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**Auction Four - 9<sup>th</sup> / 10<sup>th</sup> November**

The fourth and final auction of the year will be held on Wednesday 9 and Thursday 10 November.

This is a limited auction for capacity released by the death of a member after Auction Three. It also includes capacity which the Auction Official has declared eligible to be traded, usually due to material changes in a syndicate's Business Plan for the succeeding year.

Members may only subscribe for capacity in this auction if they have, or expect to have, sufficient surplus funds at Lloyd's to support any further capacity which they acquire. No additional funds can be supplied after the coming-into-line date of 29<sup>th</sup> November 2011.

The Auction Official has announced that capacity on the following syndicates is eligible for trading in Auction Four:

<i>Syndicate</i>	<i>Managing Agent</i>	<i>Reason</i>
<b>260</b>	Canopus	Change in the syndicate's Business Plan.
<b>318</b>	Beaufort	Change in the syndicate's Business Plan.
<b>557</b>	Kiln	Change in the syndicate's Business Plan and ICA
<b>727</b>	Meacock	Change in the syndicate's Business Plan.
<b>958</b>	Omega	Change in the syndicate's ICA.
<b>1176</b>	Chaucer	Change in the syndicate's ICA.
<b>1969</b>	Flagstone	Change in the syndicate's Business Plan.

(ICA means the Syndicate's Internal Capital Assessment).

In addition, the following capacity is eligible to be tendered as a result of deaths after Auction Three:

<b><i>Syndicate</i></b>	<b><i>Capacity (£)</i></b>
<b>33</b>	24,082
<b>218</b>	8,460
<b>318</b>	4,779
<b>386</b>	10,926
<b>510</b>	31,203
<b>557</b>	4,427
<b>609</b>	24,053
<b>623</b>	15,861
<b>958</b>	9,884
<b>2010</b>	15,377
<b>2121</b>	7,484
<b>2791</b>	14,586

**Beaufort Underwriting Agency Ltd (Beaufort)  
Syndicate 318  
Auction 4 Trading**

Following members' and Lloyd's approval of the merger between Syndicates 318 and 1318 for 2012, as previously disclosed, as a consequence of the merger, members of Syndicate 318 will be permitted to tender any or all of their capacity on the syndicate in the fourth auction by virtue of the following:

1. Syndicate 318's approved Business Plan includes an additional class of business to those shown previously in July's disseminated syndicate business forecast. The class of business in question equates to 5% or more of the total forecast gross premiums to be written in the disseminated syndicate business forecast, and therefore paragraph 4(4)(b)(ii) of the Auction Rules shall apply.
2. The amount of gross premiums to be sourced via Binding Authorities within Syndicate 318's approved Business Plan is greater by 10% or more than the amount shown previously for this source in the disseminated syndicate business forecast. Since the increase in gross premiums written from binding authorities is 5% or more of the total gross premiums written in the disseminated syndicate business forecast, then auction rule 4(4)(b)(v) shall also apply.

***Comment: For Information.***



### **Atrium Underwriters Ltd (Atrium) Syndicate 609 Staff Pre-emption**

The Syndicate Pre-emption Byelaw (**the Byelaw**) permits the allocation of syndicate managed capacity to "agency staff" participating via a Limited Liability Partnership (**LLP**). Atrium staff currently participate for the 2011 year of account with lines of £447,820 and £849,314 on Syndicates 570 and 609 respectively – this equates to £1,297,134 for the merged Syndicate 609 or 0.31% of Stamp capacity.

Atrium is seeking consent to enable them to take advantage of the ability under the Byelaw to allocate up to 2% of capacity on the managed syndicate for the 2012 year of account.

Atrium has received interest from the LLP Partners that they would like to increase their commitment for the 2012 underwriting year of account to approximately £1,500,000 (0.36% of stamp capacity).

The previous conditions to consent remain in force, namely: non-voting, dropped capacity will be cancelled by the Managing Agency and not reallocated to the Aligned Corporate Member and the aggregate capacity allocated will not exceed more than 2% of the Stamp capacity (for each syndicate) in any one year of account, including capacity previously awarded.

***Comment: We support the alignment of interests of the Atrium staff with that of our members and remain satisfied with the conditions which will continue to apply.***

### **RJ Kiln & Co Limited (Kiln) Syndicate 807 Multiple Syndicates Byelaw**

Following the merger of Syndicates 510 and 807, Kiln is planning to redeploy Lloyd Tunnicliffe and Karen Boyes as the management team of Syndicate 1880. Therefore, and in accordance with paragraph 6 of the Multiple Syndicates Byelaw, Kiln is seeking approval from Lloyd's for Lloyd Tunnicliffe and Karen Boyes to be able to write on:

- Syndicate 807 for the 2011 year of account; and
- Syndicate 1880 for the 2012 year of account.

***Comment: For information. This does not affect the merged Syndicate 510 for the 2012 account.***

### **Flagstone Syndicate Management Ltd (Flagstone) Syndicate 1969 Prospective Divesture**

***Comment: For information.  
We will advise members of any  
developments.***

Following a strategic review of its worldwide operations, Flagstone Reinsurance Holdings SA has commenced a formal process to divest its ownership position in Flagstone. Flagstone has retained Evercore Partners in relation to the divesture process, which is expected to be concluded by the end of the first quarter of 2012.

### **Managing Agency Partners Ltd (MAP) Syndicate 2791 Staff Pre-emption**

***Comment: We have  
previously advised  
members that we support  
the alignment of interests  
of the MAP staff with that  
of our members.***

The Syndicate Pre-emption Byelaw provides that a managing agent may allocate up to 2 per cent of the capacity of a syndicate to its agency staff every year, provided that it receives the approval of members whose syndicate premium limits in the aggregate are not less than three quarters of those members who notified their approval or disapproval. MAP has received support from both members' agents and direct participants accounting for over 80% of the total syndicate premium income limit. For the 2012 year of account, MAP has received requests from a cross section of staff for capacity on syndicate 2791 in the region of £3.2m.

Capital providers are advised that MAP has entered into a Memorandum of Understanding with one Members' Agency regarding the operation of staff pre-emptions on Syndicate 2791. The Members' Agent concerned supports the principle of the underwriting and management team increasing their alignment of interests with third party Members through the allocation of staff pre-emption capacity, on the basis that MAP continues to operate as a traditional third party agency with no plans to become an Integrated Lloyd's Vehicle. The intention behind the agreement is that, subject to their personal circumstances, staff members will underwrite their staff pre-emption capacity for the long term.

The specifics of the agreement are:



1. MAP has previously allocated 1.947% of capacity on Syndicate 2791 through the staff pre-emption provisions. MAP will allocate a further staff pre-emption of 0.053% for 2012, bringing the total allocated to 2% of 2012 capacity. Such capacity will have no restrictions attaching to it.
2. Future MAP requests for staff pre-emption capacity will be made on an annual basis, assuming there is demand for such capacity, subject to the 2% annual limit specified in the Syndicate Pre-emption Byelaw. For 2012, MAP has requested and received approval for up to a further 2% of staff pre-emption capacity. In future, such requests will include an estimate of the likely amount of capacity that will be taken up. For 2012, MAP has received requests from staff across the business for a potential £3.2m or 0.63% of additional capacity.
3. MAP agrees to disclose to the Members' Agency concerned the names of individuals benefiting from the staff pre-emption and the capacity allocated, broken down across all years of account, once the arrangements have been finalised following the Coming into Line deadline each year.
4. In the event that a company in the same corporate group as MAP acquires underwriting capacity on Syndicate 2791, any capacity allocated to staff under the staff pre-emption capacity in excess of the first 2% referred to above in paragraph 1 will lose the voting rights attaching to that capacity.

For the avoidance of doubt in relation to paragraph 4 above, while for the purposes of its Stakeholders' Report, Lloyd's classifies MAP Capital Ltd as aligned with MAP Holdings (the owner of MAP) due to the fact that MAP Capital Ltd and MAP Holdings Ltd have some common shareholders, the corporate group test at paragraph 4 requires the shareholding to be at corporate level between any company or corporate group with a Member on Syndicate 2791 and the group of companies which includes the managing agent, MAP.

### Argenta MAPA for 2012

Following Auction 3, the de-emption for MAPA 7009 was set at 5.5%. However, Hiscox announced that it would be reducing the pre-emption on Syndicate 33, thereby reducing the capacity available to the MAPA. MAPA 7009 will therefore de-empt by 6.15% for 2012. MAPA members will be aware that the enhancement fee has been used to improve the quality of the portfolio. The actual usage of the enhancement fee amounts to 0.52% of members' 2012 MAPA limits.

The following tables show the current 2012 portfolio for MAPA 7009, together with the auction activity of the MAPA Manager. Whilst we expect this to be the final portfolio, the constitution cannot be finalised until 31 December. We will issue a detailed update early in the New Year.

#### MAPA 7009 Portfolio (Post Auction 3)

Syndicate	APCL Rating	Managing Agent	2012 %
33	A	Hiscox	13.60
218	C	Equity	4.78
318	C	Beaufort	2.70
386	A	QBE	6.17
510	B+	RJ Kiln	17.63
557	B+	Kiln	2.50
609	A	Atrium	13.59
623	B+	Beazley	9.60
958	C+	Omega	5.58
2010	B+	Cathedral	9.22
2121	C+	Argenta	4.23
2791	A	Managing Agency Partners	10.40

#### Auction Activity

Syndicate	APCL Rating	Buys	Sales
218	C		-£2.5m
318	C		-£1.5m
510	B+		-£2.5m
623	B+	+£0.6m	
958	C+		-£3.0m
2010	B+	+£0.5m	
2791	A	+£2.0m	



## Late Disclosures

### Canopius Managing Agents Ltd (CMA) Syndicate 260 Auction 4

CMA confirms that it has been advised by Lloyd's that Syndicate 260 (**the Syndicate**) will be entered into Auction 4.

The trigger for this decision is that a material change (as set out in Auction Rule 4(4)(b)(iv)) in the Syndicate's Business Plan is deemed to have occurred, on the grounds that the utilisation of capacity in its approved Business Plan (65%) is lower by over 10% than the 81% utilisation of capacity in the Syndicate Business Forecast (**SBF**) disseminated in July.

This information was contained in disclosure D2011006, in which CMA announced its decision to maintain the syndicate allocated capacity of the Syndicate for the 2012 year of account at its current level of £69,853,687, rather than reduce this to £55,000,000 (as originally proposed). This move is intended to provide adequate headroom should any potential business development opportunities generate premiums over and above the levels contained in the current SBF. At the same time, CMA announced that it had decided to waive its right to collect part of its managing agent's fee in order to ensure a cost-effective approach to the calculation of agency fees. This discretionary reduction applies to the 2012 year of account only.

This change in capacity utilisation results predominantly from a movement in stamp capacity rather than a change in gross premium forecast (which has increased slightly over this period).

*Comment: For Information.*

### Summary of business plan

	Approved (£m)	Original (£m)
Stamp capacity	69.853	55.000
GWP	53.926	52.585
Acquisition costs	8.187	8.065
GNWP (Lloyd's Stamp Gross Premium)	45.739	44.520
<b>Utilisation</b>	<b>65%</b>	<b>81%</b>
Forecast result	-2.639	-3.026
<b>Result as % stamp capacity</b>	<b>-3.8%</b>	<b>-5.5%</b>

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

### **RJ Kiln & Co Ltd Syndicate 557 Auction 4**

Consistent with the criteria set out in Auction Rules 4(3)(c)(i) and (ii), Syndicate 557 will be entered into the forthcoming Auction 4. The trigger points for inclusion are defined as:

“the indicative Individual Capital Assessment (ICA) for the syndicate reflected in Lloyd’s Member Modelling software has increased by 10% or more between 11 August and 28 October 2011”.

This increase is due to the impact of RMS version 11, combined with the increased premium shown in the approved Business Plan.

And;

“the amount of gross premium written from a source of business in the Approved Business Plan is greater by 10% than the amount of gross premium written for the same source in the Disseminated Syndicate Business Forecast; and secondly this increase in gross premium written in the source of business is 5% or more of the total gross premium written in then Disseminated Syndicate Business Forecast.”

***Comment: For  
Information.***



Following the merger between Syndicate 807 and Syndicate 510, there is a requirement to increase reinsurance cessions from Syndicate 510 and, rather than cede to third party reinsurers, Kiln are seeking to offer this business to Syndicate 557.

### **Omega Underwriting Agents Ltd (Omega) Syndicate 958 Auction 4**

Set out below is an extract from Lloyd's announcement issued on Friday, 4th November 2011 regarding the capacity of Syndicate 958 in the fourth auction:

"Following the approval by Lloyd's during October 2011 of the relevant unaligned syndicate business plans for 2012, it has been determined that transactions will be permitted in the fourth auction to be held on 9 and 10 November 2011 in capacity on Omega – 958. In the case of Syndicate 958 there has been a material change, as defined in paragraph 4(3)(c)(i) of the Auction Rules 2011, in their indicative individual capital assessments."

Accordingly there is potential for Syndicate 958 capacity to be traded in the 4th Auction.

At the time of the first auction, data contained in the Lloyd's modelling software and circulated to members' agents for auction purposes was the managing agent's own ICA number prior to any Lloyd's agreement. The figure now available and used for the fourth auction is the Lloyd's agreed ICA figure. Although the final figure is higher than that available in advance of the first auction, Syndicate 958's final Economic Capital Assessment (**ECA**) for the 2012 year of account is lower than for 2011.

### **Omega Group Corporate Activity**

Omega notes the developments regarding the corporate activity relating to Omega's ultimate holding company, Omega Insurance Holdings Limited (**OIHL**), subsequent to the previous Lloyd's auction announcements made in September 2011.

Following the announcement of Haverford (Bermuda) Limited of the posting of an Offer Document for a Partial Cash Offer for the shares of OIHL, on 20 October 2011 OIHL released an RNS announcement providing an update on the process as regards the proposals put to OIH by Haverford (Bermuda) Limited, Canopus Group Limited and Barbican Insurance Group Limited. The full text of this announcement is as follows:-

“On 17 October 2011 the Omega Board (the "Board") announced that it would be consulting shareholders on the terms of the proposals put to Omega by Haverford (Bermuda) Limited ("Haverford"), Canopus Group Limited ("Canopus") and Barbican Insurance Group Limited ("Barbican"). The Board is now able to provide an update following those discussions.

The Canopus proposal requires a commitment to a substantial reinvestment of cash proceeds into the enlarged unquoted Canopus group by certain funds managed by Invesco Perpetual. Invesco Perpetual has confirmed to the Board that the Haverford offer, including Mark Byrne's appointment as Executive Chairman of Omega, has its support in preference to the Barbican and Canopus proposals. In terms of shareholder support and commercial rationale, the Board and its advisers have concluded that the Barbican proposal is not in shareholders' interests. Following the confirmation from Invesco Perpetual, the Board's own deliberations and its discussions with major shareholders, the Board believes that the Haverford offer is the only proposal capable of being concluded at this time.

The Board is aware that amongst the larger shareholders there are different views on the form of the most appropriate transaction, with some shareholders seeking a continued exposure to Omega's business and others seeking a cash exit. In view of Invesco Perpetual's preference for the Haverford offer, no alternative is available to shareholders at present which gives a total cash exit. The Haverford offer gives shareholders an opportunity of receiving some cash in the near term and continuing with all or part of their current shareholding in a listed Omega.

The Board believes that it is in the best interests of Omega for the Haverford offer to be put to all shareholders. The Board will now therefore focus on completing the Haverford offer, enabling the Board and staff to concentrate solely on taking the business forward.



The Board will update shareholders as appropriate.”

In response, also on 20th October, Canopus Group Limited released the following RNS announcement regarding the withdrawal of its proposal, an extract of which is shown below:

**“Withdrawal of offer for Omega Insurance Holdings Limited (“OIHL”)**

“Further to today's announcement by OIHL, Canopus confirms that it is withdrawing its offer to acquire all of the issued and to be issued share capital of Omega”.

**QMR due for submission 17th November 2011**

The fourth Auction takes place prior to the submission of the Syndicates’ third quarter Quarterly Monitoring Return (**QMR**) to Lloyd’s, which is due on 17 November. The data required for completion of the QMR is currently subject to detailed review and has yet to be considered by the OUAL Board which will need to approve the final return before submission to Lloyd’s.

In the third quarter the insurance market has continued to experience significant loss activity, including Hurricane Irene and wild fires in the State of Texas. This has been in addition to well publicised developments on losses in the first half of the year, particularly the Japan earthquake and tornado losses in the US. Given the extent of the claims activity in the year to date and based on our ongoing analysis of the data, we are forecasting that the 2011 year of account for the Syndicate is more likely than not to return a loss. Omega continues to view current market conditions as challenging.

Extracts of the QMR will be released by Lloyd’s to members’ agents in line with the normal business timetable (in the last week of November).

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.

*Comment: Given the type of account written by Syndicate 958, an indicative loss for 2011, although disappointing, is not entirely unexpected.*

## Special Purpose Syndicates (SPSs), including Catlin SPS 6111 Directors' / Client Directors' and MAPA Underwriting Intentions

The current intentions of the actively underwriting Directors and Client Directors with regard to the existing SPSs, along with support of the new Catlin SPS notified to our clients in October, are summarised below:

	<b>Ark 4020</b>	<b>MAP 6103</b>	<b>Hiscox 6104</b>	<b>Amlin 6106</b>	<b>Catlin 6111</b>
Jeremy Bray (Kiln Cotesworth SLP 1)	10,544	-	-	-	-
David Harrison (Minhotex LLP) (see note (i) below)	20,000	-	-	-	-
GL Underwriting Limited <sup>1</sup>	-	-	-	-	-
Guy Heald <sup>2</sup> (see also note (ii) below)	2,458,742	604,078	861,552	46,626	200,000
David Monksfield (Monksfield LLP)	50,000	10,000	10,000	9,325	30,000+
David Robson (Robson Underwriting LLP)	60,000	-	-	46,626	50,000
John Robson (AJSLP19)	56,097	-	-	29,840	-
Mike Doughty	15,000	6,000	7,000	7,000	10,000

### Notes

(i) The following revisions are noted to Mr Heald's non-SPS participations:

#### Unlimited Liability

<b>Syndicate</b>	<b>Planned 2012 Line</b>	<b>Revised 2012 Line</b>
33	100,000	47,501
609	200,000	100,000
623	100,000	50,000
2010	200,000	100,000
2791	200,559	145,000

#### Silver Lining 55 Limited

<b>Syndicate</b>	<b>Planned 2012 Line</b>	<b>Revised 2012 Line</b>
218	45,000	67,500

#### Carrick Capital (UK) Limited

<b>Syndicate</b>	<b>Planned 2012 Line</b>	<b>Revised 2012 Line</b>
33	99,999	47,500
609	200,000	100,000
623	100,000	50,000
2010	135,746	50,000
2791	145,765	100,000

(ii) Mr Harrison intends reducing his planned participation of £28,571 on Syndicate 2121 to £20,000 for 2012.

<sup>1</sup> Comprising Andrew Annandale, Trevor Bird, Guy Hudson and James Mackay.

<sup>2</sup> Reflects Mr Heald's aggregate SPS participations via his unlimited liability participation, three NameCos and a Group Scottish Limited Partnership.



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Save for the above, along with the reduced pre-emption on Syndicate 33 and minor adjustments to certain other syndicate allocations, all Directors' / Client Directors' underwriting intentions remain in line with those disclosed prior to Auction Three. Final underwriting programmes for 2012 will be notified post the Coming into Line deadline of 29<sup>th</sup> November.

The Argenta MAPA 7009 does not intend participating on any of the SPSs.

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