

# Lloyd's Members Agency Services Limited

Our ref: LMAS/CFT/JAM/«MEMBER\_CODE»

6 January 2009

«CorrespondenceName»

«Address\_Lines»

«Post\_Code»

«COUNTRY»

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

Telephone: 01634 39 «Extension»  
Facsimile: 01634 392081  
Web site: <http://www.lmas.co.uk>  
e-mail: «EMail»

## MEMORANDUM

### SYNDICATE 1204 REINSURANCE TO CLOSE QUOTATIONS 1997, 1998 AND 1999 YEARS OF ACCOUNT

I enclose, for your information, a letter I have received from Spectrum Syndicate Management Limited (Spectrum), the managing agent of Syndicate 1204, providing details of a quotation received from Centrewrite Limited (Centrewrite) to close all the syndicate's open years of account at 31<sup>st</sup> December 2008.

The quotation is based on the syndicate's reserves as at 30<sup>th</sup> June 2008. Spectrum's letter shows the syndicate's ultimate loss projection, which includes the effect of the Centrewrite quotation. The likely outcome, when compared to cash calls made to date, is expected to produce a release in respect of the 1997 and 1998 and a small cash call for the 1999 year.

I also enclose a schedule detailing your involvement in the above syndicates run-off years of account which shows the likely result based on the return/(call) percentages quoted.

Although Spectrum states its Board considered the quotation to be severe LMAS agrees with the conclusion to accept the Centrewrite quotation for the reasons stated, particularly as it is by no means certain that closure could be achieved at 31<sup>st</sup> December 2009.

If you have any questions to raise on the proposal please let me know and I will do my best to answer them for you. Alternatively, in view of the limited time available, you may prefer to write directly to Richard Murphy at Spectrum. If so please do so by no later than **16<sup>th</sup> January 2009**.

«LetterName»

Encs.

Paul Box Esq  
 LMAS  
 Lloyd's of London  
 One Lime Street  
 London  
 EC3M 7HA

24 December 2008

Dear Paul

**RITC QUOTES SYNDICATE 1204**

In May 2008 SSM invited a number of third parties to provide RITC quotes for syndicate 1204. Only three providers expressed serious interest and one firm quote was forthcoming from Centrewrite.

The board of Spectrum Syndicate Management ("SSM") considered this quote at its meeting on 23 December 2008. The table below summarises the quote received.

| £ 000's                    | Centrewrite |
|----------------------------|-------------|
| Quote based on reserves at | 30.06.08    |
| Total Net Reserves         | 2,386       |
| Risk Premium               | 920         |

This quote was originally for a risk premium of £1,002k but we requested Centrewrite to review it and they were able to reduce it to £920k. If this quote is accepted and the quote rolled forward to year end the following appears to be the most likely cash outturn for Names on each year of account. This is subject to final analysis and the eventual impact of exchange rates and investment income.

| £ 000's   | 1997    | 1998      | 1999      |
|---|---------|-----------|-----------|
| Stamp capacity                                      | 18,138  | 21,059    | 17,704    |
| Ultimate loss including quote and year end accruals | (44.0)% | (115.00)% | (103.00)% |
| Cash called to date                                 | 47.65%  | 126.16%   | 100.41%   |
| Balance to (call)/return                            | 3.65%   | 11.16%    | (2.59)%   |

It can be seen that the 1997 and 1998 years would see cash returns and the 1999 year a marginal call.

The board of SSM consider this quote to be particularly severe but are conscious that the reserves are extremely small and there will be a minimum risk premium size. If this quote is not accepted the next best opportunity will be to hope 1204 closes with syndicate 53 at year end 2009 which is at best a 50/50 likelihood.

On this basis the board intend to accept the quote subject to finalising contract documentation and final due diligence. However given the risk premium loading the board wish to allow capital providers the opportunity to provide views. These should be addressed to me and received no later than 5pm on Tuesday 16 January 2009. In addition if you wish us to brief you on the quote please contact me or Stavros Martis on receipt of this letter and I or one of my colleagues will arrange to either meet or speak with you.

For the avoidance of doubt Spectrum provided estimates to Centrewrite for carrying out the servicing of the run-off of syndicate 1204 under contract. Centrewrite have confirmed that their quote includes run-off costs to extinction but, as requested, they have not informed us whether they intend to use Spectrum for this purpose.

Yours sincerely



**Richard Murphy**  
**CEO**