


Inside This Issue

- 1 Managing Agents' Agreements – Termination
- 2 Syndicate 2121 – Appointment of Active Underwriter
- 3 Syndicate 386 – Forecast Premium Income
- 4 Argenta Tax & Corporate Services Limited
- 4 The Newton Follis Partnership Limited

Managing Agents' Agreements – Termination

Members will be aware that Managing Agents are required to give notice and make an application to Lloyd's to terminate the managing agents' agreement in the event that they wish to effect a major change to a managed syndicate. This would include, but is not limited to: a possible application to effect a minority buy-out, a proposed syndicate merger and an application to change fees or profit commission. The following managing agents gave notice to terminate the managing agents' agreement at the end of April 2011:

Managing Agent	Syndicate(s)	Reason
Argenta	2121	Profit Commission
Argo	1200	Minority Buy-out
Atrium	570, 609	Proposed Merger
Beaufort	318	Minority Buy-out
Kiln	510, 807	Proposed Merger
QBE	386	Minority Buy-out
Whittington	2525, 2526	Fee & Profit Commission

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Comment: In a number of cases these applications to terminate the Managing Agent's Agreement are precautionary only. In addition, Lloyd's consent is, in all cases, conditional upon the necessary ultimate approvals for each of the various transactions proposed. Therefore, we have no reasons to object to these applications at this stage.

Argenta Syndicate Management Limited (ASML) Syndicate 2121

Appointment of Active Underwriter

ASML has announced the appointment of Ian Maguire, currently Direct Property Underwriter, as Active Underwriter of Syndicate 2121. He takes up this new role on 1st June 2011 and succeeds Paul Hunt, who will continue as ASML's Underwriting Director, with overall management responsibility across the Company's three active syndicates.

Ian Maguire has many years experience in the insurance and reinsurance industry. He joined Argenta in 2005, and has been responsible for the Syndicate's entire Worldwide Property Direct portfolio with a particular specialism in US direct & facultative and binder property accounts. He came to Argenta after 20 years at Wellington Underwriting, where he held roles in marine and non-marine reinsurance before moving to direct property and heading up the US Binder Property account at Wellington Syndicate 2020. In his new role, he will continue to hold responsibility for the Property Direct & Facultative account at Syndicate 2121 and oversee the development of the Syndicate's other, predominantly short tail, classes. He will continue to be supported on the Property account by Darren Hines, Dan Jansz and David Yee.

Andrew Annandale, Managing Director of ASML and Chief Executive Officer of Argenta Holdings plc, commented:

"As a result of Argenta's significant and recent growth, we have decided to split the "Underwriting Director & Active Underwriter of Syndicate 2121" role. This succession was the logical step up for Ian and gives Paul Hunt the time to develop other underwriting opportunities for 2121 and the wider ASML group. To be able to make this appointment internally gives me particular pleasure. Argenta has a dedicated, loyal and successful underwriting operation, which we will continue to grow under Paul's and Ian's leadership."

Paul Hunt added:

"I have worked closely with Ian for five years, building a substantial underwriting operation that has grown from £90 million to £200 million of capacity. I have no doubt that his underwriting skills and outstanding track record will enable Syndicate 2121 to thrive under his supervision."

Comment: The split in role of the Underwriting Director and Active Underwriter is a logical step for a business that has seen substantial growth over recent years. Mr Andrew Annandale is also a non-executive director of Argenta Private Capital Limited.



QBE Underwriting Agency Ltd (QBE) Syndicate 386 Forecast Premium Income

QBE has been in discussions with Lloyd's regarding a potential overwrite of Gross Net Written Premium (**GNWP**) on the 2011 year of account. As detailed below, the 2011 year is now projected to write £385m GNWP (at 2011 planning currency exchange rates), representing 105.5% of its £365m capacity, together with an improved Net Ultimate Loss Ratio (**NULR**) of 66.5% versus a planned NULR of 70.4%.

	2010 Plan	2010 Latest	2011 Plan	2011 Latest	Latest Restated*
Capacity £m	364.9		365.0		
GNWP £m	357.5	394.0	358.3	385.1	372.3
Utilisation %	98.0	108.0	98.2	105.5	
NULR %	74.6	70.4	70.4	66.5	

* GNWP for 2011 restated at 2010 plan rates of exchange
NULR is net of commissions and outwards reinsurance

Whilst the projected overwrite represents a significant variance from the original plan of £358m, the increase is entirely due to the under-estimation of the preceding 2010 year, which did not become apparent until after the 2011 plan had been cast and approved. After removing rates of exchange differences, together with the one-off new business gains achieved in 2010 (of approximately £20m), the 2011 year is projecting no growth in income over 2010, which is consistent with prevailing market conditions.

In order to address the issue, QBE has discussed various options with Lloyd's, including dispensation to overwrite and a mid-year pre-emption.

Despite the Syndicate's outstanding profitable track record and its improved NULR for 2011, Lloyd's are insistent that its income must remain within its £365m capacity limit.

The Syndicate operates within a strict set of underwriting protocols which dictate the split of income between entities, namely: Syndicate 386; Syndicate 1886 (part of wholly aligned Syndicate 2999); and the QBE insurance company.

In order to adhere to Lloyd's requirement, QBE will undertake a review of the protocols and reduce the proportion of risks underwritten by Syndicate 386 accordingly. As a consequence and absent of a material improvement in market conditions, the Syndicate's capacity is also likely to remain static for the 2012 year of account.

QBE hope to conclude this exercise in the next few weeks and will communicate the results once complete.

Comment: We await the outcome of QBE's review, particularly with regard to the management of any conflicts of interest between the duties owed to members of Syndicate 386 and those to aligned Syndicate 1886 and the QBE insurance company. We are in discussion with both QBE and Lloyd's on these matters. A further disclosure will be issued once the outcome of this review is known.

Comment: ATCSL has provided a full range of personal tax compliance and planning services for over 20 years. Areas of expertise include self assessment, capital gains tax mitigation, inheritance tax planning and remuneration planning. It has a particular focus on clients who are involved in the Lloyd's Market. More recently, the company has added a corporate tax, accounting and company secretarial / administration capability where it acts for almost 400 Lloyd's Corporate Vehicles.

Comment: This transaction is seen as a natural business development and is consistent with the ultimate aim of Anton Holdings Limited to secure an orderly winding-up of the companies within its group.

Argenta Tax & Corporate Services Limited (ATCSL)

On 16th March 2011, 100% ownership of ATCSL (formerly Argenta Taxation Consultants Limited) was transferred from Argenta Private Capital Limited (**APCL**) to Argenta Holdings plc (the parent company of APCL). In addition to Mr David Powell's appointment as Managing Director with effect from 28th March, Mr Chris Fairs and Mr Marcus Warner (respectively Compliance and Finance Director of APCL) were appointed to the Board of ATCSL on 4th April 2011.

The Newton Follis Partnership Limited (NFP)

Further to the approval of the Financial Services Authority (**FSA**), on 9th May 2011 Argenta Holdings plc (the parent company of APCL) acquired a 22.05% interest in the voting share capital of the NFP. The following directors and senior staff of APCL declared an interest in the transaction by virtue of their shareholding interests in the seller, Anton Holdings Limited :-

Directors:

William David Robson (via Drem Holdings Limited) – 25%

Jeremy M. Bray – 2.03%

Robert P. Flach – 0.66%

Senior Staff:

John R. Robson (via Drem Holdings Limited) – 26%

Fiona A. Blood – 1.52%

Andrew M. Colcomb – 0.66%

(David and John Robson are both directors of Drem Holdings Limited and the former is also a director of Anton Holdings Limited).

Subject to the FSA's approval, it is proposed that Mr Graham White is appointed to the Board of NFP in a non-executive capacity.

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