

Lloyd's Members Agency Services Limited

Our ref: LMAS/CFT/JAM/«MEMBER_CODE»

9 December 2008

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MEMORANDUM

SYNDICATE 1047 & 1173 REINSURANCE TO CLOSE TRANSACTION

I enclose, for your information, a letter I have received from Argenta Syndicate Management Limited, the managing agent of Syndicates 1047 and 1173, providing the latest information regarding their intention to close all the remaining syndicate open years of account at 31st December 2008.

The managing agent has received quotations based on the syndicates' results as at 30th September 2008. Their letter shows the syndicates' loss position and a loss position including a quote to affect a RITC in a range of 10%. At this juncture, they are unable to be precise on the cost to effect closure. There is still some degree of uncertainty for the reasons stated in their letter. However, it is considered appropriate that you should see their letter and it may be helpful to compare the position based on the midpoint of the range quoted against the percentage amount already called. This is as follows:

Year	30.09.2008 QMR	30.09.2008 Inc RITC	Already Called
Syndicate 1047			
2000	200%	192%	196%
2001	71%	70%	70%
2002	30%	27%	30%
Syndicate 1173			
1999	91%	90%	91%
2000	71%	65%	71%
2001	50%	35%	57%
2002	34%	33%	34%

In addition, I enclose a schedule detailing your involvement in the above syndicate's run-off years of account.

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Once the final closing figures are known, I will write to you again providing you with precise details of the cost of closure and how it will effect you. It may be concluded from the above the cost to affect a RITC from a cash flow prospective should be small or negligible.

«LetterName»
Names' Executive

Encs.



Argenta

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4th December 2008

Dear *Cliff,*

**SYNDICATES 1047 AND 1173
REINSURANCE TO CLOSE TRANSACTION**

The purpose of this letter is to let you know that it is our intention, subject to contract, to reinsure to close all remaining open years of the above Syndicates as at 31 December 2008.

You will be aware from previous correspondence and the meeting held earlier in the year, that we have been pursuing opportunities for closure of these Syndicates for the past 12 months or so. We are now in the final stages of concluding, with a third party syndicate, transactions that will provide closure of all the open years of account in question. We believe that transactions of the nature envisaged are in the best interest of capital providers.

The impact of the transactions on the current forecast results of the Syndicates is set out in the tables below.

Syndicate 1047

Year	Stamp £ million	Result Ranges	
		At 30 September 2008 (per QMR)	At 30 September 2008 (incorporating quotes to close)
2000	32.2	(195%) – (205%)	(187%) – (197%)
2001	34.9	(66%) – (76%)	(65%) – (75%)
2002	19.1	(25%) – (35%)	(22%) – (32%)

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Syndicate 1173

Year	Stamp £ million	Result Ranges	
		At 30 September 2008 (per QMR)	At 30 September 2008 (incorporating quotes to close)
1999	88.3	(86%) – (96%)	(85%) – (95%)
2000	70.9	(66%) – (76%)	(60%) – (70%)
2001	59.2	(45%) – (55%)	(30%) – (40%)
2002	15.1	(29%) – (39%)	(28%) – (38%)

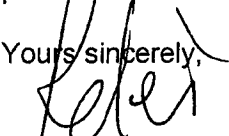
Would you please note, however, that the result ranges incorporating the reinsurance to close quote are based on the position as at 30 September 2008. The transaction will not take effect until 31 December 2008 and there remains an element of uncertainty, therefore, as to the prevailing exchange rates at the year end, the final investment returns and asset valuations and the level of expenses.

In reaching the decision to proceed as proposed above, much detailed analysis has been undertaken both by ourselves, the appointed actuaries and the 5 short listed potential bidders. A detailed review of the liabilities as at 30 June 2008 was carried out with a view to eliminating any redundancy in the reserves and to provide a true best estimate of the funds necessary to run-off the liabilities to ultimate.

In addition, the Syndicates' actuaries, EMB Consultancy LLP, were engaged to undertake a fair value exercise to provide an independent view against which we could then benchmark any 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 Syndicates' liabilities to extinction might be. The quotations included in the result ranges above are consistent with the fair value work undertaken.

Whilst the transactions remain subject to contract, we are looking to agree a suitable wording and enter into binding agreements within 14 days from the date of this letter. We will shortly be contacting you to arrange a meeting to discuss the content and implications of this letter. If in the meantime, however, you have any questions, please do not hesitate to let me know.

Yours sincerely,



P J BRUIN