

Lloyd's Members Agency Services Limited

LMAS/JAM/«MEMBER_CODE»

7 January 2011

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MEMORANDUM

SYNDICATE 340 2000 AND 2001 YEARS OF ACCOUNT

REINSURANCE TO CLOSE

I enclose for your information a copy of the letter I have received from Travelers Syndicate Management Limited (Travelers) the managing agent of Syndicate 340, providing details of a quotation they have received for the closure of the above syndicate's run-off years of account at 31 December 2010.

You will note that Travelers recommends the approval of a quotation from Berkshire Hathaway the outcome of which is anticipated to achieve a release to Names of 28.4% and 1.6% of share for the 2000 and 2001 accounts respectively. This compares with the 71% loss, of which 67.5% had been called (2000 a/c) and the uncalled loss of 13% (2001 a/c) advised in the syndicate Report & Accounts at 31 December 2009.

The effect of the proposed RITC on your syndicate participation is shown on the enclosed schedule. The release will be made through the Lloyd's Distribution Process in June of this year. The cash balance will initially be used to settle any outstanding debts and, if applicable, to satisfy Lloyd's Capital Test requirements. The balance will be released to you via the banking system to the account we have on file.

If you have any questions to raise on the enclosures please let me know as quickly as possible, but in any event by no later than **26 January 2011**.

«LetterName»

Encs.

4 January 2011

Dear Cliff,

Syndicate 340

I am pleased to report that the Managing Agency has now been provided with a quote which should enable the Agency to effect a reinsurance to close both the 2000 and 2001 underwriting years of account as at 31st December 2010.

I have tabled below brief details but I should stress that until contracts are exchanged, terms may be subject to change. The figures shown represent the pure maths of applying the quoted terms to the net reserves held and reported to Lloyd's in the QMR as at 30th September 2010, and there will inevitably be some final adjustments. That being said, the figures tell a very clear story.

For some years we have used AonBenfield to advise us on how they believed the syndicate might achieve closure. The reason why the years of account have had to be left open has been the scale of uncertainty as to the eventual outcome of the losses arising out of the terrorist activities in the USA on 11th September 2001. Members will recall that, whilst a settlement was reached between various of the involved parties last year, that settlement still required the sanction of the court and did not embrace all outstanding issues. Whilst this remains the cases we agreed, after consultation with AonBenfield, that it would be prudent to test the appetite of market participants for quoting terms to effect a reinsurance to close. Interest was expressed by four entities, two of whom submitted quotes in December.

Subject to proper consultation with all interested capital providers and subject to contract, a sub-committee of the Managing Agency Board has indicated approval to a quote provided by Berkshire Hathaway and will be recommending approval to the full Board. The sub-committee has weighed up the alternatives to accepting this quote and, in light of the material uncertainties which continue to be a feature of these two longstanding years of account, has concluded that the Berkshire Hathaway proposal is a good deal for capital providers. Lloyd's has been kept advised.

The figures are as follows:

2000 Year of Account
Net Reserves as at 30th September 2010: £55.822m
Berkshire Hathaway quote: £41.222m

2001 Account
Net Reserves as at 30th September 2010: £3.525m
Berkshire Hathaway quote: £3.778m

If this transaction proceeds, we expect the practical impact will be cash releases to Names of approximately 28.4% of stamp capacity in respect of 2000 and 1.6% in respect of 2001, to be accounted for in the normal Lloyd's distribution process which will take place in the second quarter of 2011. Do please bear in mind that there are bound to be some adjustments as the negotiations are concluded.



Meanwhile the Managing Agency believes that the terms offer certainty to all parties; finality for those Names for whom this is their final Lloyd's involvement; and a material payment of cash to Names.

Please do not hesitate to contact Steve Eccles, Active Underwriter, or me if you have any questions. We look forward to hearing your comments.

Yours sincerely,

Barnabas J Hurst-Bannister