

Lloyd's Members Agency Services Limited

LMAS/JAM/«MEMBER_CODE»

20 November 2009

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MEMORANDUM

SYNDICATE 957 1997, 1998 & 1999 YEARS OF ACCOUNT REINSURANCE TO CLOSE

I enclose, for your information, a copy of the letter I have received from Duncanson & Holt (D&H) Syndicate Management Limited, the managing agent of Syndicate 957, recommending the closure of the above syndicates run-off years of account at 31 December 2009.

You will note that D&H proposes to accept a quotation from RITC Management Limited, Syndicate 5678. For the reasons stated, the quotation is in a range based on the second quarter figures at 30 June 2009. The exact cost of closure will not be determined until the year end figures are finalised at which time I shall write to you again.

It is interesting to note that cash calls made to date as a percentage of syndicate capacity are as follows:

1997 – 34% 1998 – 77% 1999 – 125%

which may give an indication of the likelihood of a potential call or release when comparing with the June range of results including the RITC quotation.

If you have any questions to raise I shall do my best to answer them for you. As the quotation consultation period ends 15 December, I would ask that you raise any such questions with me by **Friday 11 December** in order for us to liaise with the managing agent.

«LetterName»

Encs.



Duncanson & Holt Syndicate Management Limited

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17 November 2009

Mr Cliff Talbot
LMAS
Walter Burke Way
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Dear Cliff,

Syndicate 957 Reinsurance to Close (RITC) Transaction

In the last 12 months, the DHSM Board has been carefully evaluating the developments on the Syndicate and the RITC market to determine the best time to approach the market. The Board made the determination during the summer that as there was sufficient stability within the Syndicate and the RITC market was competitive, it should approach the market for quotations. We are pleased to say that the process has been very competitive and we are now in the position to recommend the closure of Syndicate 957 into RITC Syndicate Management Limited Syndicate 5678 as at 31 December 2009.

As part of the process, all the Managing Agencies in Lloyd's were contacted to establish the parties that would be prepared to consider the RITC of Syndicate 957. Six syndicates provided indicative quotes based on the December 2008 figures and four of the six were then selected to provide detailed quotations based on the Syndicate's 30 June 2009 figures.

The impact of the transaction on the current forecast result of the Syndicate is set out in the table below.

Syndicate 957		Result Range	
Year	Stamp Capacity (£)	30 June 2009 QMR	30 June 2009 Including Quote
1997	59.79m	(15%)-(20%)	(12%)-(17%)
1998	53.31m	(64%)-(69%)	(62%)-(67%)
1999	47.50m	(119%)-(124%)	(117%)-(122%)

The reason we are providing a range is that the RITC Quote is based on the position as at 30 June 2009 and the transaction will not take effect until 31 December 2009. There remains therefore uncertainty as to the prevailing exchange rates at year end, the final investment returns and asset valuations and the level of expenses. Once the 31 December 2009 figures are finalised, we will provide you with the final figures and details of any cash calls or refunds due to capital providers. This will include any refunds due on the years where the losses have been over called.

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In reaching the decision to proceed as proposed above, much detailed analysis has been undertaken by ourselves, the appointed actuaries and the four short listed potential bidders. In addition, the Syndicate's actuaries and EMB Consultancy LLP were engaged to undertake a fair value exercise to provide an independent view against which the DHSM Board could then benchmark the RITC quotes received. The purpose of this work was to provide, from an independent perspective, an indication of what a fair market price for running off the Syndicate's liabilities to extinction might be. The quotations included in the result ranges above are consistent with the fair value work undertaken.

In reviewing the quotations, account has also been taken of the interests of the participants on the different years of account. All reinsurers who submitted quotations for the Syndicate did so on the basis that the three years would be closed together and none offered to reinsure a single year of account on a stand alone basis. Nonetheless, the DHSM Board has considered whether the premium for each year of account is, taken separately, reasonable.

The DHSM Board is pleased that it has been able to negotiate a RITC quotation for the members which we believe can achieve the closure that they require at a reasonable cost. The 28 day consultation period with the Syndicate members commences on the 17 November 2009 and will end on 15 December 2009.

We will make every effort to provide you with any additional information that you require to assess the RITC Quotations. We hope that you will support the DHSM Board's decision to purchase this RITC in respect of the three open years of Syndicate 957 and would welcome any feedback you might have. Please contact David McElhiney (Syndicate 957 Run-off Manager) or myself should you have any queries in this regard. Whilst we are happy to meet or speak with you to discuss the proposed RITC, we would also appreciate written confirmation of your views on the proposal. If we do not receive written confirmation of your views by the 15 December 2009, we will assume that you are supportive of the Board's recommendation.

Yours sincerely



Angus Sladen
Director

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