



## 2013 Auction Report

Auction Two – 8<sup>th</sup>/9<sup>th</sup> October 2013

### Highlights

- Prices up yet again
- A new record high for core syndicates
- Limited success for aligned vehicles
- The large number of unsatisfied subscription bids suggests that prices will remain high in Auction Three

### Auction Two – an overview

Prices have now risen consecutively at each auction for the last three years. The average member's portfolio is now worth almost 40% of premium income limit (including any "free" Special Purpose Syndicates (**SPSs**)). With average Funds at Lloyd's ratios now over 50%, members' overall capital requirements (auction entry cost plus capital requirement) are approaching £1 per £1 of capacity, and exceeding that level per £1 of gross premium underwritten.

A number of syndicates again set new record high prices, largely on slightly lower volumes than Auction One. **Hiscox 33** gained 7.2p to 63.1p. **Atrium 609**, **Beazley 623**, **Meacock 727** and **MAP 2791** all broke through the 55p barrier, with **Cathedral 2010** slightly behind at 49.3p. **Kiln 510** was another gainer, up 25% on Auction One and 82% on last year's average to just short of 30p and accounting for 13% of the total volume traded. Top billing again went to **Chaucer (Nuclear) 1176**, although this was one of just four that fell in price. In its traditional runner's up spot was **QBE 386**, up 2.5% to 107.5p.

Corporate purchasers were again largely unsuccessful, with just Equity and AmTrust adding to their purchases in Auction One. Equity secured another £2.5m on **Syndicate 218**, but it looks as if it was hoping to land a total of £4.3m as a bid for £1.8m at 0.25p was left unsatisfied. Similarly, AmTrust added £1.8m of **Syndicate 2526**, having secured £4m in Auction One. Analysis of the unsatisfied bids shows further bids for £8m at 3p, £5m at 2p and £5m at 1p, giving an indication of the scale of AmTrust's appetite to acquire more capacity on this syndicate. It is normally a fair assumption that any bid in excess of £1m is by an aligned entity, and this unsatisfied bids report shows bids of £5m

of **Beaufort 318** at 6.1p, £5m of **Kiln 510** at 14p, £20m of **Atrium 609** at 25p, £50m of **Beazley 623** at 26.1p, £2m of **Meacock 727** at 40p and £6m of **Canopius 958** at 3.12p.

Having failed to attract any bidders at all in Auction One, **Jubilee Life 779** achieved a trade in Auction Two with £150,000 changing hands at 0.08p, but £1.8m (8% of total syndicate capacity) remained unsold. Once again, there were no buyers for **Canopius Motor 260**.

One feature that is emerging is the demise of the speculative bid. Given the averaging system, it has been possible to obtain good capacity at much lower than the published strike price. This time, many of the higher priced syndicates are trading in quite narrow bands of successful pricing, and buyers have simply given up trying at the lower levels. In Auction Two, there were no bids below 35p for **Hiscox 33**, and none below 25p for **609, 623** or **727**. Optimists were nonetheless in for **2010** and **2791** at 15p.

There are still potential bargains to be had. **Equity 218, Kiln 557** and **R&Q 1991** all recorded respectable two way trading at prices less than 1p, as well as **Argenta 2121** and **Canopius 958** at 3p and 8.4p respectively. The rise of **Apollo 1969** has been meteoric, with the price up 62% on Auction One and by an astonishing 1,200% on last year's averages.

### What to expect in Auction Three

With just a week between Auctions Two and Three, we expect little change in the overall auction dynamic, with high prices driven by high investor appetite and a limited supply of capacity for sale. Auction Three has traditionally been the smallest of the three main auctions.

The table below shows the highest **unsuccessful** subscriptions for each syndicate. This can be taken as the lowest price at which capacity was bought. Where the price is shown as "n/a", all subscription bids were satisfied.

Syndicate	Price	Syndicate	Price	Syndicate	Price
<b>33</b>	61.21p	<b>609</b>	55.10p	<b>1991</b>	n/a
<b>218</b>	0.25p	<b>623</b>	55.31p	<b>2010</b>	48.41p
<b>260</b>	n/a	<b>727</b>	55.00p	<b>2121</b>	0.50p
<b>308</b>	18.1p	<b>779</b>	n/a	<b>2525</b>	36.10p
<b>318</b>	10.9p	<b>958</b>	7.20p	<b>2526</b>	3.00p
<b>386</b>	98.56p	<b>1176</b>	167.02p	<b>2791</b>	55.13p
<b>510</b>	27.5p	<b>1200</b>	10.10p	<b>5820</b>	n/a
<b>557</b>	n/a	<b>1969</b>	15.16p		

It is clear that there is still unsatisfied demand for capacity from non-aligned members, including £1.6m of **Hiscox 33**, £2.9m of **Kiln 510** and £5.5m of **Beazley 623**, all at prices *in excess of the auction average*. This is unlikely to disappear and, on current indications, unlikely to be satisfied.

Separately, we are working on our recommendations for the two new syndicates that we outlined in our Auction One Bulletin, **Asta 1729** and **Acappella 2014**. We are also finalising with the managing agents the renewal of participations on the SPSs, including whole account **SPS Ark 6105** and **Catlin 6111**, and the catastrophe specialists **MAP 6103, Hiscox 6104** and **Beazley 6107**. Members will recall that Amlin has decided not to continue with catastrophe **SPS 6106** for 2014.

## Auction Two – In Numbers

	2013 Auction One	2013 Auction Two	2013 Auctions One & Two	2012 Auction One	2012 Auction Two	2012 Auctions One to Three
Capacity successfully traded	£31.7m	£30.2m	£61.9m	£40.6m	£32.6m	£106.0m
Subscription (buy) orders	£215.8m	£188.4m	£404.2m	£193.9m	£181.4m	£541.5m
Tender (sale) orders	£40.8m	£46.6m	£87.4m	£57.7m	£61.3m	£168.6m
Bilateral trades	0	0	0	0	0	0
No. of syndicates traded	21	22	22	19	21	21
Average paid to acquire capacity	22.8p	30.6p	26.6p	24.7p	18.2p	18.2p
Average of all Lloyd's capacity	34.2p	38.9p	36.9p	25.8p	28.3p	27.0p

Top Five Price Rises		Auction One Price	Auction Two Price	Price Increase %
2526	Asta	1.73	3.00	73.1%
1969	Apollo	9.53	15.39	61.6%
958	Canopus	5.77	8.37	45.1%
2525	Asta	29.92	37.89	26.7%
510	Kiln	23.61	29.48	24.9%

Top Five Price Falls		Auction One Price	Auction Two Price	Price Fall %
5820	Jubilee	0.53	0.07	-86.4%
557	Kiln	0.55	0.25	-54.0%
218	Equity	0.83	0.45	-45.8%
1991	R&Q	0.72	0.59	-17.0%
1176	Chaucer	173.29	167.06	-3.6%

## Top Five Buyers

Syndicate	Capacity	Buyer
218	£2,488,091	Equity Red Star Limited
2526	£1,854,456	AmTrust Corporate Capital Limited
1991	£359,068	Private SLP
1969	£350,000	Private LLP
2121	£300,000	Individual Member
2121	£300,000	Private NameCo
5820	£300,000	Private NameCo

**Top Five Sellers**

Syndicate	Capacity	Seller
308	£1,250,890	Berkley Life Limited
1969	£1,000,000	ICP Capital Limited
2526	£1,000,000	ICP Capital Limited
218	£745,326	Individual Member
510	£480,533	Private LLP

**ERRATA**

In Auction Bulletin One, we inadvertently transposed the auction prices and volumes traded for Syndicates 1991 and 2010. The correct average prices should have read 0.72p per £1 of capacity in respect of Syndicate 1991 and 43.58p per £1 of capacity in respect of Syndicate 2010.

**Auction Two Summary**

Syndicate	Managing Agent	Adjusted Average 2012 p/£1	Proposed Pre/(De)-emption	Aligned Capacity	Auction One Price p/£1	Auction One Volume (£000s)	Auction Two Price p/£1	Auction Two Volume (£000s)
33	Hiscox	47.2	5.3%	72.5%	55.88	1,536	63.14	1,852
218	Equity	0.6		66.1%	0.83	6,358	0.45	3,420
260	Canopus	0.2		92.4%	Did not trade		Did not trade	
308	RJ Kiln	15.3	20.8%	52.1%	20.20	1,299	21.34	1,326
318	Beaufort	10.0		91.2%	10.94	211	11.50	401
386	QBE	92.1		69.6%	104.96	1,089	107.52	1,317
510	RJ Kiln	16.2		55.3%	23.61	2,974	29.48	3,976
557	RJ Kiln	0.4		0.0%	0.55	923	0.25	562
609	Atrium	41.4		25.4%	50.54	1,745	58.49	2,689
623	Beazley	34.3	8.0%	83.3%	48.75	1,170	56.76	1,388
727	Meacock	42.3		15.6%	51.50	207	57.17	313
779	Jubilee	6.5		20.9%	Did not trade		0.08	150
958	Canopus	3.5	(20.5%)	61.1%	5.77	1,938	8.37	1,621
1176	Chaucer	161.2		56.4%	173.29	504	167.06	105
1200	Argo	0.1		88.8%	9.50	89	10.84	435
1969	ANV	1.3	27.3%	<25%	9.53	798	15.39	1,488
1991	R&Q	n/a	95.0%	38.9%	0.72	1,992	0.59	744
2010	Cathedral	37.7		57.8%	43.58	1,197	49.37	1,180
2121	Argenta	0.7	20.0%	51.7%	3.04	1,798	3.00	2,090
2525	Asta	16.3		<25%	29.92	141	37.89	195
2526	Asta	0.9	7.5%	25.8%	1.73	4,007	3.00	1,854
2791	MAP	36.9	(11.9%)	22.9%	50.70	1,655	57.55	2,156
5820	Jubilee	n/a		54.7%	0.53	45	0.07	973

## Connected Party Trades

The table below shows Auction Two transactions that were successfully entered into by Members with Argenta Private Capital (APCL) connected person status.

Syndicate	Type	Capacity	Member	Status
33	Subscription	£25,000	Talisman Corp U'writing 2000 Ltd <sup>1</sup>	Corporate member / candidate
33	Subscription	£10,000	NFR Underwriting Ltd	Corporate member / candidate
308	Subscription	£41,407	Harris Family Utg Ltd <sup>2</sup>	Third party adviser
386	Subscription	£90,000	Talisman Corp U'writing 2000 Ltd	Corporate member / candidate
386	Subscription	£10,000	Ludwig Fuchs London Ltd <sup>3</sup>	Corporate member / candidate
386	Subscription	£5,000	AMS Consultants U'writing Ltd	Third party adviser
510	Tender	£150,000	M G H Heald	Director
510	Subscription	£130,000	Talisman Corp U'writing 2000 Ltd	Corporate member / candidate
510	Subscription	£180,000	Ransome's Underwriting Ltd <sup>4</sup>	Corporate member / candidate
609	Subscription	£90,000	Talisman Corp U'writing 2000 Ltd	Corporate member / candidate
609	Subscription	£20,000	The Michael Deeny LLP	Lloyd's Council, board or committee member
609	Subscription	£35,000	NFR Underwriting Ltd	Corporate member / candidate
609	Subscription	£15,000	Ludwig Fuchs London Ltd	Corporate member / candidate
609	Subscription	£7,500	AMS Consultants Uwing Ltd	Third party adviser
958	Subscription	£120,000	Talisman Corp U'writing 2000 Ltd	Corporate member / candidate
958	Subscription	£17,284	Ludwig Fuchs London Ltd	Corporate member / candidate
2010	Subscription	£40,000	Talisman Corp U'writing 2000 Ltd	Corporate member / candidate
2010	Tender	£20,000	The Michael Deeny LLP	Lloyd's Council, board or committee member
2010	Subscription	£15,739	NFR Underwriting Ltd	Corporate member / candidate
2121	Tender	£47,366	Antelope U'writing Ltd <sup>5</sup>	Body corporate under common control
2121	Tender	£108,266	Wren Properties U'writing Ltd <sup>5</sup>	Body corporate under common control
2121	Tender	£45,110	Dearborn Underwriting Ltd <sup>5</sup>	Body corporate under common control
2121	Tender	£235,471	Ransome's Underwriting Ltd	Corporate member / candidate
2121	Subscription	£180,000	AMS Consultants U'writing Ltd	Third party adviser
2525	Subscription	£50,000	Talisman Corp U'writing 2000 Ltd	Corporate member / candidate
2525	Subscription	£9,000	AMS Consultants U'writing Ltd	Third party adviser
2791	Subscription	£150,000	Talisman Corp U'writing 2000 Ltd	Corporate member / candidate
2791	Subscription	£4,491	Ludwig Fuchs London Ltd	Corporate member / candidate
2791	Subscription	£9,000	AMS Consultants U'writing Ltd	Third party adviser

### Notes

- <sup>1</sup> David Monksfield (an executive director and Client Director of APCL) is a director of Talisman Corporate Underwriting 2000 Ltd and a shareholder in this corporate member's holding company.
- <sup>2</sup> Tony Harris (Harris Family Utg Ltd) is the Chief Executive of the Newton Follis Partnership, a third party adviser to certain APCL clients.
- <sup>3</sup> Guy Hudson and James Mackay (executive directors of APCL) are directors of this corporate member.
- <sup>4</sup> Andrew Annandale (non-executive director of APCL, Chief Executive Officer of Argenta Holdings plc and Managing Director of Argenta Syndicate Management Limited) is a director of this corporate member.
- <sup>5</sup> This corporate member is a wholly-owned subsidiary of Wren Properties Limited, which is a 25% shareholder in Argenta Holdings plc.

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