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Hampden Agencies Limited

Wider market environment causing Lloyd's Insurers to seek new funds from Private Capital

Hampden Agencies Limited ("HAL"), the largest advisor to private capital at Lloyd's, believes that the emerging trend from Lloyd's insurers to raise new funds via private capital is set to increase. Over the last decade new capital has come primarily through debt and equity markets, however, access to these markets is now more limited and insurers are looking for alternative sources, such as private capital.

Neil Smith, Chief Executive Officer of HAL said: "While private capital is not about to replace institutional funds at Lloyd's, insurers are recognising that it has an increasingly important role to play. Whereas previously new capital was almost exclusively raised from institutions, this route is much less accessible. Private capital is a responsive and flexible form of capital which can be made available to fill gaps in the market if the investment story is right."

Since the changes to Lloyd's governance and regulation in 2003, a number of new private investors have become Members, the majority through HAL. HAL has played a key role in recent fund raisings involving private capital.

Most recently, in December 2008, Amlin raised support for £50 million of capacity for a new entity, Syndicate 6106, to exploit opportunities in the US and international catastrophe reinsurance business. All but £2.5 million of the £50 million was supported by private capital of which HAL provided £27 million. The fundraising was completed in just three weeks and was over-subscribed by 15% demonstrating the availability, speed, and flexibility of private capital.

Awareness of private capital as an alternative source of funding has expanded across the marketplace and more insurers are approaching HAL to discuss new fund raisings. HAL's client base has sufficient capacity to match current interest and, in the longer term, HAL expects the pool of private capital to expand as more private investors join Lloyd's.

Lloyd's has a low correlation to the equity market and HAL is seeing increasing interest from investors seeking to diversify their portfolios. These are high net worth individuals, typically placing 5-10% of their wealth portfolio at Lloyd's. They do so on a limited liability basis, lodging assets with Lloyd's in order to support their underwriting while continuing to benefit from income or capital growth on these assets. In addition to this double use of assets, membership of Lloyd's offers tax and estate planning benefits.

Neil Smith continued, "The broader market environment is creating an opportunity for us. With returns from cash, equities and other alternative investment strategies diminishing, the Lloyd's Market is one of the few areas performing strongly. This is leading to increasing number of new private investors assessing the benefits of investing in Lloyd's."

Enquiries

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Notes to Editors

Hampden Agencies Limited (HAL) is a Lloyd's Members' agent providing advice and services to Members of Lloyd's.

HAL offers a comprehensive service covering all aspects of participation at Lloyd's, in conjunction with its sister companies, Nomina Plc and Hampden Tax Consultants Limited (HTCL). Nomina provides management and administration services required by corporate vehicles underwriting at Lloyd's. HTCL provides tax services to a wide range of clients and has considerable experience of handling Lloyd's Members' affairs.

Lloyd's is the leading marketplace for specialist insurance and reinsurance business covering some of the world's largest, most complex, and high profile risks.

Individuals can underwrite insurance risks at Lloyd's with limited liability by establishing a limited liability vehicle (LLV) for this purpose. The LLV becomes a Member of Lloyd's and can be a Limited Liability Partnership (LLP) a Nameco, or a Scottish Limited Partnership (SLP). Liability is limited to the assets of the LLV used for underwriting.

The members of a LLP, or shareholders in a Nameco, pledge assets to support underwriting. These are deposited as Funds at Lloyd's and are usually 40% of the total premium which the LLV may underwrite (its premium income limit). Funds at Lloyd's can include cash, shares, letters of credit, and bank guarantees.

Members purchase the right to participate on syndicates which underwrite at Lloyd's, up to a specified limit. This is known as purchasing capacity. Syndicates, run by managing agents, underwrite risks up to the total value of Members' capacity.