1007	10.00	15.00	12.50	12.50	17.50	15.00	+2.50
1176	40.00	55.00	47.50	50.00	65.00	57.50	+10.00
1200	17.50	22.50	20.00	17.50	22.50	20.00	
1221	12.15	17.12	14.63	12.81	17.78	15.29	+0.66
2010	15.00	20.00	17.50	15.00	20.00	17.50	
2020	21.09	26.09	23.59	23.94	28.94	26.44	+2.85
2121	17.50	22.50	20.00	17.50	22.50	20.00	
2525	11.79	16.79	14.29	16.82	21.82	19.32	+5.03
2526	13.35	18.35	15.85	20.39	25.39	22.89	+7.04
2791	31.00	36.00	33.50	31.00	36.00	33.50	
3245	10.00	15.00	12.50	10.00	15.00	12.50	
4040	0.04	7.55	3.79	0.04	7.54	3.79	
MAPA 7006	16.14	21.44	18.79	17.45	22.75	20.10	+1.31
MAPA 7049	15.26	20.55	17.90	16.54	21.84	19.19	+1.29

Source: Managing Agents' Forecasts as at 30 June 2008 submitted to Lloyd's

2007 forecasts for third party syndicates and Argenta MAPAs as at 30 June 2008

Syndicate /MAPA	Previous Forecast at 31/03/08			Latest Forecast at 30/06/08			Change %
	Worst Case %	Best Case %	Mid- Point %	Worst Case %	Best Case %	Mid- Point %	
33	7.50	15.00	11.25	7.50	15.00	11.25	
218	6.50	11.50	9.00	5.00	10.00	7.50	-1.50
260	-1.77	3.23	0.73	-3.57	1.43	-1.07	-1.80
308	1.91	11.91	6.91	4.90	9.90	7.40	+0.49
318	2.93	7.93	5.43	-0.70	4.31	1.81	-3.62
386	14.45	19.45	16.95	19.50	24.50	22.00	+5.05
510	3.40	13.40	8.40	3.92	8.92	6.42	-1.98
557	5.19	15.19	10.19	8.42	13.42	10.92	+0.73
570	5.51	15.54	10.53	5.51	15.54	10.52	
609	4.00	14.01	9.01	0.00	10.01	5.00	-4.01
623	9.52	14.53	12.03	9.52	14.53	12.02	
727	3.00	13.00	8.00	5.00	15.00	10.00	+2.00
779	1.22	6.22	3.72	0.48	5.48	2.98	-0.74
780	10.00	15.00	12.50	10.00	15.00	12.50	
807	7.95	17.95	12.95	8.85	13.85	11.35	-1.60
958	7.50	17.50	12.50	12.50	17.50	15.00	+2.50
1176	25.00	45.00	35.00	30.00	50.00	40.00	+5.00
1200	12.50	17.50	15.00	12.50	17.50	15.00	
2007	2.50	10.00	6.25	4.00	9.00	6.50	+2.50
2010	2.50	10.00	6.25	2.50	10.00	6.25	
2121	5.00	15.00	10.00	7.50	12.50	10.00	
2525	3.90	11.40	7.65	4.00	11.50	7.75	+0.10
2526	10.60	18.10	14.35	10.82	18.32	14.57	+0.22
2791	10.00	20.00	15.00	16.00	21.00	18.50	+3.50
3245	7.50	12.50	10.00	7.50	12.50	10.00	
3334	10.00	20.00	15.00	10.00	20.00	15.00	
4040	-3.84	1.15	-1.35	-4.18	0.82	-1.68	-0.33
6101	5.00	15.00	10.00	6.50	11.50	9.00	-1.00
6102	5.00	15.00	10.00	6.50	11.50	9.00	-1.00
6103	25.00	35.00	30.00	30.00	35.00	32.50	+2.50
MAPA 7006	6.23	14.45	10.34	7.10	13.11	10.11	-0.23
MAPA 7049	6.17	14.46	10.32	6.96	12.97	9.97	-0.35

Source: Managing Agents' Forecasts as at 30 June 2008 submitted to Lloyd's

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