

LMAS/JAM/CFT/«MEMBER_CODE»

4 February 2008

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MEMORANDUM

SYNDICATE 536 – 1999 RUN-OFF YEAR OF ACCOUNT

I have been advised by Capita Syndicate Management Limited (CSM), the managing agent of Syndicate 536 that they wish to recommend to participating Names a Reinsurance to Close (RITC) for the above run-off year of account through CMGL Syndicate Management Limited. I enclose a copy of the letter we have received from CSM which outlines the proposal in greater detail.

Closure of the syndicate will result in a final cash call of 9.6% of capacity due for settlement on **30th June 2008** and will form part of this year's distribution process. A schedule detailing your share on the syndicate and the amount to be called is also enclosed.

If you have any objections or questions please let me know by no later than Wednesday 20th February 2008 and I will do my best to answer them for you or raise them with the managing agent.

«LetterName»

Encs.

CAPITA

INSURANCE SERVICES

Mr C Talbot
Lloyd's members Agency Services Ltd
Fidentia House, Walter Burke Way
Chatham Maritime
Chatham
Kent ME4 4RN

30th January 2008

Dear Cliff

Syndicate 536 – Reinsurance to Close Quotation

I am pleased to advise you that after inviting reinsurance to close (RITC) quotations from a number of reinsurers, Capita Syndicate Management Limited (CSM) has received the lowest priced quotation from CMGL Syndicate Management Limited (CMGL) for the reinsurance to close of the 1999 year of account of syndicate 536, effective 31st December 2007.

The reinsurance to close premium for the 1999 year quoted by CMGL is £7,963,000. The final cumulative result for the closed years of account is currently being calculated and is likely to be a loss of approximately £27,400,000 after personal expenses. The risk premium as a percentage of the net reserves as included in the draft December figures below is 14%. A comparison of this result and results previously reported is set out in the table below, together with the resultant balance due from members.

	1999 Year of account		
	Annual return 2006 £m	QMR Q307 £m	Indicative result* £m
Allocated capacity	25.0	25.0	25.0
Cumulative (loss) after personal expenses, but before members' agents' fees	(28.1)	(28.0)	(27.4)
Cumulative (loss) as a percentage of capacity	113%	112%	110%
Cash calls to date	25.0	25.0	25.0
Due from Members	(3.1)	(3.0)	(2.4)

* The indicative result which is subject to finalisation and audit, assumes acceptance of the RITC quote and closure as at 31 December 2007.

I must draw attention to interests of Capita Group and its associates in this quotation.

Since CSM took on the management of the run off of syndicate 536 in 2001 the administrative run off functions have been outsourced to another Capita subsidiary, initially Capita London Market Services limited (CLMS) and now Capita Commercial Insurance Services Limited (CCIS) under the terms of a run-off administration and management agreement. Certain executive directors of CSM are also directors of CCIS.

Capita Syndicate Management Ltd

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A condition placed by all reinsurers who provided firm quotations to CSM was that CCIS continues to provide run off services to the syndicate post RITC. CCIS has confirmed to CSM that it released the same pricing for such run-off administration services to all quoting reinsurers.


CMGL is a wholly owned subsidiary of CCIS and acts as managing agent for the accepting RITC syndicate and receives remuneration for this role.

Capita Group plc will have a shareholding, expected to be 10%, in the corporate vehicle supporting the accepting RITC syndicate. In addition a number of Capita staff (though none of the CSM Directors) will have a personal interest in a LLP supporting the accepting RITC syndicate.

In view of these interests, arrangements approved by the non-executive directors of CSM were put in place to ensure that there have been throughout the quotation process appropriate procedures to identify and manage conflicts of interest and to maintain the confidentiality of competing quotations. The management within CMGL involved in the pricing of the RITC and the management within CSM involved in the review process have remained completely separate.

The quotation is subject to CMGL receiving the necessary regulatory approvals. Subject to these, the Board of CSM is minded to accept this quotation at their next meeting on 22nd February 2008. If you have any questions relating to the quotation please contact me prior to then.

Yours sincerely



Philip Dietz
Managing Director – Capita Syndicate Management Ltd
Direct Tel: 0870 402 7658