

# Lloyd's Members Agency Services Limited

Our ref: LMAS/JAM/«MEMBER\_CODE»

22 December 2008

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## MEMORANDUM

### SYNDICATE 1121

### 1998 AND 1999 RUN-OFF YEARS OF ACCOUNT

I enclose, for your information, a copy of the letter I have received from the managing agent of Syndicate 1121 advising of the intention to close the above years of account at 31<sup>st</sup> December 2008.

You will note that the managing agent proposes to accept a quotation by the Shelbourne Syndicate which is likely to result in a cash call of 11.75% and 3.09% in respect of the 1998 and 1999 year of account respectively. I enclose a schedule detailing your involvement in the above syndicate's run-off years of account and the cost to effect closure. I should emphasise at this juncture that the cost figures are based on the reserves at 30<sup>th</sup> September 2008 and may be subject to change once the final result at 31<sup>st</sup> December 2008 is determined.

I hope the enclosures are helpful but if you have any questions to raise I will do my best to answer them for you.

«LetterName»

Encs.

Paul Box Esq  
 LMAS  
 Lloyd's of London  
 One Lime Street  
 London  
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19 December 2008

Dear Paul

**RITC QUOTES SYNDICATE 1121**

In May 2008, Spectrum Syndicate Management Limited (SSM) invited a number of third parties to provide RITC quotes for syndicate 1121. Only three providers expressed serious interest and two firm quotes were received being:

- Centrewrite
- Shelbourne

The board of SSM considered these quotes at its meeting on 15 December 2008. The table below summarises the quotes received:

£ 000's	Shelbourne	Centrewrite
Quote based on reserves at	30.09.08	30.06.08
Total Net Reserves	28,441	31,462
Risk Premium	4,500	7,373
Return Premium	4,725 max	8,146

Essentially, when adjustment is made for the the different dates on which the quotes are made, the two quotations are exactly the same with the exception of the risk premium. The risk premium is effectively in respect of the outcome of the Reliance dispute which is not reserved and could cost the syndicate \$12m. Shelbourne are prepared to accept less to assume this risk. The risk premium on this basis splits broadly two thirds to the 1998 year of account and one third to the 1999 year of account.

Rolling the quote 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.

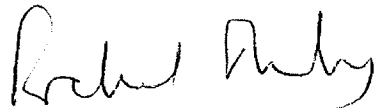
£ 000's	1998	1999	2000
Stamp capacity	40,138	37,527	37,527
Ultimate loss including quote and year end accruals	(87.70)%	(69.90)%	(55.00)%
Cash called to date	75.95%	66.81%	54.42%
Balance to (call)/return	(11.75)%	(3.09)%	(0.58)%

In the event there is a return premium this will go in the same proportions to the 1998 and 1999 years of account. In simple terms at maximum approximately 7.5% of stamp will be returned to the 1998 year and 4.0% to the 1999 year of account. On this basis the board intend to accept the Shelbourne quote subject to finalising contract documentation and final due diligence. If capital providers wish to provide views these should be addressed to me and received no later than 5pm Tuesday 16 January 2009.

For the avoidance of doubt Spectrum provided estimates to Shelbourne for carrying out the servicing of the run-off of syndicate 11121 under contract. Shelbourne 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.

If anyone has any questions with regard to the above, please do not hesitate to contact Stavros Martis or myself.

Yours sincerely



Richard Murphy  
CEO