



There are important changes to syndicate's business plans included within this publication. Members are advised to read these with care prior to the first auction on 13/14 September 2011.

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Canopus Managing Agents Ltd (CMA)
Syndicate 260
2012 Stamp Capacity and Managing Agent's Fee

Further to their previous disclosure D2011004 CMA has decided to maintain the syndicate allocated capacity of Syndicate 260 for the 2012 year of account at its current level of £69,853,687. This move is intended to provide adequate headroom should any potential business development opportunities generate income over and above the levels predicted in the current Syndicate Business Forecast.

However, in order to ensure a cost-effective approach to the calculation of agency fees, CMA has decided to waive its right to collect part of its managing agent's fee (being 1% of syndicate premium limit) in the event that the final gross written premium income (after acquisition costs) is less than the Syndicate's overall allocated premium limit. It should be noted that this discretionary reduction applies to the 2012 year of account only.

CMA will initially collect a reduced fee of 0.8% of syndicate premium limit during 2012. Should the final written premium income (after acquisition costs) calculated on closure of the 2012 year of account, exceed 80% of stamp capacity, then CMA will collect any balance due based on the following sliding scale:

Utilisation of Capacity	Annual Fee
< 80%	0.80%
80% to < 85%	0.90%
85% to < 90%	0.95%
90% to < 100%	1.00%

Beaufort Underwriting Agency Ltd (Beaufort) Syndicate 318 Syndicate Merger

On 25 July 2011, Beaufort submitted a written application to the Council of Lloyd's for its consent to merge Syndicate 1318, which is wholly aligned and supported by a single Beaufort Dedicated Corporate member, into Syndicate 318 with effect from the commencement of the 2012 underwriting year of account. Copies of the Letter and the Application were sent to direct members and members' agents, and ballots of the unaligned members of Syndicate 318 and the aligned member of Syndicate 1318 were conducted.

*Comment: For information.
Members of Syndicate 318
will already be aware of this
merger.*

At the close of the ballots, 100% of the votes cast by the members of each syndicate supported the merger. Subsequently, at its meeting of 6 September 2011, the Capacity Transfer Panel granted unconditional consent under Paragraph 1 of the Major Syndicate Transactions Byelaw to merge Syndicate 1318 into Syndicate 318 with effect from the 2012 underwriting year of account.

Members of Syndicate 318 having a capacity entitlement of £10,000 for the 2011 underwriting year of account will have a £10,000 capacity entitlement in the merged Syndicate 318 for the 2012 underwriting year of account also. However, as a consequence of the merger the capacity of Syndicate 318 will increase to £235m for the 2012 underwriting year of account. Currently, a £10,000 share on Syndicate 318 represents 0.004443% of the total, although as a result of the increase to the syndicate's capacity, this will reduce to 0.004254% of the total capacity for the 2012 underwriting year of account.

The Active Underwriter of the merged Syndicate 318 will be Michael Pritchard.

RJ Kiln & Co Ltd (Kiln) Syndicates 510 & 807 Syndicate Merger

On 17 June 2011, Kiln wrote to the Council of Lloyd's to provide written notice of its intention to merge Syndicate 807 with Syndicate 510 with effect from the commencement of the 2012 year of account. In accordance with the Major Transactions Byelaw, copies of the notification and application were sent to Members' Agents and Direct Members, and a ballot of both Syndicates was conducted.



The final result, which was confirmed by PwC, showed that 93.9% of Members on Syndicate 510 and 99.9% of Members on Syndicate 807 voted in favour of the merger. No representations were received by Lloyd's.

On 6 September 2011, the Capacity Transfer Panel met to review the application and granted consent to R J Kiln & Co Limited under the Major Syndicate Transactions Byelaw to merge Syndicates 510 and 807 for the 2012 year of account.

In accordance with the Application, a Member with capacity of £10,000 on Syndicate 510 for the 2011 year of account will be allocated a £10,946.46 share on the merged Syndicate and a Member with capacity of £10,000 on Syndicate 807 for the 2011 year of account will be allocated a £3,783.89 share.

Consequently, the capacity on Syndicate 807 will not be traded in the auctions for the 2012 year of account.

The current Active Underwriters of Syndicate 510 will continue as Active Underwriters on the merged Syndicate.

Comment: For information. Members of Syndicates 510 and/or 807 will already be aware of this merger.

Omega Underwriting Agents Ltd (OUAL) Syndicate 958 Various

OUAL makes the following announcement for the purposes of Lloyd's Auctions 2011.

Corporate Activity

OUAL notes the press releases issued by Omega Insurance Holdings Limited ("OIHL") via RNS on 18 March 2011 and the statement included within its announcement of its interim results on 31 August 2011, confirming that OIHL had received further approaches that may lead to an offer for OIHL, as follows:-

"As previously announced, Omega has received a number of approaches that may lead to an offer being made for the Company, and the Directors will continue to review these approaches in the context of the best interests of the business and all stakeholders. We are striving to conclude the process shortly."

OUAL has been advised by OIHL that OIHL remains the subject of approaches from third parties and that these remain under review by the directors of OIHL.

Comment: We continue to monitor developments at Omega Group.

There is no certainty that an offer will be made for OIHL, nor as to the terms of any such offer. In the event that an offer were made for OIHL and led to a change of control of OIHL and its subsidiaries including OUAL (“the Omega Group”) there might be consequent changes to the Omega Group which could include (without limitation) changes to the Business Plan for Syndicate 958, to the directors and/or management of Omega Group entities and to the conduct of the business of the Omega Group following any such change of control.

Reinsurance of the Syndicate’s 2012 Year of Account

The 2012 year of account business plan contains the planning assumption that the Syndicate will be renewing the 20% quota share reinsurance agreement with Omega Specialty Insurance Company Limited (“OSIL”). This renewal will however be subject to the approval of the board of directors of OSIL and may be affected by any corporate activity as noted above.

Stop Loss Reinsurance

The placement of the Whole Account Stop Loss at acceptable terms is subject to greater uncertainty than in previous years. Therefore the 2012 Plan assumes no such protection at this time.

AM Best

AM Best confirmed the financial strength rating of “A” and issuer credit rating (ICR) of “a+” of Syndicate 958 on 6 September 2011.

Members are further reminded that all Syndicate Business Plans and associated ICAs require Lloyd’s approval. Such approval must be forthcoming prior to any business being able to be underwritten by the Syndicate for the 2012 year of account. Lloyd’s have the right to require changes to Business Plans submitted prior to approval being granted. Members are therefore reminded that information in the plan to be submitted on 8 September is subject to review by Lloyd’s and that following its conclusion, may be subject to amendment. Similarly, any subsequent changes felt necessary to the plan would require Lloyd’s prior approval.

This announcement is issued and has been approved for the purposes of Section 21 of the Financial Services and Markets Act 2000 by Omega Underwriting Agents Limited which is authorised and regulated by the Financial Services Authority.

We view AM Best’s confirmation of the syndicate’s rating as a positive indicator for the group’s Lloyd’s business.



Argo Managing Agency Ltd (Argo) Syndicate 1200 Revisions to SBF and Underwriting Director Update

The Syndicate intends to file its SBF and SBP with Lloyd's on 9 September. The 9 September document differs from the initial SBF and SBP filed with Lloyd's on 8 July in a number of respects. Potential participants in the upcoming capacity auctions should be aware of the material changes. Participants should also recall that the filing on 9 September is subject to potential changes prior to acceptance by the Lloyd's Franchise Board.

Material changes between the initial July SBF and the 9 September filing include:

- Gross premiums increased slightly to £421.9 million from £411.2 million. This increase was made up of small increases in a number of classes.
- We changed certain ceded reinsurance assumptions. We intend to purchase a whole account quota share at commission terms that will match the Syndicate's expense ratio. In light of this new proportional protection, we will be evaluating the necessity of certain excess of loss programmes.
- The changes in ceded reinsurance assumptions, in addition to a number of other smaller changes, have resulted in the Pure Year Ultimate Result for the September filing of £21.0 million, compared to the initial SBF projection of £24.7 million.
- The Syndicate announced the hiring of Peter Matson since the initial SBF filing. It is intended that he will become the underwriting director in the first quarter of 2012.

***Comment: For information.
Syndicate 1200 is not
recommended for support for
the 2012 year of account.***

Chaucer Syndicates Limited (Chaucer) Syndicate 1176 2012 Syndicate Business Forecast

Nuclear Syndicate 1176 notifies members that its 2012 business plan has been submitted to Lloyd's with a maximum line submitted to the nuclear pools of some £210m, in line with 2011.

However, contrary to the 2011 plan, the 2012 plan submitted to Lloyd's assumes that no material reinsurance protection will be sought for the pool line for the 2012 Underwriting year.

Comment: This represents a material change to the risk profile of the syndicate. We will be talking to Chaucer to establish whether the protection sought by the Underwriter may also be available to members.

Comment: We do not have any objections in principle but will be requesting that Chaucer put in place the usual safeguards for a single auditor. However, should you wish to make a representation please let us know in writing by Friday 23 September 2011.

The effect will be to increase the potential loss as a percentage of capacity from a single nuclear event from approximately 350% of capacity to approximately 660% of capacity. This means that a name on the syndicate with a £10,000 share on the syndicate could lose in the region of £66,000 in the event of one of the few exposures at this maximum level being subjected to a major nuclear event. Any further losses would be in addition.

The 2012 plan therefore envisages a material increase in undiversified capital. The plan shows a 2012 capital requirement in the region of 400%, which is yet subject to Lloyd's approval.

Members should note that the Chaucer corporate member protects its underwriting interests, which will include its nuclear exposure for the 2012 year.

The active underwriter also wishes to disclose that his underwriting, through a limited liability member, may too seek some form of protection for the 2012 and subsequent years.

Chaucer Syndicates Limited (Chaucer) Syndicate 1176 Change of Auditor

Pursuant to the Lloyd's Advance Consent Regime, we have been informed of the Syndicate 1176's intention to appoint a new auditor.

Under the Advance Consent Regime, managing agents that meet certain conditions are permitted to notify Lloyd's of their actions without the requirement of consent from Lloyd's. As a prerequisite to this, Chaucer have given notice to a consultation period of 21 days.

Chaucer intend to change the Syndicate auditor from Ernst and Young to PricewaterhouseCoopers due to the recent purchase of Chaucer Holdings PLC by The Hanover Insurance Group, resulting in a single Group Auditor.



Argenta Syndicate Management Ltd (Argenta) Syndicate 2121 Active Underwriter and Change of Agency Terms

Appointment of Active Underwriter

With effect from 1st June 2011 Ian Maguire, previously Direct Property Underwriter, was appointed as Active Underwriter of Syndicate 2121. Ian succeeded Paul Hunt, who continues as Underwriting Director, with overall management responsibility for the three active syndicates managed by Argenta.

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 the existing underwriting and support teams.

Change in Agency Terms

Lloyd's has granted consent for ASML to amend the level of profit commission charged by Syndicate 2121 in respect of the 2012 and subsequent years of account. For future underwriting years of account profit commission will be charged at a rate of 17.5% provided the reported profit for the closed year of account on a rolling seven year simple average basis is at least 7.5% or more of capacity. If the rolling seven year simple average of the reported profit for the closed year of account falls to below 7.5% of capacity profit commission will be continue to be charged at 15%.

The calculation of the seven year rolling average result will commence with the 2012 year of account and as such will be based on less than seven years until 2018.

Comment: Members will already be aware of the change of underwriter and Argenta's proposal to increase the level of profit commission. This increase has only been agreed on the basis of a hurdle rate which provides an additional incentive to syndicates to produce consistent profits for our members.

Whittington Capital Management Ltd (WCM) Syndicate 2525 Fees and Forecast Result

Fees

Lloyd's has granted consent for WCM to increase its managing agent fee from 0.75% to 1.00% of stamp capacity.

Lloyd's agreement to this fee increase is conditional upon the following:

The Board of Whittington shall –

- a. *further confirm to the members' agents and that it will not make a profit from the expenses that it charges to the members of Syndicate 2525;*
- b. *by August 2013, have formally reviewed the appropriateness of the fees that it charges to members of Syndicate 2525 in the light of their syndicate capacities and proposed syndicate capacities and taking into account economies of scale that should have been achieved; and*
- c. *disclose that review to members' agents with a view to discussing and agreeing appropriate fees in good faith with the members' agents for the 2014 and subsequent years. This process will be overseen by Lloyd's.*

Comment: Members will already be aware of the proposed increase in fee for 2012. However, we are pleased that we have been able to secure an undertaking to review the appropriateness of the level of fee in the future.

Forecast results

The syndicate's latest QMR as submitted to Lloyd's in August 2011 gave the following forecast results:

2009 year of account

	Best case expectation	Forecast to ultimate	Worst case expectation
Profit / (loss) to ultimate	5,384,400	4,332,336	3,284,400
Profit / (loss) to ultimate as % of capacity	12.83	10.32	7.82



2010 year of account

	Best case expectation	Forecast to ultimate	Worst case expectation
Profit / (loss) to ultimate	1,104,600	53,635	(995,400)
Profit / (loss) to ultimate as % of capacity	2.63	0.13	(2.37)

Whittington Capital Management Ltd (WCM) Syndicate 2525 Capacity Increase, Fees and Forecast Result

Pre-emption

Syndicate 2526 intends to increase its capacity for the 2011 year of account from £49,999,690 to £59,437,610. This capacity increase is subject to the approval of Lloyd's and the usual pre-emption procedures. Pre-emption offers to qualifying syndicate members with respect to this capacity increase were made on 25 August 2011.

Fees

Lloyd's has granted consent for WCM to increase its managing agent fee from 0.75% to 1.00% of stamp capacity.

Lloyd's agreement to this fee increase is conditional upon the following:

"The Board of Whittington shall –

- "a. further confirm to the members' agents and that it will not make a profit from the expenses that it charges to the members of Syndicate 2526;
- "b. by August 2013, have formally reviewed the appropriateness of the fees that it charges to members of Syndicate 2526 in the light of their syndicate capacities and proposed syndicate capacities and taking into account economies of scale that should have been achieved; and
- "c. disclose that review to members' agents with a view to discussing and agreeing appropriate fees in good faith with the members' agents for the 2014 and subsequent years. This process will be overseen by Lloyd's."

Comment: Members will already be aware of the proposed increase in fee for 2010. However, we are pleased that we have been able to secure an undertaking to review the appropriateness of the level of fee in the future.

Forecast results

The syndicate's latest QMR as submitted to Lloyd's in August 2011 gave the following forecast results:

2009 year of account

	Best case expectation	Forecast to ultimate	Worst case expectation
Profit / (loss) to ultimate	1,496,382	697,969	(103,618)
Profit / (loss) to ultimate as % of capacity	4.70	2.19	(0.33)

2010 year of account

	Best case expectation	Forecast to ultimate	Worst case expectation
Profit / (loss) to ultimate	1,352,904	559,932	(237,096)
Profit / (loss) to ultimate as % of capacity	4.26	1.76	(0.75)

QBE Underwriting (QBE)

Syndicate 386

Pre-emption Offer

Further to QBE's confirmation of their pre-emption offer of 13.15% of capacity, QBE have now submitted Syndicate 386's final Syndicate Business Forecast for 2012 to Lloyd's Performance Management Directorate [PMD]. Whilst the syndicate's plan remains materially unchanged from previous and continues to support the rationale for the pre-emption, the offer remains conditional on the approval of the plan by PMD.

It should be further noted that the latest 2009 and 2010 underwriting year profit forecasts at 30 June 2011 stated below, do not reflect recent events in the investment markets.

Comment: For information. No material change to the syndicate's business plan for 2012.



Syndicate 386 forecast profit range as % of capacity at 30 June 2011:

2009 +33.7% to +38.7%

2010 +18.5% to +23.5%

Canopus Managing Agents Ltd (CMA)

Syndicate 260

2012 Year of Account SBF

Further to previous disclosures CMA submitted to Lloyd's a revised Syndicate Business Forecast for the 2012 year of account. Whilst this shows some improvement on the initial forecast ultimate loss submitted in July, the projected result nevertheless remains a forecast ultimate loss of £2.6m, representing 3.8% of the planned allocated capacity of £69,853,687.

This forecast result is made on a prudent and realistic basis, taking account of the difficult UK motor market environment. Despite this background, the syndicate will continue to seek further improvements on the forecast position by targeting additional specialist vehicle business with a focus on underwriting profitability and customer service.

***Comment: For information.
No material change to the
small loss projected for 2012.***

***Syndicate 260 is not
recommended for support for
the 2012 year of account.***

Beazley Furlonge Ltd (Beazley)

Syndicate 623

Staff Pre-emption

The Syndicate Pre-emption Byelaw ("the Byelaw") permits the allocation of syndicate managed capacity to "agency staff". Beazley are seeking Lloyd's and members' consent to increase the capacity of our staff corporate member for the 2012 Year of account.

It is too early to confirm the level of participation for the 2012 year of account however no general increase in the pre-emption level of capacity on Syndicates 623/2623 is being sought for 2012. Beazley would wish to have the additional staff capacity granted within the allowed limit according to the Byelaw.

***Comment: For information.
This updates the position
further to our previous
disclosure.***

It is expected that the additional staff capacity will be no more than £3m and will be granted under the condition that the capacity would be non-voting, non-value and in the event that employees reduce their staff pre-emption underwriting, resign or leave their employment dropped capacity will be cancelled by the Managing Agency or re-allocated within the staff corporate member and not reallocated to the aligned Corporate Member. The aggregate capacity allocated to the staff corporate member will not exceed 2% of the stamp capacity in any one year of account.

Capital providers via their members agents were advised of this proposal in a letter dated 19 August 2011 and invited to confirm or otherwise their support for the proposal. No adverse responses were received.

In accordance with the Byelaw, please take this as notice of Beazley's intention to allocate capacity as detailed above.

Jubilee Managing Agency Ltd (Jubilee) Syndicate 779 Change of Control

Further to Jubilee's previous disclosure, the FSA have indicated that a change of control decision will be made on or before 19 September 2011. Should a positive decision be made, the actual change of control transaction, which would result in Jubilee being ultimately owned by Ryan Specialty Group, LLC, would not take place until approximately one week after.

At the same time as the actual change of control transaction takes place, there will simultaneously be changes to the Board of Directors and Senior Management of Jubilee. A further auction disclosure will be made after the actual change of control transaction has taken place that will explain these changes.

The Syndicate 779 business plan has been submitted to Lloyd's for 2012 with the capacity unchanged at £27M. As previously stated, it is not envisaged that the change of control will have any material affect on Syndicate 779 for the 2012 year of account.

***Comment: For information.
Any further details on the
change of control will be
included in future auction
disclosures.***



Equity Syndicate Management Ltd (ESML) Syndicate 218 Various

Financial Results to 30 June 2011

ESML, the managing agent of Syndicate 218 (“the Syndicate”), submitted to Lloyd’s on schedule the audited Regulatory Returns for Syndicate 218 for the six months to 30 June 2011.

As stated in the 2010 Syndicate Report and Accounts, the twelve months to 31 December 2010 saw a significant strengthening in the syndicate’s claims reserves primarily due to an unprecedented increase in motor third party bodily injury claims.

Underwriting and claims developments in the first half of 2011 have, however, been benign and the syndicate is starting to see the benefit of the extensive remediation activities undertaken over the past 12 months. These developments and the financial performance are discussed in more detail in the ensuing paragraphs.

2010 and Prior Underwriting Years

During the first six months of the 2011 calendar year, motor claims payments on the 2010 and prior underwriting years developed favourably. Accordingly, ESML’s consulting actuaries, Towers Watson, have reduced their best estimate for net motor ultimate claims by £20.4 million since their last review in December 2010. This improvement has been driven by better than expected development for the attritional claims, offset slightly by worse than expected development in the larger claims.

The property account experienced a modest deterioration in the 2010 underwriting year driven by adverse development arising from the winter freeze event that occurred during December 2010. Property reserves held in respect of the 2009 and prior underwriting years developed favourably.

There were no material aggregate movements on the other classes.

2011 Underwriting Year

The 2011 underwriting year is benefiting from the premium rating improvements and extensive remedial actions introduced with the aim of returning the Syndicate to profitability. Key activities include:

***Comment: For information.
Our members have already
been notified of the issues
included in this disclosure by
way of our recent “218
profile Update”.***

- A significant strengthening of management resources, with a number of key senior appointments;
- Substantial premium rate increases, applicable to most key business classes;
- An exit from the vast majority of third party aggregator-sourced business (with the exception of motorcycle) resulting in private car and van business no longer being written with the four largest volume brokers;
- The shedding of unprofitable broker relationships, while others undergo specific underwriting action;
- A complete underwriting health-check, comprising a detailed review of all classes of business and the implementation of a wide range of underwriting and operational improvements, including the restructuring of classes;
- The development of a robust longer term pricing strategy;
- Enhanced management information systems to improve granularity of portfolio analysis and performance;
- Rigorous review and transformation of claim settlement and reserving practices, including more detailed and transparent procedures for motor bodily injury claim estimation;
- Implementation of more sophisticated claims systems, resulting in improved cost control;
- Enhanced claims data, allowing the creation of better accident period information and improved reporting on claims development; and
- Commenced implementation of a number of counter-fraud solutions as part of enhanced fraud management initiatives.

At an individual underwriting year level, 2011 was £68m or 20.6% down on the 2010 underwriting year position at six months (£261.5m compared to £329.5m). This reduction comprised two offsetting trends:

- Lower policy volumes stemming from the remedial actions, including the deliberate exit from aggregator-originated sources and the cancellation of certain broker relationships; and
- Substantial premium rate increases, applied across most key portfolios.



For the full 2011 underwriting year of account, ESML continue to expect gross written premiums to be in line with the Lloyd's Syndicate Business Forecast projection of a 15% reduction on the 2010 underwriting year.

As a result of the remedial activities and achieved price increases, Towers Watson projected a significantly improved net ultimate loss ratio of 87.6% for the 2011 underwriting year motor account at 30 June 2011. By comparison, the motor ultimate net loss ratio for the 2010 underwriting account was 100.9% at 30 June 2011 down from 102.0% at 31 December 2010.

Uncertainty and Risk Margins

As previously mentioned, a significant proportion of the remedial activity is focussed on the claims area and in particular, on case estimating. In particular, during the past nine months ESML has completed a rigorous review and transformation of its motor claims reserving practices including:

- Changes to claims estimating philosophies to provide more detailed and transparent procedures for bodily injury assessment and alignment of estimating practices across all classes of motor business;
- Changes to claims closure procedures to include clearer guidelines on bodily injury claims and to extend the closure period for non-movement claims from 2 to 3 years to create a more cautious approach; and
- A rolling programme of work to apply the new claims philosophies to all open claims on all underwriting years of account.

Consequently, although motor claims have generally settled in accordance with expectation in the six months to 30 June 2011, incurred claims have continued to increase as each underwriting year has been subject to the new estimating philosophies and other remedial activities. There remains, therefore, a degree of uncertainty over the future development of the Syndicate's motor claims reserves.

For the purposes of preparing the Lloyd's Regulatory Returns for the six months to 30 June 2011, ESML once again adopted its consulting actuaries', Towers Watson's, best estimate outcome with a risk margin. The risk margin has been set at 7.5% of net claims reserves, which is an increase from the 5.0% margin established at 31 December 2010 reflecting the larger difference in paid and incurred claims projections.

Accordingly, in respect of business earned to 30 June 2011 the best-estimate reserves as at 30 June 2011 for the 2011 and prior underwriting years total £617 million (including the risk margin of £42 million).

As part of the reserving process, Towers Watson estimated the liabilities for all policies written prior to 30 June 2011. Total net reserves on this 'written' basis were £787 million including the risk margin of £42 million. Towers Watson also estimated ranges around their central best estimate of £745 million, before risk margin. In particular, they defined the best case and the worst case from a range of reasonable best estimate outcomes. The upper end of the range around total net written reserves represents a £75 million increase over the net written reserve position (including the risk margin) , whilst the lower end of the range would represent a £156 million decrease in the net written reserve position (including the risk margin).

The table below shows the ranges by underwriting years, at whole account gross and net of reinsurance, in £ millions:

Gross of RI £m	Best	Worst
2008&Pr	-43	21
2009	-36	15
2010	-74	40
2011	-36	32
	-189	108
Net of RI £m		
2008&Pr	-29	8
2009	-30	9
2010	-62	28
2011	-35	30
	-156	75

Chiltington International Limited Case Estimate Review

In order to gain a greater degree of confidence in case estimate strength whilst the various remedial actions are being implemented, ESML instructed Chiltington International Limited ("Chiltington") to provide an independent view of the strength of case estimates held for motor Third Party Injury (TPI) claims on the 2007 through 2011 underwriting years of account. This review followed a similar exercise carried out by Chiltington in the autumn of 2010.

Chiltington's findings are documented in a report that was finalised on 19 August 2011. Chiltington concluded that their analysis leads them to suggest that the Syndicate could anticipate savings (case estimate reserve releases) of



approximately 16% from the claims sampled. Chiltington's findings broadly support the conclusions reached by Towers Watson and therefore the reserves established for policies written to 30 June 2011.

A copy of the Chiltington report has been provided to the Syndicate's supporting members' agents.

Underwriting Year Forecasts

For the purposes of preparing the Syndicate forecasts to ultimate for the 2008, 2009 and 2010 underwriting years at 30 June 2011, ESML has again adopted Towers Watson's best estimate outcomes with a risk margin equivalent to 7.5% of net claims reserves.

For the low and high syndicate forecasts, ESML has adopted Towers Watson's best case and worst case outcomes from their range of reasonable best estimate outcomes with an additional risk margin of 7.5% of net claims reserves.

As a percentage of underwriting capacity these are as follows:

	Best	Mid	Worst
2008 & prior	-50.6%	-55.3%	-60.3%
2009	-23.5%	-28.1%	-32.7%
2010	-13.9%	-23.6%	-34.2%

Other key forecasting assumptions include:

- The 2008 Underwriting Year of Account is closed at the end of 48 months;
- The 2009 and 2010 Underwriting Years of Account close as normal at the end of 36 months;
- Reinsurance assets remain valid;
- Investment yields track expectations; and
- No unforeseen claims deterioration or change to the current legal environment.

Syndicate Planned Allocated Capacity

On 7 July 2011, ESML notified Lloyd's of a proposed decrease in the syndicate allocated capacity of the Syndicate for the 2012 underwriting year of account to £437.6m representing a de-emption of 10% from the 2011 capacity of £486.3m.

2012 Underwriting Year of Account Syndicate Business Forecast ("SBF")

On 8 July 2011, ESML submitted to Lloyd's an initial SBF for the 2012 underwriting year of account. This initial SBF forecast gross written premiums of £518.5m and an ultimate profit of £17.4m representing a 4.0% return on the planned underwriting capacity of £437.6m (reflecting the de-emption). The initial SBF was not approved by Lloyd's and will be superseded by a revised 2012 SBF was submitted to Lloyd's on 8 September 2011. The revised SBF forecasts £495.1m of gross written premiums and an ultimate profit of £6.8m, representing a 1.6% return on planned underwriting capacity.

ICA

For capital setting purposes, ESML has decided that it is appropriate to set capital for Syndicate 218 using the Lloyd's ICP benchmark loss ratios. Details of the final 2012 ECA requirement for the Syndicate are awaited from Lloyd's.

Regulatory Review

ESML continues to work closely with its regulators, the Financial Services Authority and Lloyd's, to keep them informed of progress with the remediation programme. Furthermore, as mentioned at the Syndicate 218 and Lloyd's Annual General Meetings held earlier this year, Lloyd's Market Supervision and Review Committee has established a formal inquiry into matters that may have affected Equity's reserve deterioration. ESML is cooperating fully with the inquiry. The findings of the inquiry will not be made public. ESML understands that it is possible that the inquiry may lead to Lloyd's bringing enforcement proceedings under its enforcement powers. In that event, the proceedings would be confidential and the publication of the outcome of any such proceedings would only be made by Lloyd's in accordance with its enforcement rules.

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