



Helios “starter homes” providing alternative access to Lloyd’s for 2025

Market conditions continue to be attractive, with the business plan profit for our portfolio of syndicates for 2025 the highest of the recent cycle. While we expect that there will be increasing competition for some lines of business in 2025, underwriters are confident of rate adequacy and the robustness of their syndicates’ plans.

Argenta Private Capital Limited* is working with Helios Underwriting PLC to offer investors an alternative approach to investing in Lloyd’s.

Building on the successful introduction of the starter home initiative for the 2024 Year of Account, Argenta is pleased to announce that a new selection of starter homes will be available for the 2025 Year of Account.

What is a starter home?

A starter home is a unique opportunity to engage with the Lloyd’s of London market.

The 2025 starter homes provide investors the ability to participate in a portfolio of Lloyd’s syndicates via a limited liability vehicle, set up specifically for the 2025 year. There are a variety of different sized vehicles to suit investors’ needs; the £1m - £3m vehicles include a blend of two managed portfolios: one curated by Helios and the other, referred to as ALPs, sourced and managed by Argenta. The larger £4m+ vehicles are solely participating on the Helios portfolio. These starter homes serve as an entry point for investors, with the flexibility to adjust the underwriting portfolio according to clients’ risk appetite from 2026 onwards.

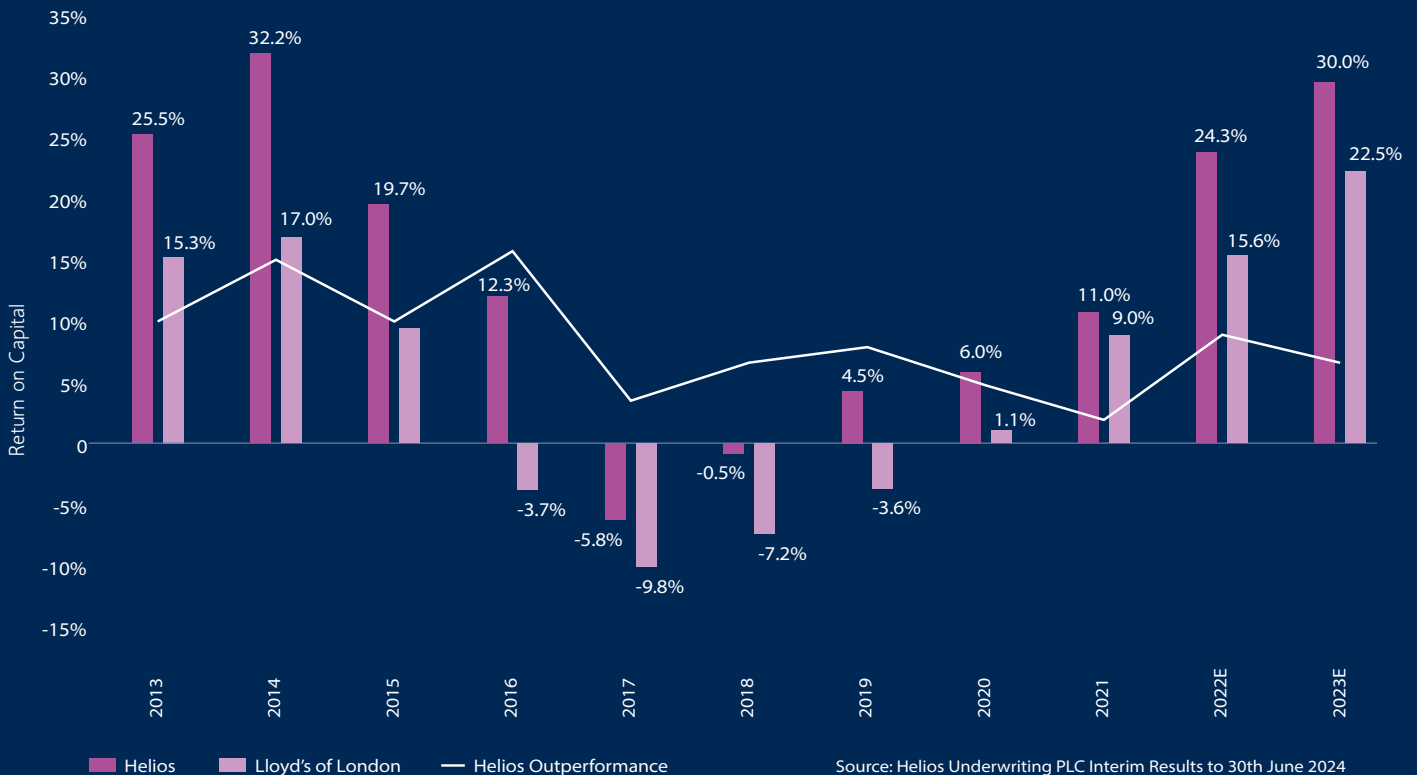
* APCL is a FCA authorised (No. 204845) Lloyd’s adviser operating for over 60 years. We advise over 500 individual and corporate investors at Lloyd’s and specialise in creating tailor-made, tax-efficient underwriting vehicles for an international client base.



Key Highlights

Helios strong track record supplemented by the Argenta ALPs portfolio

Helios has demonstrated a strong track record and has outperformed the return on capital achieved by the Lloyd’s market each year since 2014. As of June 2024, the average Lloyd’s outperformance was +9.3%.



Starter homes are a new concept and therefore past performance data is limited. The above graph provides an indication of the overall performance of Helios and not the starter home product.

Helios' Return on Capital – is based on the year of account return at 36 months or the latest mid-point estimate as at 30 June 2024 divided by the Funds at Lloyd’s required to be committed at the start of the underwriting year. **Source** – Helios Annual Report and Accounts

Lloyd's of London Return on Capital – is based on the Lloyd's Market year of account return at 36 months or the latest market mid-point estimate (as at 30 June 2024) divided by the aggregate Members' Funds lodged at Lloyd's at the start of the underwriting year. **Source** – Lloyd's of London Annual Financial Statements

The Helios portfolio has been supplemented by the Argenta ALPs portfolio in a number of starter homes. The ALPs portfolio consists of newer syndicates and the portfolio has been expanded over the years so we are unable to provide historic returns, however the Argenta research team is estimating returns on capital of 21% for 2025. ALPs has a lower than average risk portfolio as it has been designed in order to minimize exposure to catastrophe business, and has been included in the starter homes to reduce the overall risk, reduce capital requirements and reduce overall fees payable by the investor.

Access to syndicates which would otherwise not be available

One of the main challenges for investors looking to enter the Lloyd's market is the cost associated with acquiring capacity through the annual auction process, which occurs once a year. Many of the syndicates in the starter home portfolio can usually only be accessed through the annual auction process, at a cost. However, the capacity within the starter home is 'rented' which materially removes this up-front cost and replaces it with a rental fee. The 2025 starter home portfolio includes some of the highest performing and well-established syndicates at Lloyd's.

In certain circumstances, Helios may be willing to agree with a starter home purchaser to release the Helios full tenancy rights that have been 'rented out' by it to that member.

Low capital requirements

The portfolio's highly diversified nature results in low capital requirements. For a vehicle underwriting £1m of underwriting premium based on the combined 2025 Helios and ALPs portfolio, the amount of capital required is approximately 21% (i.e. £210,000) in Year 1, c.35% in Year 2 and c.50% in Year 3 (i.e. by Year 3 a total of £500k will need to be pledged as backstop capital to support a £1m underwriting vehicle). The actual requirement will depend on how both the underlying portfolio and capacity changes over time.

Illustration of potential Return on Capital for a "£1m starter home" with a 50/50 portfolio split between Helios and ALPs

Capital outlay (i)	£500,000	Total fees (iii)	(£150k)
Level of underwriting premium in years 1-5	£1,000,000	Profit Commission (iv)	(£26k)
Starter home purchase price	(£25k)	Total return (v)	£395k
Underwriting profits over 5 year period (ii)	£448k	Total return % outlay (vi)	179%

Notes

- i) Capital outlay by year 3, assuming no change in underwriting premium income level. Capital is held in custody at Lloyd's and can generate investment returns
- ii) Assumes no growth in underwriting premium year on year and 5 years of underwriting returns 2025 - 2029 based on Argenta view of market cycle
- iii) Includes all Helios, Argenta and Lloyd's charges as at January 2025. Fees only due on distribution of underwriting result
- iv) Argenta charge 5% and Helios charge 10% on the relevant underlying portfolio after members' agent fee and rental fee respectively
- v) Total return includes assumes 5% investment return on capital outlay
- vi) Initial capital outlay is returned together with total return

Flexible investment timeline:

Importantly, starter home investors may be able to acquire a starter home up until 30th June 2025 and potentially longer with Helios' agreement, while still gaining full access to what is anticipated to be an attractive underwriting year. This approach effectively addresses the stringent timelines that new investors face when seeking to participate.

Process

- 1 Upon acquiring the vehicle, the new investor must commit capital to facilitate underwriting, starting at a capital ratio of capital to total premiums underwritten of approximately 25%, increasing to approximately 50% after three years as additional underwriting years are incorporated.
- 2 A non-refundable deposit of £5,000 is required to register interest in a specific starter home, ensuring its removal from the market. This will be deducted from the acquisition fee of £25,000.
- 3 To onboard a new investor at Lloyd's, both Lloyd's and Argenta must evaluate your financial suitability and conduct due diligence, including Know Your Customer (KYC) checks regarding your financial background.
- 4 After receiving approval from Lloyd's, you will need to review and sign several agreements to finalise the acquisition of the vehicle:
 - a. Standard Sale and Purchase Agreement which sets out the asset acquired, price and standard warranties and indemnities
 - b. MAPA Capacity Agreement, which regulates the leasing of capacity from Helios (a MAPA is the Lloyd's version of an investment portfolio)
 - c. Argenta contract which sets out the services you will receive from Argenta (services include audit, accounting, tax and company secretarial)
- 5 Commit the necessary capital. If the capital is not in cash form, you will be required to work with a Lloyd's-approved Investment Manager.

Costs

Lloyd's Fees	Argenta Fees	Helios Fees
<ul style="list-style-type: none"> • A one-off onboarding fee of £1,000 per shareholder • A one-off change of control fee of £2,000 to acquire the starter home • If the capital is held outside the vehicle, they also charge a one off Third Party Funds at Lloyd's ("FAL") fee of £2,000 per FAL provider • Lloyd's annual fees are c.£4,500 per vehicle assuming underwriting capacity <£5m. 	<ul style="list-style-type: none"> • For a £1m starter home our fees would be 1.3% of capacity i.e. £13,000 • Included within our fee is accounting, audit, tax and company secretarial work for running the company or partnership • In addition, we charge a profit commission ("PC") of 5% on the net profit i.e. net of our fees, on the part of the portfolio we construct i.e. ALPs. 	<ul style="list-style-type: none"> • Helios charges a £25,000 fee to acquire the starter home (less any deposit paid). This will allow Helios to cover up to £5,000 of Lloyd's fees in the first year. • Helios charges a fee on the proportion of the portfolio constructed by Helios of 1.55% of capacity per underwriting year • Helios charges a PC of 10% of the net profit on the proportion of the portfolio constructed by Helios.

Contacts

Robert Flach

Managing Director,
Argenta Private Capital Ltd

Robert.Flach@argentagroup.com
+44 (0)20 7825 7179

Kate Tongue

Executive Director,
Argenta Private Capital Ltd

Kate.Tongue@argentagroup.com
+44 (0)20 7825 7231

 **Argenta**
Private Capital Ltd

www.argentagroup.com

