

LLOYD'S UPDATE

Interim Management Statements

Nine months ended September 30, 2009

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Listed Integrated Lloyd's Vehicles (ILVs)

This report summarizes the pricing, income and rating environment trends of the listed ILVs as reported by the companies through their interim statements released during October and November 2009.

2009 Pricing and Income Trends

Third quarter interim statements have provided an update on the premium rate environment in 2009. As at the half year, the strongest rate increases have been seen in catastrophe-exposed lines of business. Some improvement has also been seen in other areas, particularly UK motor, aviation and for some players, financial institutions.

Table 1 – Reported Premium Rate Movements

	Premium Rate Change	Comment
Amlin*	4.4%	Group average for first ten months of 2009
Beazley	4.0%	Group average for nine months to September 30
Brit	4.8%	Group average for nine months to September 30
Catlin	6.0%	Total average weighted premium rates for 9M
Chaucer	6.1%	Group average for nine months to September 30
Hardy	6.4%	On renewed business to September 30
Hiscox	>10.0%	On key reinsurance lines
Novae	9.0%	Group average for nine months to September 30

**To October 31*

Source: Company Data

Amlin experienced solid rate increases on its catastrophe reinsurance account. Elsewhere, its property and casualty business saw overall rate increases of 3.4%, although rate increases varied by sector: US property insurance saw an average rate increase of 6.6%, compared to an average rate decrease of 1.7% in US casualty. In the London marine business, the energy account experienced an average rate increase of 25.2%, although Amlin stated that clients had been retaining more risk. In its aviation business, Amlin flagged that recent rate rises had been between 15% and 25%, reflecting the impact of a series of notable losses in the year. Improvement was also evident in Amlin's UK business, where increases to fleet motor rates averaged 5.3% over the period.

While Beazley posted a 4% overall rate increase in the period, the strongest rate rises were seen in the catastrophe lines of business, in particular reinsurance (9%), US commercial property (10%) and offshore energy (31%). Other areas were generally flat, with a 1% decline in rates for the specialty business.

Brit experienced an average overall rate increase of 4.8%. Like its peers, there was considerable variation between business lines, with reinsurance posting the strongest rise, at 7.8%, and Brit Global Markets and Brit UK posting rises of 4.7% and 3.4% respectively.

Catlin's average weighted rate increase of 6% comprised an 11% increase for catastrophe-exposed business and a 3% increase for non-catastrophe exposed business. Hardy experienced a similar trend: overall renewal rates for the group increased by 6.4%, with property treaty rates rising by 10.2% and non-marine property up 9.7%. Lower growth rates were demonstrated in the marine and aviation division (1.6%) and specialty lines (3.0%).

Hiscox reported growth of over 10% in rates in its key reinsurance lines. Energy rates in the period increased by 5-10%, with increases of over 50% for Gulf of Mexico risks. Novae demonstrated similar growth levels, and commented on strong upward movements in rates in credit and financial institutions, which are seen as vulnerable to

claims experience. Omega commented that the “steady rating environment in our core lines of business continues”¹, with significant increases restricted to catastrophe-exposed lines, and other areas such as professional indemnity seeing considerable rate pressure.

Table 2 – Gross Premiums Written

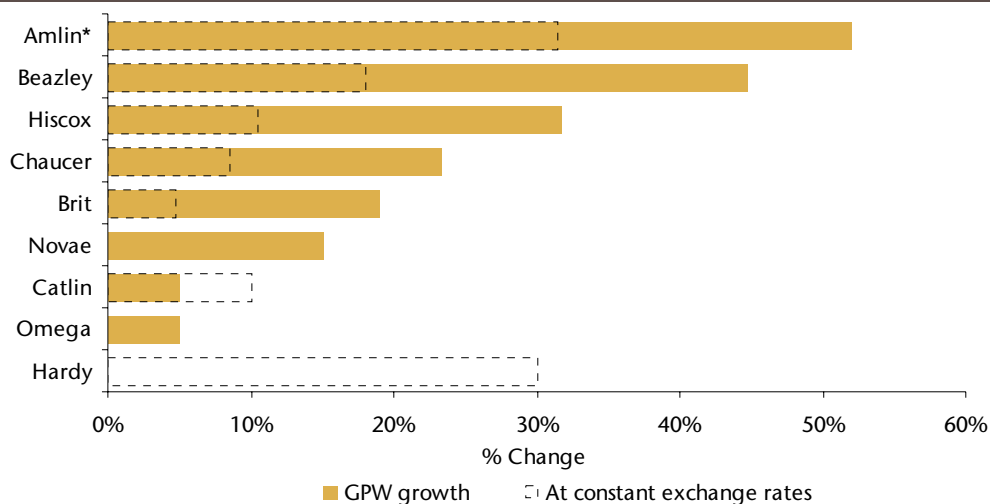
GBPmn	9M 2008	9M 2009	Change
Amlin*	904	1,375	52%
Beazley	595	862	45%
Brit	1,122	1,334	19%
Catlin	1,447	1,957	35%
Chaucer	527	650	23%
Hardy (at constant FX rate)	188	244	30%
Hiscox	920	1,212	32%
Novae	268	308	15%
Omega	120	161	34%

**To October 31*

Source: Company Data, Aon Benfield Research

The positive rating environment was one key driver of the strong growth in total gross premiums for the ILVs reporting 3Q interim statements, as shown in Table 2. Underlying growth rates and the appreciation of the US dollar relative to sterling were also significant factors. Chart 1 illustrates the premium growth levels delivered on both a reported and underlying constant currency basis. Amlin and Beazley’s premium growth was also enhanced by the acquisitions of Amlin Corporate Insurance (ACI) and First State Management Group respectively.

Chart 1 – Growth in Gross Premiums Written



**To October 31*

Source: Company Data

¹ Omega Interim Management Statement, November 18, 2009

In general, the interim statements pointed to a benign claims experience in the first nine months of 2009, with an absence of any significant catastrophe in the period. However, Beazley, Chaucer and Catlin commented on increased claims in political risks business lines, and a number of the ILVs mentioned the increased number of aviation losses in the period. Catlin and Novae both commented on a low frequency of large single-risk losses in the third quarter of the year, compared with a less favorable experience in the first six months of the year. Novae suffered from significant claims on its credit and aviation reinsurance business in the first half of the year, while Catlin commented on a difficult year in the trade credit market.

A number of the ILVs announced prior year reserve releases. Amlin announced a release of GBP39.2mn in run-off profits from reserves, bringing cumulative releases for the period to September 30 to GBP111.2mn (excluding ACI) (9M 2008: GBP89.1mn). Chaucer reported prior year reserve releases for the quarter from Syndicates 1084, 1176 and 4000 of GBP11.6mn (GBP6.0mn).

Investments

Table 3 summarizes 9M 2009 investment returns and associated comments. Improved returns on corporate loans in the period were the main reason for the stronger investment performance, with some additional benefit from rallies in equities and government bonds in recent months. However, given the exceptional conditions in the financial markets over the past year, a number of the ILVs flagged the fact that similar returns were unlikely to be repeated in 2010.

Table 3 – Investment Return

	9M 2008	9M 2009	Comment
Amlin*	-1.2%	5.3%	Estimated 4.7% generated by ACI
Beazley	-1.1%	2.8%	Annualized
Brit	-0.4%	3.6%	Asset allocation relatively constant in last three months
Catlin	-0.9%	5.2%	Defensive investment asset allocation maintained
Chaucer	-2.5%	3.6%	0.9% return for the three months to September 30
Hardy	3.2%	1.5%	Cautious approach maintained
Hiscox	-0.1%	6.5%	3.0% return for the three months to September 30
Novae	4.4%	3.3%	Annualized
Omega	2.7%	2.1%	Annualized

**To October 31*

Source: Company Data

Capacity

Three of the ILVs confirmed capacity increases for their major syndicates in 2010.

Hiscox announced that it will be increasing the capacity for syndicate 33 by 33% to GBP1bn, as well as almost doubling syndicate 3624 capacity from USD80mn to USD150mn. Omega will be increasing the capacity of syndicate 958 by 12% to GBP280mn, and Chaucer has confirmed an 11.5% increase in capacity for syndicate 1084 to GBP707mn.

Appendix 1 – Ratings

Table 4 – Ratings for Lloyd’s Market

	Rating	Outlook	Action
A.M. Best	A (Excellent)	Stable	Affirmed July 13, 2009
Fitch	A+	Stable	Affirmed July 23, 2009
Standard & Poor’s	A+ (Strong)	Stable	Affirmed August 12, 2009

Source: Rating Agencies

In addition to the Lloyd’s market ratings which were affirmed during the second half of 2009, some syndicates are also rated or graded individually by the rating agencies.

Following is a list of all Lloyd’s syndicates together with their A.M. Best Financial Strength Rating (FSR) and Lloyd’s Syndicate Assessment (LSA) grade by Standard & Poor’s. The major syndicates of each of the ILVs are highlighted.

Table 5 – Lloyd’s Syndicate Ratings/Grades

Syndicate Number	Managing Agent	A.M. Best FSR	S&P LSA Grade
33	Hiscox Syndicates Ltd	A s	NA
44	Sagicor at Lloyd's Ltd	NR	NA
218	Equity Syndicate Management Ltd	NR	NA
260	KGM Underwriting Agencies Ltd	NR	1pi
308	R J Kiln and Co Ltd	NR	2pi
318	Beaufort Underwriting Agency Ltd	NR	2pi
382	Hardy (Underwriting Agencies) Ltd	A s	3pi
386	QBE Underwriting Ltd	NR	5/Stable
435	Faraday Underwriting Ltd	NR	3pi
457	Munich Re Underwriting Ltd	NR	3pi
510	R J Kiln and Co Ltd	A s	4pi
557	R J Kiln and Co Ltd	NR	3pi
570	Atrium Underwriters Ltd	NR	NA
609	Atrium Underwriters Ltd	A s	NA
623	Beazley Furlonge Ltd	A s	4/Stable
727	S A Meacock & Co Ltd	NR	2pi
779	Jubilee Managing Agency Ltd	NR	2pi
780	Advent Underwriting Ltd	NR	2+/Stable
807	R J Kiln and Co Ltd	NR	3pi
958	Omega Underwriting Agents Ltd	A s	3pi
1084	Chaucer Syndicates Ltd	A s	3/Negative
1176	Chaucer Syndicates Ltd	NR	3pi
1183	Talbot Underwriting Ltd	NR	NA
1200	Argo Managing Agency	NR	3pi
1206	Sagicor at Lloyd's Ltd	NR	1pi
1208	Equity Syndicate Management Ltd	NR	NA

Table 5 – Lloyd's Syndicate Ratings/Grades cont'd

Syndicate Number	Managing Agent	A.M. Best FSR	S&P LSA Grade
1209	XL London Market Ltd	NR	NA
1218	Newline Underwriting Management Ltd	NR	2pi
1221	Navigators Underwriting Agency Ltd	NR	NA
1225	AEGIS Managing Agency Ltd	A s	3pi
1231	Jubilee Managing Agency Ltd	NR	2pi
1274	Antares Syndicates Ltd	NR	NA
1301	Chaucer Syndicates Ltd	NR	2pi
1318	Beaufort Underwriting Agency Ltd	NR	-
1400	Max at Lloyd's Ltd	NR	NA
1414	Ascot Underwriting Ltd	NR	3pi
1458	Spectrum Syndicate Management Ltd	NR	-
1861	Marlborough Underwriting Agency Ltd	NR	NA
1880	R J Kiln and Co Ltd	NR	-
1910	Whittington Capital Management Ltd	NR	NA
1919	Starr Managing Agents Ltd	NR	NA
1955	Whittington Capital Management Ltd	NR	NA
1965	Argenta Syndicate Management Ltd	NR	NA
1967	Whittington Capital Management Ltd	NR	-
2001	Amlin Underwriting Ltd	A+ s	4/Stable
2003	Catlin Underwriting Agencies Ltd	A s	4-/Positive
2007	Novae Syndicates Ltd	A s	3-/Stable
2010	Cathedral Underwriting Agencies Ltd	A s	3pi
2012	Arch Underwriting at Lloyd's Ltd	NR	-
2112	Spectrum Syndicate Management Ltd	NR	NA
2121	Argenta Syndicate Management Ltd	NR	NA
2243	Starr Managing Agents Ltd	NR	NA
2468	Marketform Managing Agency Ltd	NR	2pi
2488	ACE Underwriting Agencies Ltd	NR	NA
2525	Max at Lloyd's Ltd	NR	NA
2526	Max at Lloyd's Ltd	NR	NA
2623	Beazley Furlonge Ltd	A s	4/Stable
2791	Managing Agency Partners Ltd	NR	4pi
2987	Brit Syndicates Ltd	NR	3pi
2999	QBE Underwriting Ltd	NR	4-/Stable
3000	Markel Syndicate Management Ltd	A s	3pi
3010	Cathedral Underwriting Agencies Ltd	NR	NA
3210	Mitsui Sumitomo Insurance Underwriting at Lloyd's Ltd	NR	NA
3334	Sportscover Underwriting Ltd	NR	1pi
3622	Beazley Furlonge Ltd	A s	-
3623	Beazley Furlonge Ltd	A s	NA
3624	Hiscox Syndicates Ltd	NR	-

Table 5 – Lloyd’s Syndicate Ratings/Grades cont’d

Syndicate Number	Managing Agent	A.M. Best FSR	S&P LSA Grade
4000	Pembroke Managing Agency Ltd	NR	NA
4020	Ark Syndicate Management Ltd	NR	NA
4040	HCC Underwriting Agency Ltd	NR	2pi
4141	HCC Underwriting Agency Ltd	NR	NA
4242	Chaucer Syndicates Ltd	NR	NA
4444	Canopus Managing Agents Ltd	NR	3-/Stable
4455	Equity Syndicate Management Ltd	NR	NA
4472	Liberty Syndicate Management Ltd	NR	NA
4711	Aspen Managing Agency Ltd	NR	NA
5000	Travelers Syndicate Management Ltd	NR	3-/Stable
5151	Montpelier Underwriting Agencies Ltd	NR	3-/Stable
5820	Jubilee Managing Agency Ltd	NR	NA
6103	Managing Agency Partners Ltd	NR	NA
6104	Hiscox Syndicates Ltd	NR	NA
6105	Ark Syndicate Management Ltd	NR	NA
6106	Amlin Underwriting Ltd	NR	-

pi = Syndicate is assessed on a public information basis

S&P assessment scale: 1 = very high dependency; 5= very low dependency

NA = not assessed; NR = not rated

Source: A.M. Best, Standard & Poor’s

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