

Lloyd's Members Agency Services Limited

LMAS/JAM/«MEMBER_CODE»

21 January 2009

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MEMORANDUM

SYNDICATE 2 2001 & 2002 RUN-OFF YEARS OF ACCOUNT

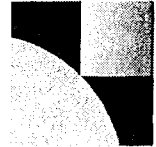
Further to my memorandum of 11 December 2008 regarding the managing agent's progress towards achieving a reinsurance to close at 31 December 2008, I now enclose a copy of Advent Underwriting Limited's (AUL) letter of 19 January 2009 in which they recommend the acceptance of the quotation from Advent Capital to close the above syndicate's open years of account through the setting up of a dedicated syndicate based on the net reserves held as at 31 December 2008.

The closing position will result in the uncalled loss of approximately 19% being called in respect of the 2001 account and the remaining surplus of approximately 12.6% being released in respect of the 2002 account. I enclose a schedule detailing your involvement in the above syndicates run-off years of account which show the effect of the terms of closure as detailed above. It is felt by the members' agents community that closure based on the net reserves is a realistic proposition. However, (AUL) is allowing a 30 day consultation period during which Names can express their views. If you have any questions to raise or objections to the proposal I would be grateful if you would kindly advise me by no later than **13 February 2009**.

«LetterName»

Encs.

ADVENT UNDERWRITING LIMITED



C F Talbot Esq
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19 January 2009

Dear Cliff,

Syndicate 2

Further to our letter of 4 December 2008, (copy enclosed for reference) and our subsequent meetings, we are now writing to advise you that the Board of Advent Underwriting Limited (AUL), having considered the options to close the 2001 and 2002 years of account of Syndicate 2, is now minded to recommend closure of both years as at 31 December 2008.

As you will be aware from our recent meeting, we reiterated the importance for the AUL Board to demonstrate independence from any potential conflicts of interest when making recommendations to close the run off years of Syndicate 2. In this regard we formed a committee of two Executive Directors (John Towers and Philip Green) and two Non-Executive Directors (Richard Finn and Peter Cresswell) who have actively been responsible for overseeing this process.

In July 2008 quotes from two Specialist RITC Syndicate's were received both which required risk premiums. In addition a quote from Advent Capital at net reserves (i.e. a "nil" risk premium) was received.


Following feedback from Members Agents we were asked to review the position of these quotes received in July 2008. We sought two further quotes whilst also seeking clarification from Advent Capital that the previous quote of a 'nil' risk premium still stood.

One of the quotes received was from a Specialist RITC Syndicate that had quoted a risk premium in the July 2008 process. After reviewing the latest information, they confirmed that they were not able to quote for closure at net reserves, or below, i.e. they would still require a risk premium.

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LLOYD'S Underwriters



We also requested a new quote from another Specialist RITC Syndicate, which has demonstrated a commercial interest in quoting for closure of other syndicates in run-off. This Syndicate has now confirmed that they cannot provide a quote to close both years without a risk premium. An alternative type of run off quote was also considered but the Syndicate was not able to quantify the size, structure or terms of the risk premium without further analysis. The Board's view is that even after further analysis there is no guarantee that a definitive quote would be produced and that the time taken for further analysis would prejudice closure at 31 December 2008 under Lloyd's regulatory deadlines.

At the same time in regard to the existing quote received from Advent Capital at net reserves, clarification was sought that this quotation would be honoured given the time elapsed. We have received confirmation that the quotation to close both years at net reserves as at 31 December 2008 (with no risk premium) will be honoured, but is not open ended and would be subject to acceptance by the AUL Board at the end of the consultation period. Members Agents will know that it has been the intention to close Syndicate 2's open years into a natural successor syndicate, and the Advent Capital proposal achieves this through the setting up of a dedicated syndicate.

Closing open years has always been a responsibility of Boards of Managing Agents. In its deliberations the AUL Board has to be sure that the process to obtain quotations is transparent and that recommending closure is fair to all capital providers. Mindful of this the AUL Board has ensured that all parties to the quotation process (including Members Agents or their appointed representatives) are able to see sight of any records relating to Syndicate 2 including the external Actuarial Reserving Report on the reserves held for Syndicate 2 on the 2001 and 2002 years of account at 31 December 2007.

Having conducted a thorough and transparent process the AUL Board are minded to accept the quotation from Advent Capital to close Syndicate 2's 2001 and 2002 years of account into a dedicated syndicate at net reserves held at 31 December 2008, subject to completion of year end audit.

Closure will result in outstanding balances from the 2001 year of account being called and surpluses from the 2002 year of account being released see attached Appendix 1.

In order for Members Agents to advise their Names of the current status and for Members Agents to make their own recommendations, the AUL Board has agreed to allow a 30 day consultation period as from Monday 19 January 2009.

Feedback from Names should in the first instance, be given to their respective Members Agent. In turn Members Agents should collate responses and advise the AUL Board of any comments by Wednesday 18 February 2009.

Yours sincerely,
On behalf of the Board of Advent Underwriting Limited



John C Towers
Director



Philip J Green
Director

c.c. Steve McCann, Head of Lloyd's Run off
Nick Clements, FSA

Appendix 1

Syndicate 2 Draft 31 December 2008 figures subject to audit and external actuarial review and approval.

	Result as percentage of capacity	Called/ (distributed) as percentage of capacity	Balance due (from)/to Names per £10,000 share after illustrative personal expenses, deducting cash calls made and distributed profits
2001 YOA	(49.04%)	30.0%	£(1,831)
2002 YOA	16.83%	(4.19%)*	£1,264
* 5% was distributed, but paid in US dollars, now equivalent to (4.19%)			