



Hampden Agencies Ltd

Performance Update

Press Release: 15 October 2009

Hampden Agencies Ltd (HAL) welcomes the interim results announced by Lloyd's on 24 September 2009. As the largest advisor to private capital at Lloyd's, HAL is delighted to see the continuing strong performance of the Lloyd's Market.

HAL provides advice on Lloyd's underwriting to individual and corporate investors and acts for approximately 700 limited liability vehicles (over 1100 active Members), with clients underwriting in excess of £1bn of underwriting capacity for 2009. HAL has a consistent track record of delivering underwriting returns for its clients and is pleased to announce its updated forecast for underwriting returns from 2007 and 2008.

Updated results for 2007 and 2008 years of account

HAL's updated estimates for 2007 and 2008 show a return on Funds at Lloyd's of 34.8% for 2007 and 14.7% for 2008. The result for the 2006 year of account was a return on Funds at Lloyd's of 65.5%.

The table below shows HAL's underwriting returns since 2002.

Year of Account	Hampden Agencies return as % of Premium Limit (Note 1)	Hampden Agencies return as % of Funds at Lloyd's at risk (Note 3)
2002	13.7%	34.3%
2003	21.2%	52.9%
2004	10.5%	26.2%
2005	5.6%	13.9%
2006	26.2%	65.5%
2007 (Est.) Note 2	13.9%	34.8%
2008 (Est.) Note 2	5.9%	14.7%

1. 2002-2006: Results at 36 months calculated from syndicate returns excluding any movement on run-off years.
2. 2007 and 2008: Estimates calculated from 2009 Quarter 2 syndicate returns.
3. Members' Funds at Lloyd's (FAL) assumed to be at 40% of overall premium limit. Individual Members may have a FAL ratio greater than 40%, which is currently the case. Funds at Lloyd's must be pledged for at least three years.

4. All returns include standard personal expenses but are before Members' agents' charges. They do not reflect costs associated with setting up and running a limited liability vehicle, nor do they take into account the cost of syndicate capacity.
5. The majority of profits, where they are made, are not distributed until after 42 months.
6. The returns illustrated above can be significantly affected by currency fluctuation – Lloyd's earns 58% of its income in US\$.
7. Past performance is not necessarily a guide to future performance.

HAL's performance is based on access to some of the best performing syndicates at Lloyd's and insurance industry analysis by HAL's highly respected research team, Hampden Underwriting Research, supported by contacts with underwriters and brokers. This powerful combination enables HAL to select and recommend syndicate portfolios, which have consistently outperformed the Lloyd's Market average.

Growing interest in Lloyd's

HAL has seen growing interest in Lloyd's in recent years and is acting for over sixty new clients for 2010. Interestingly, a number of former Members have also recommenced underwriting for 2010. HAL's clients 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. Lloyd's has a low correlation to the equity market and has continued to perform strongly at a time when returns from cash, equities and other alternative investment strategies have diminished.

With reduced access to traditional sources of capital, insurers raising funds to expand their business have increasingly turned to private capital to supplement institutional funds. HAL has played a key role in recent fund raising and its client base has sufficient capacity to match current interest. HAL expects the pool of private capital to continue to expand as more private investors join Lloyd's.

Outlook for 2010

Members buy and sell their rights to participate on Lloyd's underwriting syndicates (their 'capacity') through auctions held each September. HAL advises clients during this process, enabling them to select the best syndicates and to spread their underwriting according to their appetite for risk. The supply of capacity for 2010 was lower than previous years, with the average price of capacity increasing to a record 27.8p per pound sterling of capacity.

HAL's managed portfolios have a track record of outperforming Lloyd's. For 2010, HAL has set up a new managed portfolio with £49.2m of underwriting capacity backed in the main by the new clients. The price of this capacity is 20.8p per pound sterling of capacity. Overall HAL's underwriting capacity will increase for 2010 to £1.5 billion as Members have supported the growth in individual syndicate business plans.

The recession has delayed the expected improvement in market conditions in non-catastrophe exposed classes of insurance and reinsurance in 2009. Overall, HAL expects rates to increase during 2010 leading to improved profit potential compared with this year.

Neil Smith, Chief Executive of HAL, said:

“We are delighted that the Lloyd’s Market is continuing to perform well and that HAL’s updated estimates for 2007 and 2008 represent strong returns for our clients. Although the financial markets generally have suffered in the past year, Lloyd’s remains an excellent alternative investment. HAL welcomes the increased interest in Lloyd’s and the new clients who have joined us for 2010.”

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For more information about Hampden Agencies please visit www.hampden.co.uk or contact HAL directly.

Notes to Editors

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

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.

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.

Individuals can underwrite insurance risks at Lloyd’s with limited liability by establishing a limited liability vehicle (Limited Liability Partnership or Nameco) for this purpose. Liability is limited to the assets of the LLV used for underwriting. The members of a Limited Liability Partnership, or shareholders in a Nameco, pledge assets to support underwriting. These are deposited as Funds at Lloyd’s and are usually a minimum of 40% of the total premium which the limited liability vehicle 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. This is known as purchasing capacity. Syndicates, run by managing agents, underwrite risks up to the total value of Members' capacity.

Disclaimer

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Underwriting at Lloyd's involves a significant degree of risk and those investing in the market will be exposed to the risk of underwriting losses. They will remain ultimately liable for losses until the liabilities of all of the syndicates participated upon have been reinsured to close, subject to there being no reinsurance failure. Underwriting membership may not be suitable for all and if there is any doubt, independent advice should be sought. Please note that services are not offered publicly to United States persons or in the United States, nor are they offered publicly in any other jurisdiction where such offers may be unlawful.

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