

Lloyd's Members Agency Services Limited

LMAS/JAM/«MEMBER_CODE»

4 December 2009

«CorrespondenceName»

nsion»

«Address_Lines»

«Post_Code»

«COUNTRY»

Please reply to: **LMAS**
Fidentia House
Walter Burke Way
Chatham Maritime
Chatham Kent
ME4 4RN

e-mail: «EMail»

Telephone: 01634 39 «Exte
Facsimile: 01634 392081
Web site: <http://www.lmas.co.uk>

MEMORANDUM

SYNDICATE 991 1998, 1999 & 2000 YEARS OF ACCOUNT

REINSURANCE TO CLOSE

I enclose, for your information, a copy of the letter I have received from Capita Managing Agency Limited (CMA), the managing agent of Syndicate 991, recommending the closure of the above syndicates run-off years of account at 31 December 2009.

You will note that CMA proposes to accept a quotation from Shelbourne Syndicate Services Limited. 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:

1998 – 48% 1999 – 37% 2000 – 36%

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 9 January 2010, I would ask that you raise any such questions with me by **Monday 4 January 2010** in order for us to liaise with the managing agent.

«LetterName»

Encs.

CAPITA

INSURANCE SERVICES

2nd December 2009

Cliff Talbot
LMAS
Fidentia House
Walter Burke Way
Chatham Maritime
Chatham
Kent ME4 4RN

Dear Cliff.

Syndicate 991 – Reinsurance to Close (“RITC”)

In the summer of this year, the CMA Board decided it would be appropriate to approach the market for quotations for the RITC of Syndicate 991. I am pleased to advise you that after a competitive process we are now recommending the closure of all open years of account of Syndicate 991 (1998, 1999 and 2000) into Syndicate 2008 managed by Shelbourne Syndicate Services Limited (Shelbourne) effective 31st December 2009.

To manage the reinsurance to close process, the Board engaged Aon Benfield, who, as part of that process, provided a fair value estimate to assist the Board in evaluating the initial quotations. In order to obtain as many quotes as possible, all Lloyd's Managing Agents were contacted to see whether they would be interested in quoting for the RITC of the Syndicate. Eight syndicates provided indicative quotes based on 31 December 2008 figures. Three of these syndicates were then selected to proceed to the next stage of full due diligence and to provide detailed quotations based on the Syndicate's 30 June 2009 figures. Following completion of due diligence, the lowest priced quotation was received from Shelbourne.

The reinsurance to close quoted by Shelbourne is estimated to produce a refund to members of between £8m-£10m for the 1998 year, a call from members of between £3m-£4m for the 1999 year, and a call from members of between £2m-£3m for the 2000 year.

The estimated results for the three years are set out in the table below.

Year of Account	Stamp capacity (£,000)	Result at 30.6.09 QMR	Est Result including RITC quote*
1998	59,876	(27.0%)	(28.5%-33.5%)
1999	74,906	(42.1%)	(38.8%-43.8%)
2000	57,135	(41.1%)	(37.7%-42.7%)

*The estimated result, which is subject to finalisation and audit, assumes acceptance of the RITC quote and closure as at 31 December 2009.

The reason we are providing a range for the estimated result including the RITC quote is that the RITC quote is based on the position at 30th June 2009 and the transaction will not take effect until 31st 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 31st December 2009 figures are finalised, we will provide you with the final set of figures and details of cash calls or refunds due to capital providers. This will also include any refunds due on open years where the losses have been over called.

Capita Managing Agency Limited

40 Dukes Place, London, EC3A 7NH www.capitainsuranceservices.co.uk

Registered office: The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

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Account has also been taken of the different interests of the participants for the different years of account. All reinsurers, submitting quotations for the Syndicate, did so on the basis that all open years would be closed together and none offered to reinsure a single year of account on a stand-alone basis. Nonetheless, the Board has considered that the quotation for each year of account is, taken separately, reasonable.

For members on the 1998 year of account, an additional feature of the RITC is that a separate account will be established within Syndicate 2008 in respect of an outstanding dispute with one of the Syndicate's reinsurers. This dispute has not been settled as at the date of this letter so an amount, which Capita considers should cover the liabilities under this dispute, will be placed into this account. The management of the dispute and the account will be in the hands of a joint committee consisting of representatives of Capita and Shelbourne, with the Capita representative having a veto on all decisions until the funds in the account are exhausted, or the parties agree that it is reasonably likely that the funds will be exhausted. Should the dispute be settled for a sum less than the total value of the fund, the balance of the fund will be returned to members. However, if the fund is exhausted, whether a settlement is achieved or otherwise, no further liability will accrue to members, and any further liability will be assumed by Syndicate 2008. I would emphasise that through this mechanism, the 1998 members are fully released from their liabilities on Syndicate 991 once the RITC is completed, and that the only way these members will have any further involvement in this matter will be in the event that there is a release to them of the balance on the account, including accrued interest, should the liability be settled below the amount within the separate account. I would also point out that the estimated refund to members on the 1998 year of account shown above assumes no additional refund to members from the separate account.

The 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 2nd December 2009 and will end on 9th January 2010.

We hope that you will support the Board's decision to purchase this RITC in respect of the three open years of Syndicate 991 and would welcome any feedback you might have. Please contact Harvey Simons (Syndicate 991 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 9th January 2010, we will assume that you are supportive of the Board's recommendation.

Yours sincerely



Philip Dietz
Director

Contacts:

Philip Dietz – Dir Tel. 0870 402 7658

Harvey Simons – Dir Tel. 0870 402 7629