

Market Information Briefing

January 2007

Lloyd's Update: 2007 Capacity Profile

Lloyd's commenced 2007 with record underwriting capacity of £16.1bn, an increase of 8.9 percent or £1.3bn relative to the beginning of 2006. Encouragingly 35 percent of this growth was attributable to start-up syndicates, the number of new entrants to the market being the highest for many years. The influence of the UK Listed sector has continued to grow, while the introduction of Limited Liability Partnerships has significantly curtailed the amount of capacity that continues to be supplied on an unlimited liability basis. Sidecar-like Special Purpose Syndicates are another innovation, designed to allow third-party capital to participate on a host syndicate by way of quota share reinsurance. This briefing examines the structure of the market in 2007, comments on the main capacity trends and identifies the largest market participants.

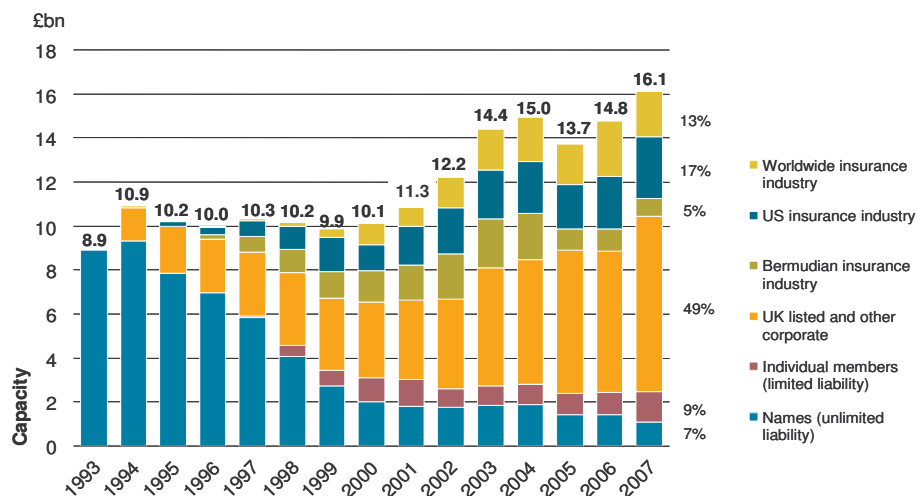
Defining Underwriting Capacity

Lloyd's members are required to provide capital as security to support their underwriting, the amount being dependent on the perceived level of risk across their portfolio. The level of these Funds at Lloyd's (FAL) determines the amount of (re)insurance business a member can underwrite. By allocating their capital support, members govern the amount of business each syndicate can underwrite each year – the syndicate capacity. The capacity of the Lloyd's market as a whole for any given year is simply an aggregation of the syndicate capacity for that year.

Market Capacity

Rolf Tolle: "The increases in capacity come in those lines where rates continue to increase – mainly those lines affected by the hurricanes of 2004 and 2005. These include direct property, facultative and treaty, along with offshore energy." (Insurance Day – 16 January 2007)

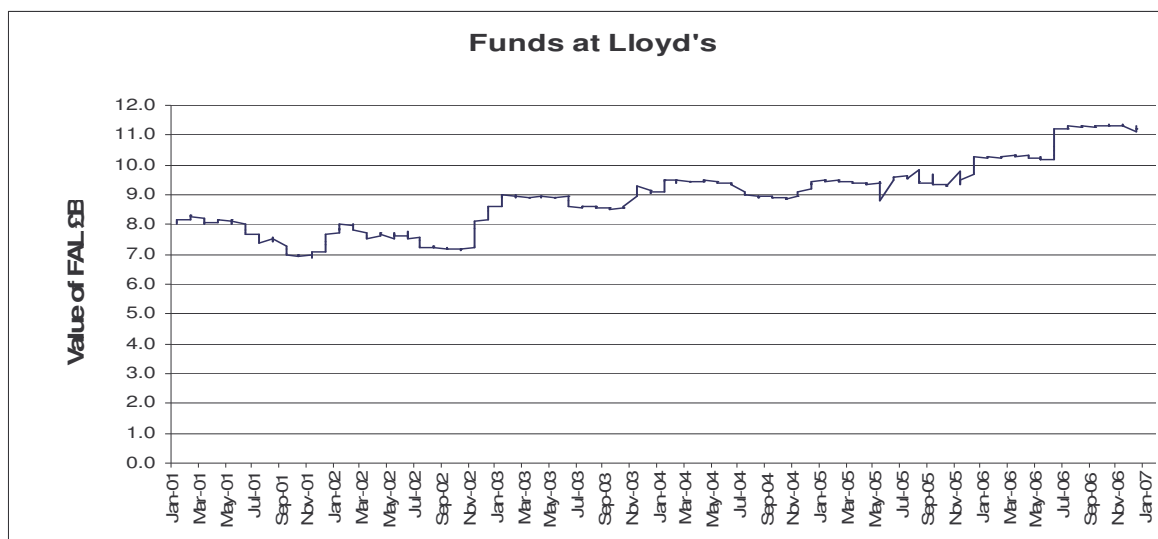
Lloyd's Market Capacity Development 1993-2007 (source: Lloyd's)



Having remained stable at around £10bn for the period 1995-2000, market capacity rose significantly during the period 2001-2004. Capacity was reduced going into 2005, but record natural catastrophe losses again in 2005 and increased demand for catastrophe protection lead to increased pricing, which resulted in further capacity increases in both 2006 and 2007.

The underlying capital provided by members in support of their underwriting has increased from £10bn in early 2006 to over £11.3bn at the start of 2007.

Funds at Lloyd's 2001-2007 (source: Lloyd's)



Lloyd's Capacity Structure: 2007 vs 2006

A notable feature in 2007 is the continuing growth of the UK listed sector, which now accounts for 39 percent of total market capacity. This is due partly to ongoing buy-outs of managed capacity and partly to the bringing to market of Heritage.

Capacity Provider Development 2006-2007 (source: Lloyd's)

| Source of Capacity | 2007 | | 2006 | | % Change 2007 vs 2006 |
|--|----------------|---------------|----------------|---------------|-----------------------|
| | Capacity | Market Share | Capacity | Market Share | |
| Names (unlimited liability) | £1,094m | 6.8% | £1,434m | 9.7% | (23.7%) |
| Individual Members (limited liability) | £1,402m | 8.7% | £1,001m | 6.8% | 40.0% |
| Other Corporate | £569m | 3.5% | £680m | 4.6% | (16.4%) |
| UK Non-Listed | £1,082m | 6.8% | £1,094m | 7.4% | (1.1%) |
| UK Listed | £6,283m | 39.0% | £5,312m | 35.9% | 18.3% |
| Trade Capital Providers | £5,671m | 35.2% | £5,267m | 35.6% | 7.7% |
| Total | £16.1bn | 100.0% | £14.8bn | 100.0% | 8.9% |

Corporate capital writing on a limited liability basis accounts for 93.2 percent of market capacity at the beginning of 2007.

For the first time, individual investors have been able to participate at Lloyd's by way of Limited Liability Partnerships (LLPs). As a result, the number of Names writing on an unlimited liability basis in 2007 has fallen by 25 percent to 1,124 and the capacity supplied has fallen by a similar margin to £1.1bn.

Aligned capacity, where a corporate member and a managing agent of a syndicate form part of the same corporate group, has increased from £11.5bn in 2006 to £13.0bn in 2007 and now represents 80.7 percent of the total market.

Syndicate Developments: 2007 vs 2006

At the beginning of 2007, there are 66 active syndicates, up from 62 at the beginning of 2006. Average syndicate capacity has increased by 2 percent to £244m.

With the acquisition of their corporate groups by Catlin and Canopus, respectively, Wellington Syndicate 2020 and Creechurch Syndicates 1607 and 3786 have disappeared from the scene. In addition, consolidation saw Novae merge Syndicate 1007 into Syndicate 2007 and Imagine merge Syndicate 0994 into Syndicate 1400. On the plus side, three new syndicates commenced underwriting during 2006 (C.V. Starr 1919, Sportscover 3334 and Alba 4455) and a further six were launched from 1 January 2007 (Hardy 3820, ICAT 4242, Equity 1208 and three Special Purpose Syndicates - 6101, 6102 and 6103).

The syndicates are overseen by 42 managing agents, down from 44 previously. This reflects the absence of Wellington and Creechurch and the consolidation of Imagine's underwriting operations, offset by the establishment of the Whittington and Mitsui Sumitomo agencies. Pembroke will soon assume control of Quanta Syndicate 4000, increasing the number of managing agents to 43.

Special Purpose Syndicates

Lloyd's is keen to encourage continued (and extended) opportunities for third-party capital to operate in the market. From 2007, franchisees have been allowed to establish Special Purpose Syndicates (SPSs) to write proportional quota share (QS) reinsurance of a main or host syndicate. It is important to note that SPSs are 'proper' syndicates and will fundamentally operate in the same way as a host syndicate, i.e.:

- SPSs will be fully capitalised at member level at the level of funds required by Lloyd's;
- SPSs will be managed by a Lloyd's managing agent;
- Members will enter into a managing agent's agreement;
- SPSs adhere to the FSA reporting requirements, and the majority of those of Lloyd's;
- Each year of account will operate for the normal 36 months;
- Each year will be reinsured to close (although this may follow commutation of the QS);
- SPSs will provide audited syndicate reports and accounts.

Lloyd's has reserved a block of previously unallocated syndicate numbers starting with 6101 and three SPSs have so far been approved. Two are writing a whole account QS of Catlin Syndicate 2003 (related to the buy-out of Names on Wellington Syndicate 2020), while the third is writing a 30 percent quota share of MAP Syndicate 2791's US Catastrophe Reinsurance book. (See the full syndicate list on pages 5 and 6 for further details.)

Largest Market Participants in 2007 (source: Lloyd's)

Top 20 Syndicates

| Syndicate | Pseudonym | Managing Agent | 2007 Capacity | Growth vs 1 January 2006 | 2007 Market Share |
|---------------|-----------|-----------------|-----------------|--------------------------|-------------------|
| 2003 | SJC | Catlin | £1,094m | +143% | 6.8% |
| 2001 | AML | Amlin | £1,000m | - | 6.2% |
| 4472 | LIB | Liberty | £917m | +1% | 5.7% |
| 0033 | HIS | Hiscox | £875m | +5% | 5.4% |
| 2999 | QBE | Limit | £780m | +18% | 4.9% |
| 0510 | KLN | Kiln | £735m | +18% | 4.6% |
| 2623 | AFB | Beazley | £697m | +8% | 4.3% |
| 1414 | RTH | Ascot | £625m | +14% | 3.9% |
| 2987 | BRT | Brit | £525m | +5% | 3.3% |
| 1084 | CSL | Chaucer | £485m | +8% | 3.0% |
| 2791 | MAP | MAP | £460m | +15% | 2.9% |
| 4444 | CNP | Canopus | £450m | +50% | 2.8% |
| 0218 | EMP | Equity | £421m | +5% | 2.6% |
| 2488 | AGM | ACE | £400m | +14% | 2.5% |
| 2007 | NVA | Novae | £360m | +50% | 2.2% |
| 3210 | MIT | Mitsui Sumitomo | £340m | +13% | 2.1% |
| 0386 | DAC | Limit | £340m | - | 2.1% |
| 0435 | FDY | Faraday | £325m | - | 2.0% |
| 1183 | TAL | Talbot | £310m | +1% | 1.9% |
| 2010 | MMX | Cathedral | £300m | +20% | 1.9% |
| Top 20 | | | £11,439m | | 71.1% |

Top 20 Direct Capital Providers

| Capital Provider | 2007 Capacity Supplied | Growth vs 1 January 2006 | 2007 Market Share |
|------------------------|------------------------|--------------------------|-------------------|
| Catlin | £1,094m | 143% | 6.8% |
| QBE (Limit) | £1,017m | 13% | 6.3% |
| Amlin | £1,000m | - | 6.2% |
| Liberty | £917m | 1% | 5.7% |
| Beazley | £703m | 8% | 4.4% |
| Hiscox | £635m | 5% | 3.9% |
| AIG (Ascot) | £625m | 14% | 3.9% |
| BRIT | £525m | 5% | 3.3% |
| Chaucer | £519m | 12% | 3.2% |
| Kiln | £457m | 29% | 2.8% |
| Berkshire Hathaway | £445m | 19% | 2.8% |
| Englefield (Canopus) | £422m | 46% | 2.6% |
| ACE | £400m | 14% | 2.5% |
| Mitsui Sumitomo | £340m | 13% | 2.1% |
| Novae (formerly SVB) | £338m | - | 2.1% |
| Talbot | £310m | 1% | 1.9% |
| Equity Ins Group (Cox) | £274m | 7% | 1.7% |
| Munich Re | £260m | - | 1.6% |
| St Paul Travelers | £260m | 4% | 1.6% |
| Heritage Consortium | £244m | 120% | 1.5% |
| Top 20 | £10.8bn | | 67.0% |

Top 20 Managing Agents

| Managing Agent | 2007 Capacity Managed | Growth vs 1 January 2006 | 2007 Market Share |
|----------------------|-----------------------|--------------------------|-------------------|
| Limit (QBE) | £1,120m | 12.0% | 7.0% |
| Catlin | £1,094m | 143.2% | 6.8% |
| Amlin | £1,000m | 0.0% | 6.2% |
| Kiln | £990m | 23.3% | 6.1% |
| Liberty | £917m | 0.5% | 5.7% |
| Hiscox | £875m | 5.0% | 5.4% |
| Beazley | £861m | 3.7% | 5.3% |
| Chaucer | £734m | (19.3%) | 4.6% |
| Ascot | £625m | 13.6% | 3.9% |
| Brit | £525m | 5.0% | 3.3% |
| MAP | £503m | 25.7% | 3.1% |
| Canopus | £452m | 49.1% | 2.8% |
| Equity | £426m | 6.2% | 2.6% |
| Ace | £400m | 14.3% | 2.5% |
| Novae (formerly SVB) | £360m | 0.0% | 2.2% |
| Atrium | £341m | (6.6%) | 2.1% |
| Mitsui Sumitomo | £340m | 0.0% | 2.1% |
| Faraday | £325m | 0.0% | 2.0% |
| Heritage | £315m | 37.3% | 2.0% |
| Talbot | £310m | 1.0% | 1.9% |
| Top 20 | £12.5bn | | 77.7% |

2007 Lloyd's Syndicate Capacity

| Syndicate | Pseudonym | Active Underwriter | Managing Agent | 2007 Capacity (£) | 2006 Capacity (£) | Change | Notes |
|-----------|-----------|----------------------|--|-------------------|-------------------|--------|---|
| 0033 | HIS | RC Watson | Hiscox Syndicates Ltd | 875,000,000 | 832,968,324 | +5% | Group now domiciled in Bermuda |
| 0044 | JDB | C Ray | Canopus Managing Agents Ltd | 1,800,000 | 3,000,000 | -40% | |
| 0218 | EMP | J Josiah/K Charlton | Equity Syndicate Management Ltd | 420,768,080 | 400,732,035 | +5% | Equity is being acquired by Insurance Australia Group |
| 0260 | KGM | C Hart | KGM Underwriting Agencies Ltd | 49,965,879 | 43,000,000 | +16% | |
| 0308 | KLS | C Toomey | R.J. Kiln & Co. Ltd | 14,663,133 | 13,000,449 | +13% | |
| 0318 | MSP | M Pritchard | Beaufort Underwriting Agency Ltd | 201,833,614 | 158,924,157 | +27% | |
| 0382 | PWH | AJ Walker | Hardy (Underwriting Agencies) Ltd | 110,000,000 | 110,004,208 | 0% | |
| 0386 | DAC | D Constable | Limit Underwriting Ltd | 339,892,479 | 339,877,479 | 0% | |
| 0435 | FDY | M Rayner/P Ceurvorst | Faraday Underwriting Ltd | 325,000,000 | 325,000,000 | 0% | |
| 0457 | WTK | D Hoare/O Crabtree | Munich Re Underwriting Ltd | 260,000,000 | 260,000,000 | 0% | |
| 0510 | KLN | R Chase | R.J. Kiln & Co. Ltd | 734,968,403 | 625,187,134 | +18% | |
| 0557 | KCS | A Carrier | R.J. Kiln & Co. Ltd | 120,054,204 | 54,769,460 | +119% | |
| 0566 | STN | J Parry | <i>Incidental - see Syndicate 2999</i> | | | | |
| 0570 | ATR | KW Wilkins | Atrium Underwriters Ltd | 125,260,315 | 149,931,837 | -16% | |
| 0609 | AUW | CE Dandridge | Atrium Underwriters Ltd | 215,521,209 | 214,967,772 | 0% | |
| 0623 | AFB | AF Beazley | Beazley Furlonge Ltd | 163,905,567 | 183,068,315 | -10% | |
| 0626 | IRK | IR King | <i>Incidental - see Syndicate 0033</i> | | | | |
| 0727 | SAM | MJ Meacock | Meacock & Company Ltd | 73,820,523 | 72,380,523 | +2% | |
| 0779 | CDL | BJ Jackson | Jubilee Managing Agency Ltd | 37,999,528 | 37,999,528 | 0% | |
| 0780 | ADV | L Tunnicliffe | Advent Underwriting Ltd | 150,550,914 | 152,828,000 | -1% | |
| 0807 | SDM | SD Mathers | R.J. Kiln & Co. Ltd | 120,451,110 | 110,010,951 | +9% | |
| 0958 | GSC | JD Robinson | Omega Underwriting Agents Ltd | 249,432,373 | 249,432,372 | 0% | Group now domiciled in Bermuda |
| 1036 | COF | C O'Farrell | <i>Incidental - see Syndicate 2999</i> | | | | |
| 1084 | CSL | BP Bartell | Chaucer Syndicates Ltd | 485,000,000 | 450,000,000 | +8% | |
| 1176 | MGD | M Dawson | Chaucer Syndicates Ltd | 27,509,009 | 22,511,551 | +22% | |
| 1183 | TAL | CNR Atkin | Talbot Underwriting Ltd | 310,000,000 | 307,000,000 | +1% | |
| 1200 | HMA | N Jones | Heritage Managing Agency Ltd | 259,998,897 | 179,999,956 | +44% | |
| 1206 | GER | GM Halpin | Gerling at Lloyd's Ltd | 60,250,000 | 60,250,000 | 0% | |
| 1208 | COX | H Colthurst | Equity Syndicate Management Ltd | 5,000,000 | | | Restarted for 2007 to take RITC of open 2002 account |
| 1209 | XL | P Drake | XL London Market Ltd | 230,000,000 | 230,000,000 | 0% | |
| 1218 | ODY | SL Gordon | Newline Underwriting Management Ltd | 85,000,000 | 100,000,000 | -15% | |
| 1221 | MLM | R Bardwell | Navigators Underwriting Agency Ltd | 140,000,000 | 112,500,000 | +24% | |
| 1225 | AES | tba | AEGIS Managing Agency Ltd | 221,000,000 | 207,000,000 | +7% | |
| 1231 | FRW | JS Wilkinson | Jubilee Managing Agency Ltd | 46,000,000 | 55,000,000 | -16% | |
| 1301 | BGT | R Katzaros | Chaucer Syndicates Ltd | 65,000,000 | 55,000,000 | +18% | |
| 1400 | DRE | M Petzold | Imagine Syndicate Management Ltd | 125,000,000 | 100,000,000 | +25% | Absorbed Syndicate 0994 for 2007 |
| 1414 | RTH | MRD Reith | Ascot Underwriting Ltd | 625,000,000 | 550,000,000 | +14% | |

2007 Lloyd's Syndicate Capacity

| Syndicate | Pseudonym | Active Underwriter | Managing Agent | 07 Capacity (£) | 06 Capacity (£) | Change | Notes |
|-----------|-----------|--------------------|--|-----------------|-----------------|--------|---|
| 1861 | BRM | L Allen | Marlborough Underwriting Agency Ltd | 120,000,000 | 50,000,000 | +140% | |
| 1886 | QBE | J Neal | <i>Incidental - see Syndicate 2999</i> | | | | |
| 1919 | CVS | C Hancock | Marlborough Underwriting Agency Ltd | 70,000,000 | | | Launched in October 2006 with capacity of £15m |
| 1952 | JJS | J Cashen | <i>Incidental - see Syndicate 1231</i> | | | | |
| 1965 | AMS | R Yeo | Argenta Syndicate Management Ltd | 16,000,000 | 16,000,000 | 0% | |
| 2000 | HAR | D Woodruff | <i>Incidental - see Syndicate 2999</i> | | | | |
| 2001 | AML | AW Holt | Amlin Underwriting Ltd | 1,000,000,000 | 1,000,000,000 | 0% | |
| 2003 | SJC | N Burkinshaw | Catlin Underwriting Agencies Ltd | 1,094,315,491 | 450,000,000 | +143% | Absorbed WEL 2020 for 2007 |
| 2007 | NVA | A Hicks | Novae Syndicates Ltd | 359,999,866 | 240,000,000 | +50% | Formed from the merger of Syndicates 1007 and 2147 |
| 2010 | MMX | JC Hamblin | Cathedral Underwriting Ltd | 300,005,494 | 250,067,495 | +20% | Cathedral recently acquired by Alchemy (private equity) |
| 2121 | ARG | P Hunt | Argenta Syndicate Management Ltd | 89,447,441 | 90,336,836 | -1% | |
| 2468 | MFM | SP Lotter | Marketform Managing Agency Ltd | 100,000,000 | 100,000,000 | 0% | |
| 2488 | AGM | R Pryce | ACE Underwriting Agencies Ltd | 400,000,000 | 350,000,000 | +14% | |
| 2525 | DLP | DL Pratt | Imagine Syndicate Management Ltd | 42,000,106 | 49,999,851 | -16% | |
| 2526 | AGD | AG Dore | Imagine Syndicate Management Ltd | 31,814,843 | 31,814,843 | 0% | |
| 2623 | AFB | AF Beazley | Beazley Furlonge Ltd | 697,117,276 | 646,882,003 | +8% | |
| 2791 | MAP | DES Shipley | Managing Agency Partners Ltd | 459,999,182 | 399,961,711 | +15% | |
| 2987 | BRT | MA Sibthorpe | Brit Syndicates Ltd | 525,000,000 | 500,000,000 | +5% | |
| 2999 | QBE | P Grove | Limit Underwriting Ltd | 780,000,000 | 660,000,000 | +18% | |
| 3000 | MKL | G Albanese | Markel Syndicate Management Ltd | 160,000,000 | 145,000,000 | +10% | |
| 3210 | MIT | D Warren | Mitsui Sumitomo Ins U/W at Lloyd's Ltd | 340,000,000 | 300,000,000 | +13% | |
| 3245 | LAW | M Lawrence | Heritage Managing Agency Ltd | 55,000,000 | 49,435,001 | +11% | |
| 3334 | SCS | P Nash | Argenta Syndicate Management Ltd | 15,000,000 | | | Launched in August 2006 with capacity of £8m |
| 3820 | HDU | PJ Gage | Hardy (Underwriting Agencies) Ltd | 65,000,000 | | | Established for 2007 to write property D&F and treaty |
| 4000 | QNT | M Wheeler | Chaucer Syndicates Ltd | 73,000,000 | 82,000,000 | -11% | Management shortly to be transferred to Pembroke |
| 4040 | ILM | D Burniston | Illium Managing Agency Ltd | 53,927,893 | 53,927,893 | 0% | |
| 4242 | ICM | G Butler | Chaucer Syndicates Ltd | 83,645,625 | | | Est. for 2007 to write SME insurance in US cat-exposed regions |
| 4444 | CNP | J Giordano | Canopus Managing Agents Ltd | 450,000,000 | 300,000,000 | +50% | Absorbed Creechurch Syndicates 1607 and 3786 for 2007 |
| 4455 | MBM | M Martin | Whittington Underwriting Mgmt Ltd | 24,500,000 | | | Launched in June 2006 with capacity of £8.6m |
| 4472 | LIB | TRC Corfield | Liberty Syndicate Management Ltd | 917,000,000 | 912,000,000 | +1% | |
| 5000 | SPL | MP Hudson | St Paul Travelers Syndicate Mgmt Ltd | 260,000,000 | 250,000,000 | +4% | |
| 5555 | ED | E Di Silvio | <i>Incidental - see Syndicate 2999</i> | | | | |
| 5820 | CDG | BJ Jackson | Jubilee Managing Agency Ltd | 43,999,725 | 43,999,725 | 0% | |
| 6101 | - | N Burkinshaw | Argenta Syndicate Management Ltd | 101,063,166 | | | Hampden-backed SPS established for 2007 to write whole account QS of SJC 2003 |
| 6102 | - | N Burkinshaw | Argenta Syndicate Management Ltd | 54,621,343 | | | Argenta-backed SPS established for 2007 to write whole account QS of SJC 2003 |
| 6103 | - | RK Trubshaw | Managing Agency Partners Ltd | 42,859,795 | | | SPS established for 2007 to write a quota share of MAP 2791's US Cat XL book |

| | | | |
|-------------------------------|-----------------------|-----------------------|-------------|
| Total Opening Capacity | 16,100,962,483 | 14,787,804,804 | 8.9% |
|-------------------------------|-----------------------|-----------------------|-------------|

Whom to Contact

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