

Lloyd's Market Disclosures

Pre-Auction 1, 2008

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Hiscox Syndicates Limited Syndicate 33 Potential New Syndicate and Impact on Syndicate 33

Hiscox is considering establishing a new fully aligned corporate syndicate for 2009 to underwrite business sourced through the Hiscox owned distribution network. Hiscox is in active discussions with Lloyd's, the FSA and the representatives of third party capital providers regarding the new syndicate.

Subject to no insurmountable issues arising from these discussions, certain business previously underwritten by Syndicate 33 would then be underwritten by the new fully aligned syndicate. Provisional estimates are that approximately £40m of 2009 Year of Account Stamp Gross Premium Written (net of commission) will be affected. The classes of business involved are the US E&O account (smaller premium US E&O business) written through the Hiscox underwriting agency in Armonk, New York and the TMT business (E&O insurance for technology and media companies) written by that underwriting agency and other Hiscox owned underwriting agencies. The reduction in premium income to Syndicate 33 may lead to a reduction in the capacity of Syndicate 33 to approximately £550m, £50m lower than the figure of £600m disclosed in the June SBF.

Comment: Following consideration with our advisers, we are in constructive dialogue with Hiscox and will communicate with members once this has been concluded.

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R J Kiln & Co Limited Syndicates 308, 510, 557 and 807 Creation of Tokio Marine Underwriting Limited

Tokio Marine Holdings Inc. (TMHI) announced on 11 August 2008 that it had resolved to establish Tokio Marine Underwriting Limited (TMU) which will be a special purpose company as a corporate member of Lloyd's.

Comment: Tokio Marine is to establish a new corporate member to support Kiln managed syndicates.

Following the acquisition by TMHI of Kiln in March 2008 and Philadelphia Consolidated Holding Corp. in July 2008, TMU will be set up to further strengthen its platform for international commercial insurance and reinsurance business, given its access to Kiln's strong underwriting discipline and expertise.

TMU will be established as a wholly-owned subsidiary of Tokio Marine & Nichido Fire Insurance Co., Ltd. (TMNF). It will provide necessary capital to Lloyd's syndicates managed by Kiln. TMU, to be based in London, is expected to commence operations from 1 January 2009 with three to five Directors. Capital will be provided by TMNF to the sum of £4-5m including capital surplus.

The establishment of TMU is subject to approval by Lloyd's and the relevant authorities in Japan.

Beaufort Underwriting Agency Limited Syndicate 318 Capacity Offer

On 23 July 2008, Beaufort Underwriting Agency Ltd ('the managing agent') announced that an offer ("the Offer") had been made by Beaufort Underwriting Agency Ltd 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 related to capacity for 2009 and onwards and did not affect prior years. The Offer was made in an offer document which was 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, the offeror has offered to acquire all of the remaining capacity that it does not already own. 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 closed for acceptances at 4pm on 22 August 2008. Beaufort Underwriting Agency Ltd announces that acceptances representing £42,163,339, 40.1% of the capacity which is subject to the Offer, have been received. In addition to the capacity on Syndicate 318 already held by the Group, Beaufort Underwriting Agency Ltd has acquired or contracted to acquire a further 20.9% of the capacity on Syndicate 318 for the 2009 year of account under the Offer, and the Group will therefore own 68.3% of the total capacity on Syndicate 318 for the 2009 year of account.

Comment: Beaufort has acquired an additional £42m of capacity, taking the group's total capacity on Syndicate 318 to 68%.

The consideration payable of 27.5p in cash for each £1 of capacity held on Syndicate 318 for the 2008 year of account will be dispatched to those members of Syndicate 318 who have provided valid acceptances pursuant to the terms of the offer or before 9 September 2008.

Omega Underwriting Agents Limited Syndicate 958 Retirement of Non-Executive Director

Comment: For information.

With effect from 30 June 2008, John Barber retired as a non-executive director of Omega Underwriting Agents Limited following 10 year's service in that position.

Chaucer Syndicates Limited Syndicate 1176 Pre-emption Offer for 2009 Year of Account

Comment: Subject to approval of the Business Plan, Members of Syndicate 1176 are being offered a 14.507% pre-emption.

Chaucer has advised that the necessary level of support was received in respect of the proposed 14.55% pre-emption proposal for the 2009 year of account. The final pre-emption figure was amended by Lloyd's to 14.507% based on actual 2008 stamp capacity rather than a rounded figure in the initial application.

As a result, Chaucer are now making a formal offer to members of Syndicate 1176 to increase their syndicate premium income limit by an amount not exceeding 14.507% of their limit for the 2009 year of account. The offer is conditional on the increase being approved by Lloyd's FPD during the 2009 Business Review Plan process. Members will need to specify when accepting the offer whether they would like to take up all or part of their entitlement if a lower increase in syndicate capacity were to be approved by the FPD. The deadline for acceptance is 5 November 2008.

Imagine Syndicate Management Limited Syndicates 2525 and 2526 Increase to Fees and Profit Commission

Comment: Profit commission will increase to 17.5% but only provided that a rolling seven year average result of at least 7.5% is achieved.

Imagine has announced that with effect from the 2009 year of account its managing agency fees will be increased by 0.15% to 0.75%.

Profit commission will increase by 2.5% to 17.5% provided a bottom line credit (after profit commission at Member level) on a rolling seven year weighted average basis is at least 7.5% or more of capacity. If the rolling seven year weighted average falls below 7.5% of capacity after profit commission, profit commission will continue to be charged at 15%.

The profit commissionable profit remains subject to the two year deficit clause.

**Imagine Syndicate Management Limited
Syndicates 2525 and 2526
Purchase of Lloyd's Operation by Max Capital Group Ltd**

***Comment: Imagine has
been acquired by Max
Capital Group Ltd.***

On 24 July 2008 Max Capital Group Ltd announced that it had entered into an agreement with Imagine to acquire Imagine Group (UK) Limited which includes its subsidiaries, the Lloyd's Managing Agency, Imagine Syndicate Management Limited, the service company Imagine Underwriting Services Limited and the various corporate members that support the ongoing Lloyd's operations. The agreement also includes the acquisition of the subsidiary operations for Syndicate 1400 in Denmark, Singapore and Japan.

Imagine Syndicate Management Limited manages Syndicates 1400, 2525 and 2526, which between them underwrite a diverse portfolio of specialty risks including property catastrophe, financial institutions, personal accident, employers' and public liability, and professional indemnity business. Based in London, the business Max Capital has agreed to acquire will complement Max Capital's current operations in Bermuda, Ireland and the United States.

The acquisition is conditioned on the receipt of various approvals including those from the Financial Services Authority and Lloyd's. Following completion of the transaction, Imagine Lloyd's is expected to be re-branded as "Max Lloyd's Ltd."

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