



Lloyd's Market Disclosures

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Inside This Issue

- 1 Syndicate 386 –
Conditional Consent to
effect a Minority Buy-out
- 1 Syndicate 623 – Minority
Buy-out Application
- 2 Syndicate 779 – Increase in
profit Commission
- 3 Syndicate 6107 –
Endorsement to
Reinsurance of Beazley
Treaty Account
- 4 Syndicates 2525 & 2526 –
Termination of Managing
Agent's Agreement

QBE Underwriting Limited (QBE)

Syndicate 386

Conditional Consent to effect a Minority Buy-out

In accordance with Lloyd's Market Bulletin Y4377 and the advance consent regime at Lloyd's, QBE has written to seek consent under paragraph 11B of the Agency Agreements Byelaw (No. 8 of 1988) and Schedule 2, paragraph 2 of the Major Syndicates Transactions Byelaw (No. 18 of 1997), to apply for conditional consent to terminate the standard Managing Agent's Agreement between QBE and the Members of Syndicate 386, and to exercise the right of a minority buy-out of Syndicate 386, should the appropriate circumstances arise.

Members have until 17th May 2010 to make representations to Lloyd's should they wish to do so.

Comment: This is the same application that has been made for the last three years and should be viewed as precautionary, rather than a definitive indication of an intention to make a capacity offer. We do not intend to object to QBE's application. However, should you wish to do so please advise us in writing by no later than Monday 17th May 2010.

Beazley Furlonge Limited (Beazley)

Syndicate 623

Minority Buy-out Application

Beazley has applied, in accordance with paragraph 2 of Schedule 2 to the Major Syndicate Transactions Byelaw (No. 18 of 1997), to effect a minority buy-out of capacity held by members of Syndicate 623. This application is made jointly with Beazley Underwriting Limited, a connected company of Beazley, which it is anticipated will be the entity which makes the relevant capacity offer.

In accordance with paragraph 11B of the Agency Agreements Byelaw (No. 8 of 1988) Beazley has applied for consent (subject to completion of the minority buy-out) to terminate the Managing Agent's Agreements in force between Beazley and the members of Syndicate 623.

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Comment: Beazley made the same precautionary application for the last few years. It should not necessarily therefore be interpreted as an intention to make a capacity offer.

Objections by Thursday 20th May 2010.

Comment: Once we receive the additional information promised, we will be talking to Jubilee about the merits of their proposal. However, in the meantime, we have no objection to their initial application to terminate the Managing Agent's Agreement.

Reasons for, and details of, the capacity offer and minority buy-out

Beazley was required to make a mandatory offer during 2006, as companies within the Beazley Group controlled 78% of the combined capacity of Syndicates 2623/623. For the 2010 year of account, Beazley controls 81% combined capacity. In the event that additional capacity is acquired by Beazley (or Beazley Underwriting Limited) in the 2010 Auctions so that the capacity owned by the Beazley Group exceeds 90% of the combined capacity of syndicates 623/2623, Beazley will wish to apply to the Capacity Transfer Panel to buy out the remaining members of syndicate 623.

Jubilee Managing Agency Limited (Jubilee) Syndicate 779 Increase in Profit Commission

Jubilee has made an initial application to Lloyd's to terminate the Managing Agent's Agreement in order to increase the profit commission payable to the managing agency. Their reasons are as follows:

Under the Code for Underwriting Expenses, on non-aligned syndicates, profit related remuneration payable to the Active Underwriter is specifically excluded from being charged as a syndicate expense.

The background to the exclusion is that it was to stop profit related remuneration payable to the active underwriter for involvement in a centralised agency activity from being charged to a specific syndicate. This was particularly relevant where the Active Underwriter was a Director of the agency (which used to be mandatory) or was involved in a number of syndicates, in which case his bonus could relate to more than one syndicate but could have been charged to only one syndicate. The easiest way to prevent any of these eventualities was to exclude it completely.

In the case of Syndicate 779, the Active Underwriter was formerly a Director of the managing agency and he was also Active Underwriter of Syndicate 5820 as well as Syndicate 779. The circumstances have changed and the Active Underwriter is no longer a Director of the managing agency and is now employed 100% on the affairs of Syndicate 779.

Because of the changed circumstances, Jubilee intends to make an application to Lloyd's for conditional consent to terminate the Managing Agent's Agreement in order to increase the profit commission payable to the Managing Agency from the current 17.5% to 17.5% plus a formulaic percentage to reimburse the Managing Agency for the profit related remuneration payable to the Active Underwriter. It is proposed that profit related remuneration payable to the Active Underwriter will be calculated in accordance with the group-wide underwriters' bonus scheme.

A full application has to be made to Lloyd's before 18th June 2010. Jubilee will shortly provide us with additional information, including the business case, along with some scenarios setting out the effect of the proposal and the methodology for the group-wide underwriters' profit related bonus scheme.

**Beazley Furlonge Ltd (Beazley)
Special Purpose Syndicate (SPS) 6107
Endorsement to Reinsurance of Beazley Treaty Account**

The existing sidecar contract cedes a fixed percentage of the premium and claims written/incurred by the Beazley Treaty team, excluding policies written for 4% Rate on Line or below that have exposure in Florida and/or the Northeast of the United States.

That percentage was fixed at 10.33% and was chosen so that the anticipated risk ceded to the sidecar would be \$28.1m in a Lloyd's Realistic Disaster Scenario (RDS). The capital requirement was set by Lloyd's based on this RDS maximum.

Comment: The change to the percentage ceded to SPS 6107 maintains the status quo in monetary terms.

Subsequent to the launch of the sidecar, the Beazley Board has adjusted the level of risk each team can take in a US catastrophe event and some risk appetite was taken from non-treaty teams and reallocated to the Treaty team.

Under the current sidecar agreement, increasing the total gross risk to be written by the Treaty team to beyond that anticipated when the sidecar was launched would lead to the amount the sidecar has at risk in a Lloyd's RDS being greater than \$28.1m. This would be more than the level to which the sidecar was capitalised and hence would not be permissible by Lloyd's.

An endorsement will reduce the cession percentage of 10.33%, if required, to ensure that no more than \$28.1m is ceded to the sidecar in the largest Lloyd's RDS. This cession percentage will be finalised by 1st August 2010 based on the 1st July 2010 RDS. The percentage ceded will continue to apply equally to all risks agreed at launch, so ensuring the results it achieves continue to mirror those of the Treaty team.

The plan economics to the sidecar will be unchanged under this endorsement, except that the Chile earthquake loss will reduce in line with any reduction in quota share cede.

Beazley expects that the quota share cede would be adjusted to between 8% and 9% which corresponds to Beazley Group's increased risk appetite allocation to the Treaty team.

**Max at Lloyd's Ltd (Max)
Syndicates 2525 and 2526
Termination of Managing Agent's Agreement**

Comment: We will advise members of Syndicates 2525 and 2526 once there are any firm proposals.

In accordance with Lloyd's Market Bulletin Y4377 and paragraph 11B of the Agency Agreements Byelaw, Max has sought Lloyd's permission to give notice to terminate the Managing Agent's Agreement with all capital providers of Syndicates 2525 and 2526.

This permission is sought as the managing agent is in discussions with third parties with the intention of transferring the management of the syndicates for the 2011 year of account. As negotiations progress, Max will continue dialogue with members' agents, direct capital providers and Lloyd's on this issue.

Any full applications or approvals that are sought will be made within the timescales set by Lloyd's and will contain detailed rationales for the proposed transactions.