



Pre-Auction 4, 2013

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## Lloyd's Market Disclosures

### Auction Four – 12 / 13 November 2013

#### Transactions permitted in the fourth auction under Auction Rule 4

Following the approval by Lloyd's during October 2013 of the relevant unaligned syndicate business plans for 2014, it has been determined that transactions will be permitted in the fourth auction to be held on 12 and 13 November 2013 in capacity on the following syndicates:

#### Managing Agent / Syndicate

Canopus Managing Agents Limited / 260

Jubilee Managing Agency Limited / 779

Asta Managing Agency Limited / 2525

In the case of Syndicate 2525, the syndicate business plan approved by Lloyd's contained material changes, as defined in paragraphs 4(4)(b)(ii), 4(4)(b)(iv) and 4(4)(b)(v) of the Auction Rules 2013, from the equivalent information communicated to members' agents and direct corporate members on or before 15 September 2013.

It has been agreed that transactions will be permitted in the fourth auction in capacity on Syndicates 260 and 779.

No other capacity will be included in the fourth auction.

### Tender and Subscription Orders

Members and prospective members of the above syndicates are permitted to tender any or all of their capacity on those syndicates in the fourth auction.

Auction Rules 7(4)(b) and (c) generally prohibit members from tendering and subscribing for capacity on the same syndicate in the same year. In the context of any proposed transaction for permitted syndicates in the fourth auction, members, their advisers and issuers are reminded that such prohibition will not apply.

### MAPA 7009 – 2014 Year of Account

In our *Lloyd's Market Disclosures Pre-Auction 3, 2013* we provided an update on MAPA 7009 after Auctions One and Two and indicated that the MAPA Manager did not anticipate utilising the MAPA enhancement fee this year. Following Auction Three, we can now confirm that this was the case. In fact, the auction process has resulted in a small surplus (0.03%) to MAPA members.

The overall final 2014 capacity, number of syndicates and number of members on MAPA 7009 are expected to be as follows:

Capacity	Number of Syndicates	Number of Members	Average MAPA Member's Share
£76,270,572	12	98	£779,271

*Note: Group Scottish Limited Partnerships are treated as a single member.*

The following table details the expected final MAPA portfolio for 2014. Any changes to syndicates' final approved business plans may affect the final portfolio, although we believe this to be unlikely at this stage.

Syndicate	Managing Agent	2013 (%)	2014 (%)
33	Hiscox	13.70	14.35
218	Equity	4.81	4.78
318	Beaufort	1.75	1.74
386	QBE	6.22	6.17
510	Kiln	16.91	16.79
557	Kiln	2.64	2.62
609	Atrium	13.69	13.59
623	Beazley	10.91	12.03
958	Canopus	4.41	3.49
2010	Cathedral	9.39	9.32
2121	Argenta	4.26	5.07
2791	Managing Agency Partners	11.31	10.05

*Small changes between 2013 and 2014 as a result of pre-emptions and de-emptions on underlying syndicates and limited auction activity.*

*Note: Three MAPA syndicates are pre-empting (33 by 5.26%, 623 by 8.00% and 2121 by 20.00%) and two are de-empting (958 by 20.54% and 2791 by 11.94%) for 2014.*

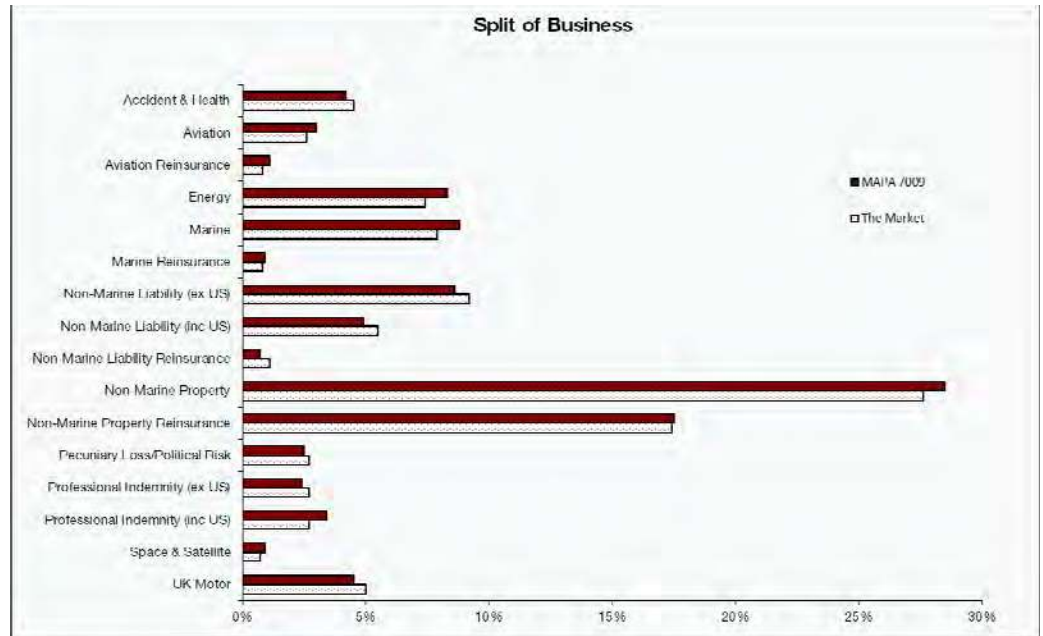
*A detailed description of the underwriting business of each syndicate, along with the Argenta Private Capital Limited (APCL) rating attributed to each, is included within the APCL Syndicate Profiles Book, published in September 2013. Syndicate 2121 is managed by Argenta Syndicate Management Limited, a wholly-owned subsidiary of Argenta Holdings plc, which is also the parent company of APCL.*

Based on 2013 auction prices, the cost of acquiring the above MAPA portfolio increased to 45.23p per £1 of capacity. This represents a 42% increase over the cost last year and reflects the increase in auction prices witnessed this year.

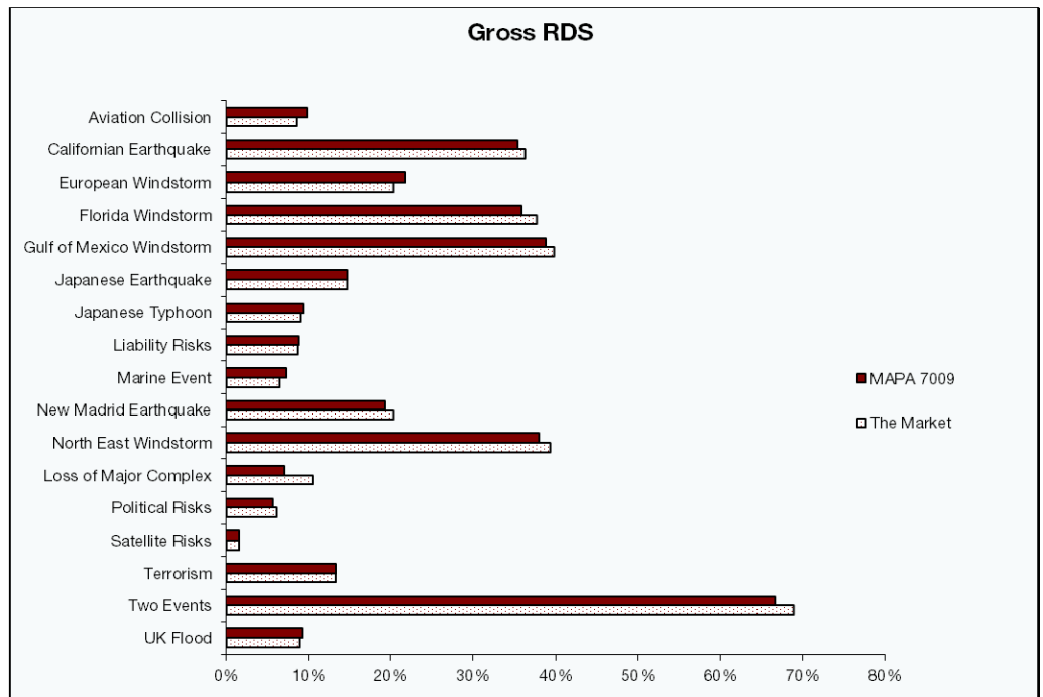
**Cost of MAPA exceeds 45p per £1 of capacity for the first time.**

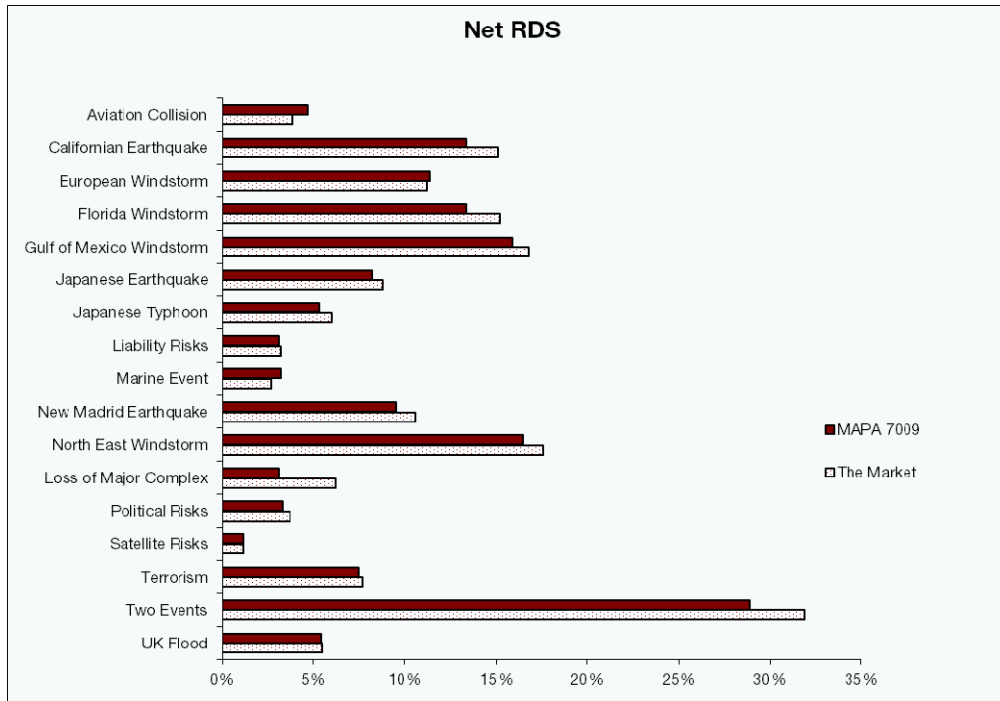
For information, the expected class of business split and Realistic Disaster Scenarios (RDS) are shown below. The Agency's policies on capacity allocation, auction strategy and fee structure remain unchanged.

*Split of business for MAPA 7009 and the third party market broadly similar.*



*Peak RDS exposures generally lower for MAPA 7009 than for the third party market on a gross basis.*





*Majority of RDS exposures lower for MAPA 7009 than for the third party market on a net basis.*

In the unlikely event that the MAPA portfolio for 2014 changes we will provide members with a further update.

Part II Syndicate Lists, detailing the final proportionate allocation of MAPA capacity to each participant, will be sent to all MAPA members in the New Year.

### Hiscox Syndicates Ltd (Hiscox)

#### Syndicate 33

#### Multiple Syndicates Byelaw (the Byelaw)

In accordance with the conditions provided for in paragraph 7 of the Byelaw, Hiscox has notified their application for consent for certain underwriters to underwrite for more than one syndicate concurrently.

They have disclosed the following in accordance with sub paragraph 9(4) of the Byelaw :-

- Consent is being applied for under paragraph 7 of the Byelaw for: Mr Guillaume Bonnissent (Personal Accident (PA), Kidnap & Ransom (K&R) and Marine Piracy underwriter for Syndicate 33) to accept all Fire, Theft, Collision (FTC) and Warranty business into Syndicate 3624; Mr Paul Lawrence (Active underwriter for Syndicate 33 and FTC underwriter for Syndicate 3624) to formally accept Warranty business into Syndicate 3624; and Mr Brendan Flood (Hull line underwriter and FTC underwriter for Syndicate 3624) to formally accept Warranty business into Syndicate 3624.

*This is Hiscox's usual annual disclosure concerning the sharing of underwriters between Syndicates 33 and 3624 and gives us no cause for concern.*

- The allocated capacity for Syndicate 33 for 2013 is £950m.
- The allocated capacity for Syndicate 3624 for 2013 is £250m.
- The number of underwriting members for Syndicate 33 is 1530.
- Syndicate 3624 has only one member, which is a corporate member.
- There are no registered classes of business affected for Syndicate 33.
- The registered classes of business affected for Syndicate 3624 are FTC and Warranty.
- The managing agent for both Syndicate 33 and Syndicate 3624 is Hiscox, which is wholly owned by Hiscox Holdings Limited.
- Both syndicates affected are managed by the same managing agent, Hiscox, and there is no staff allocated capital in either syndicate.
- Hiscox reinsurance arrangements for both syndicates are as previously disclosed.

#### **Canopus Managing Agents Limited (Canopus)**

##### **Syndicate 260**

##### **Syndicate Business Forecast (SBF) for 2014**

Canopus has confirmed that Lloyd's has agreed the syndicate business plan and capital requirements for Syndicate 260's 2014 year of account. However, they caveat this approval with the comment that the Capacity Planning Group is not currently minded to agree a further business plan for the 2015 year of account, absent evidence between now and then of what they would consider to be a "demonstrable material and sustainable improvement in performance".

Whilst Canopus will continue to strive to return this syndicate to overall profit, this caveat does raise the possibility that Syndicate 260 may not be permitted to trade in 2015. In these circumstances, Canopus would seek to transfer the business into Syndicate 4444/958 as they regard motor insurance as an important part of their UK retail strategy / product offering and believe this could operate more successfully within a larger syndicate.

*Since the publication of this disclosure, Lloyd's has confirmed that Syndicate 260 is eligible for inclusion in Auction Four.*

**Atrium Underwriters Ltd (Atrium)**  
**Syndicate 609**  
**Nick Marsh and Staff Pre-emption**

In our *Lloyd's Market Disclosures Pre-Auction 1, 2013* we advised that Nick Marsh would be retiring at the end of this year after 40 years of service with Atrium. Nick Marsh has been underwriting on Syndicate 609 via Nomina No 207 LLP, which has had capacity granted to it under the Staff Pre-emption Byelaw. Following his retirement, Nick Marsh wishes to continue underwriting on Syndicate 609. Therefore, it is intended that, upon his retirement from Atrium, Nick Marsh will continue his underwriting on Syndicate 609 utilising the capacity granted by the "staff pre-emption", which is ordinarily made available only to directors and employees of the Managing Agent. However, this permission is conditional on his involvement being capped at 20% of the overall capacity committed by the LLP, or £100k, whichever the greater, in any one year.

*We have no objection to Nick Marsh's continued commitment to Syndicate 609 on this basis.*

**Jubilee Managing Agency Ltd (Jubilee)**  
**Syndicate 779**  
**2010 and 2011 Years of Account**

We understand from Jubilee that it is probable that the 2010 year of account will close at 31 December 2013. In addition, the forecast result at quarter 3, 2013 is now a profit of 3.21%, with a range of +0.71% to +5.71% (previously -22.2% to -11.2%).

The 2011 account will also show an improvement of some £300,000, or 1% of capacity, making the mid-point estimate breakeven.

*Syndicate 779 is not currently recommended for support by Argenta Private Capital Limited.*

**Cathedral Underwriting Limited (Cathedral)**  
**Syndicate 2010**  
**Managing Agency and Syndicate Auditors**

Cathedral has notified us of:

- (i) The resignation, with effect from 15th October 2013, of Mazars LLP as auditors to Syndicate 2010 and as auditors to Cathedral.

Mazars LLP has confirmed, in accordance with Section 17 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, that there are no matters in relation to their resignation that they consider need to be brought to the attention of Syndicate members; and

- (ii) Cathedral's intention to utilise the procedures under the Advance Consents Regime (Market Bulletin Y3116) in order to appoint Ernst & Young LLP (**E&Y**) as auditors to both Syndicate 2010 and Cathedral in their place.

The purpose of this notice is therefore to inform capital providers of the resignation of Mazars LLP and to allow them time to consider this proposal in relation to E&Y and register any objections, before Cathedral proceed with the proposals set out under (ii) above.

**The Proposal** In the light of the resignation of Mazars LLP Cathedral is obliged to appoint an approved firm of auditors in their place. E&Y are auditors to the Lancashire group of companies who are currently in the process of acquiring the Cathedral Group.

It is the intention that E&Y would be appointed to act as auditors to both Syndicate 2010 and Cathedral, subject to the same safeguards as have been previously agreed in respect of Mazars LLP acting as auditors to both the Managing Agency and the Syndicate.

These are summarised below:-

#### **Safeguards**

In order to address perceived conflicts that might occur with a single firm being auditor to both the Managing Agency and Syndicate, Cathedral has advised that they have in place, and will continue to apply, the following safeguards: -

1. Cathedral will continue to produce an annual policy statement regarding expense allocation; this will be available for inspection at all reasonable times by capital providers or their representatives;
2. There will be a single audit partner and manager for the Syndicate and Managing Agency, but with separate review partners for the Syndicate and group company audits (including that of Cathedral); and
3. In the event that Cathedral acquires 90% or more of Syndicate 2010's capacity (currently circa 57.8%) then Cathedral will employ, at its own expense, an independent Lloyd's recognised auditor in order to report upon the consistency of approach both in terms of the reserving policy and philosophy within the Syndicate and the expense allocation and apportionment policy as between the Syndicate and the Managing Agency. This would apply to all years of account open at any such time that the 90% threshold is exceeded.

In addition, Part 3 (Auditors) of the Insurance Accounts Directive (Lloyd's Syndicate Accounts) Regulation 2008 provides members with protected rights in respect of the appointment of auditors which they are required to observe.

*We have no concerns regarding the change of auditor and, given that the safeguards for members remain in place, we will not be objecting to Cathedral's proposal.*



## Asta Managing Agency Limited (Asta)

### Syndicate 2525

#### SBF for 2014

The Syndicate has submitted a revised business plan (SBF) to Lloyd's which is materially different from the one submitted on 12 September 2013 in the following respect :-

- 1) Whilst 2014 Syndicate Capacity remains unchanged at £42m, forecast Stamp Gross Premium (SGP) for the 2014 Year of Account has increased to £41m to reflect the proposed inclusion of a Financial Institutions (FI) account for the 2014 year of account, subject to recruitment of an FI underwriter.
- 2) Further details may be found in the revised 2014 SBF submission.
- 3) The business plan has 'in principle' approval from Lloyd's, subject to the recruitment of an FI underwriter.

*The increase in forecast premium income due to the proposed inclusion of a Financial Institutions account was advised in our "Lloyd's market Disclosures, Pre-Auction 3, 2013".*

## APCL Directors' / Client Directors' Underwriting Intentions for 2014

The following updated disclosure is made concerning the current intentions of the actively underwriting APCL Directors and Client Directors, principally reflecting the availability of capacity on new / Special Purpose Syndicates (SPSs). It should be noted that the target allocations shown for SPSs may be scaled-back as a result of oversubscription and a final disclosure will be issued (where appropriate) post the finalisation of coming-into-line (CIL) for 2014.

**GL Underwriting Ltd:** the following participate through a corporate member, GL Underwriting Limited:-

Mrs J Annandale (wife of AJ Annandale (non-executive director));

TR Bird (Client Director);

GB Hudson (Executive Director / Director of Argenta Insurance Research Limited (AIRL));  
and

JA Mackay (Executive Director).

GL Underwriting Limited underwrites £295,560 on MAPA 7009 for the 2013 year of account. The shareholders of GL Underwriting Limited have applied for additional new capacity of £15,000 and £25,000 on SPSs 6105 and 6111 respectively for 2014.

**Mr Guy Heald** is a non-executive director of APCL and has underwriting interests on an unlimited liability basis, through three NameCos and a Group Scottish Limited Partnership (SLP) for the 2013 year of account, with an aggregate PIL of £15.09m. For the 2014 account, Mr Heald's target participations will increase to £16.14m, allocated as follows:-

Unlimited Participations			Carrick Capital (UK) Limited		
SYNDICATE	2013 LINE	2014 LINE	SYNDICATE	2013 LINE	2014 LINE
33	47,501	50,001	33	47,500	50,000
218	839,806	839,806	218	832,050	832,050
318	639,645	639,645	318	695,266	695,266
510	2,400,225	1,850,225	510	972,081	872,081
557	150,537	150,537	557	49,884	49,884
609	100,000	100,000	609	100,000	100,000
623	52,399	56,591	623	52,399	56,592
958	81,773	65,046	958	78,571	62,499
1991	350,000	682,400	1991	350,000	682,400
2010	100,000	100,000	2010	50,000	50,000
2121	1,169,231	1,403,077	2121	1,226,374	1,471,649
2791	145,000	127,686	2791	100,000	88,060
6103	442,900	343,582	6103	161,178	125,035
6104	104,220	135,446	6104	694,800	694,800
6105	-	200,000		-	200,000
7009	226,478	226,478	6111	250,160	303,488
<b>Totals</b>	<b>6,849,715</b>	<b>6,970,520</b>	<b>Totals</b>	<b>5,660,263</b>	<b>6,333,804</b>

Jennings Underwriting Limite			Silver Lining 55 Limited <sup>1</sup>		
SYNDICATE	2013 LINE	2014 LINE	SYNDICATE	2013 LINE	2014 LINE
218	62,906	62,906	218	67,500	67,500
318	69,687	69,687	318	50,000	50,000
510	225,223	225,223	510	227,315	227,315
1991	50,000	97,486	557	50,179	50,179
2121	427,958	513,550	623	77,893	84,125
2791	66,055	58,167	958	112,668	89,622
6103	28,961	22,467	2010	23,531	23,531
6104	34,740	45,149	2121	171,429	205,715
6105	-	50,000	6104	27,792	36,119
6106	46,626	-	6105	-	50,000
<b>Totals</b>	<b>1,012,156</b>	<b>1,144,635</b>	<b>Totals</b>	<b>808,307</b>	<b>884,106</b>

**AJSLP30 (11.5440% share)**

SYNDICATE	2013 LINE	2014 LINE
6105	18,589	33,351
6111	-	38,383
MAPA 7009	736,512	736,512
<b>Totals</b>	<b>755,101</b>	<b>808,246</b>

<sup>1</sup> Mr Heald's wife and daughter are the shareholders in Silver Lining 55 Limited, although Mr Heald provides capital to support its underwriting and is a director of the company.

**Mr David Monksfield** is an Executive Director and Client Director of APCL and underwrites on a bespoke basis, through Monksfield LLP (in which his wife also has an interest). Monksfield LLP intends underwriting at a similar level for 2014, as follows:-

<u>SYNDICATE</u>	<u>2013 LINE</u>	<u>2014 LINE</u>
33	121,074	127,446
218	64,666	64,666
318	34,843	34,843
386	109,358	109,358
510	147,778	147,778
557	10,041	10,041
609	123,315	123,315
623	50,840	54,907
727	19,636	19,636
779	37,501	37,501
958	48,950	38,938
1969	10,000	10,000
1729	-	10,000
1991	10,000	10,000
2010	54,673	54,673
2121	30,000	30,000
2791	47,129	41,502
6103	10,000	7,758
6104	10,000	10,000
6105	27,804	27,804
6106	9,325	-
6111	51,034	51,034
<b>Totals</b>	<b>1,027,967</b>	<b>1,021,200</b>

**Mr Mike Doughty** is a Client Director within APCL and will be underwriting an increased PIL of £330,241 for 2014, as follows:-

SYNDICATE	2013 LINE	2014 LINE
33	33,744	35,520
218	22,244	22,244
318	28,990	28,990
510	46,110	46,110
557	5,021	5,021
609	24,059	24,059
623	24,357	26,306
958	18,962	15,084
1729	-	7,000
1991	5,000	9,749
2010	26,670	26,670
2121	11,178	13,414
2791	25,016	22,028
6103	6,000	4,655
6104	8,000	10,000
6105	8,341	15,193
6106	7,000	-
6111	15,000	18,198
<b>Totals</b>	<b>315,692</b>	<b>330,241</b>

**Mr Jeremy Bray**, Head of Syndicate Research at APCL and an Executive Director of Argenta Insurance Research Limited (**AIRL**), participates through a SLP which intends underwriting with an increased PIL for 2014, comprised as follows :-

**Kiln Cotesworth SLP 1 (16.48% share)**

SYNDICATE	2013 LINE	2014 LINE
6105	5,863	10,545
6111	-	12,027
MAPA 7009	230,159	230,159
<b>Totals</b>	<b>236,022</b>	<b>252,731</b>

**Mr David Robson**, a consultant within APCL, underwrites through an LLP named Robson Underwriting LLP, with a total PIL of £1.88m for 2013 which is targeted to increase to £2m for 2014, as follows :-

SYNDICATE	2013 LINE	2014 LINE
1729	-	20,000
1991	40,000	77,989
6104	45,000	58,483
6105	33,365	60,774
6106	46,626	-
6111	69,136	83,874
MAPA 7009	1,647,802	1,647,802
<b>Totals</b>	<b>1,881,929</b>	<b>1,948,922</b>

**Mr John Robson**, also a consultant within APCL, underwrites through Priestlaw LLP which intends increasing its PIL for 2014, comprised as follows :-

SYNDICATE	2013 LINE	2014 LINE
33	127,066	133,753
218	44,638	44,638
386	57,653	57,653
510	164,639	164,639
557	23,360	23,360
609	126,918	126,918
623	94,015	101,537
958	40,932	32,560
1991	40,000	77,988
2010	86,154	86,154
2121	39,490	47,388
2791	97,159	85,559
6104	40,000	51,985
6105	-	40,000
6106	29,841	-
<b>Totals</b>	<b>1,011,865</b>	<b>1,047,132</b>

### Additional APCL Disclosures

The Board of APCL is currently constituted as follows:

Graham J White, MA MBA	Chairman
David G Williams, BA (Hons) LLB	Managing Director
Andrew J Annandale	Non-Executive Director
Chris N Clark	Non-Executive Director
Chris JR Fairs	Head of Compliance / Risk Management
M Guy H Heald, BA	Non-Executive Director
Andrew J Hubbard, FCA	Non-Executive Director
Guy B Hudson, BA (Hons) MSc ACII IMC	Executive Director
James A Mackay, BSc (Hons) IMC	Business Development Director
David Monksfield, BSc (Hons) IMC	Head of Client Management
David Reames, BSc (Hons) MBA IMC	Operations Director
Marcus G Warner, BA (Hons) ACMA IMC	Finance Director

Graham White, David Williams and Alan Tucker (an APCL Client Director) are non-executive directors of Argenta Syndicate Management Limited (**ASML**), a wholly-owned subsidiary of Argenta Holdings plc, which is also the parent company of APCL. Mr Annandale is also Chief Executive Officer of Argenta Holdings plc and Managing Director of ASML. Syndicate 2121 is managed by ASML and for 2014 will comprise 5.07% of the capacity of MAPA 7009.

Mr Andrew Hubbard is a non-executive director of Asta Managing Agency Limited, the managing agent of Syndicates 2525 and 2526, along with the new Dale Syndicate 1729 which APCL recommends for support in 2014.

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