

FROM: Senior Manager, Market Reporting & Analysis
LOCATION: 86/G5
EXTENSION: 5129
DATE: 21st February 2002
REFERENCE: Y2730
SUBJECT: MAJOR CLAIMS SCHEME WITHDRAWALS
SUBJECT AREA(S): US REPORTING
ATTACHMENTS: Two
ACTION POINTS: **Please note revised procedure**
DEADLINE: **None**

The purpose of this bulletin is to advise all Managing Agents of the revised procedures and requirements of the Major Claims Scheme (MCS).

Background

Following the terrorist attacks on the US on 11 September 2001 (WTC), the New York Insurance Department (NYID) effectively suspended the MCS. The suspension applied to both the US Situs Surplus Lines and Credit for Reinsurance Trust Funds. Following detailed discussions with the NYID, they have now agreed to reinstate the MCS subject to the following conditions:

General qualifying criteria and procedure

1. The claim must have been paid prior to initiating a MCS.
2. The requested amount of the withdrawal must exceed 10% of the TFMA in the previous quarterly filing for the relevant year of account.
3. The claim must have been reserved against in the previous quarterly filing.
4. Individual claims payments may be aggregated for any one event in establishing whether the 10% threshold is exceeded. Accordingly, claim payments to multiple assureds or reassureds for the same event may be combined, but syndicates may not add together claims payments for multiple attritional losses.
5. One MCS request permitted per month for each trust fund.
6. No withdrawal permitted where the syndicate trust fund is subject to a freeze.
7. No withdrawal permitted in the CRTF until the syndicate has funded 100% of WTC liabilities.
8. No withdrawal permitted for the current year of account.
9. Ten days notice is required. The MCS request should be submitted on Tuesday of week 1, for release of funds on Friday of week 2.

10. No MCS withdrawal will be permitted within 10 days of the normal quarterly funding date. For example, assuming the Q1 2002 funding date is Tuesday 14 May, the last date for submitting a MCS request would be Tuesday 23 April for release of funds on Friday 3 May. The next request would be submitted on Tuesday 21 May for release of funds on Friday 31 May.
11. The attached workbook and declaration must be completed for each MCS withdrawal.

Please note that NYID have not prescribed a minimum US Dollar figure to apply. I would confirm, however, the strong representations of NYID that the SLTF and CRTF are not working funds and frequent requests for withdrawals will be rejected. Accordingly, Lloyd's has set a minimum figure of \$2m per withdrawal. This figure may need to be reviewed in the light of the number of MCS requests submitted.

Special circumstances

NYID have agreed to consider favourably MCS applications, outside of the above timetable and conditions, in respect of market wide exceptional large claim payments arising from WTC. Each submission will be considered on a case by case basis. I would request that market leaders liase with me on the above number or Leslie Redmond on extension 5490, when an exceptional claim is imminent, so that as much notice as possible can be given to NYID and agree the procedure to expedite a MCS withdrawal.

If you have any questions regarding this bulletin, please contact either Leslie Redmond on extension 5490, James Walmsley on extension 5131 or myself on extension 5129.

This bulletin has been sent to all managing agents and to recognised accountants for information.

John Parry

Schedule for completion for all major claim scheme withdrawals

Appendix A

Syndicate	Managing Agent	Trust Fund	YOA	Name of Assured	Name of Claim	Date of Loss	Amount of Claim	Date Loss Paid	Amount Reserved	Total amount reserved for loss at last Q/E	Total Gross Reserves for yoa at last Q/E	TFMA at last Q/E	Amount Reserved/TFMA %
ABC	XYZ Underwriting Limited	SLTF	2000	Policy holder1	Cat 00XX	01/01/00	2,000,000	dd/mm/yy	600,000	1,000,000			
ABC	XYZ Underwriting Limited	SLTF	2000	Policy holder2	Cat 00XX	01/01/00	1,000,000	dd/mm/yy	300,000	300,000			
ABC	XYZ Underwriting Limited	SLTF	2000	Policy holder3	Cat 00XX	01/01/00	5,000,000	dd/mm/yy	1,500,000	1,500,000			
					Sub Total		8,000,000		2,400,000	2,800,000	40,000,000	12,000,000	20.00%
ABC	XYZ Underwriting Limited	SLTF	2001	Policy holder4	Cat 01XX	01/01/01	7,000,000	dd/mm/yy	2,100,000	2,100,000			
					Sub Total		7,000,000		2,100,000	2,100,000	30,000,000	9,000,000	23.33%

**CASH MOVEMENT INSTRUCTION TO LDTF FROM SLTF AND /OR * CRTF
To: SETTLEMENT & TRUST FUND OPERATIONS, C/O MRAD 86/G5**

Syndicate: _____

	I hereby instruct you to :	1999 Year of Account	2000 Year of Account	2001 Year of Account	All Years of Account (Total)
		\$	\$	\$	\$
A	debit the Syndicate's SLTF A/c No.....				
B	and debit the Syndicate's CRTF A/c No.				
C	and credit LDTF A/c No.....in the sum of				

NOTE: A + B = C

CERTIFICATION BY MANAGING AGENT

To: MARKET REPORTING & ANALYSIS DEPARTMENT, GALLERY 5/86, LLOYD'S; and CITIBANK NA, AS TRUSTEE

I hereby certify, with respect to the withdrawal from the Lloyd's United States Surplus Lines/Credit for Reinsurance [please delete as applicable] Trust Funds of the amount specified in this instruction, that:

- 1) the amount being withdrawn is limited to the appropriate reserves for liabilities included in the most recent quarterly filing of the Trust Fund Minimum Amount for the relevant years of account for the underwriters comprising the above syndicate and relates to _____ [name of loss] which has been paid out of the syndicate's LDTF;
- 2) the syndicate cannot pay such claims with US dollar assets held outside of the situs trust funds without putting a significant strain on the syndicate's liquidity;
- 3) the amount hereby instructed to be withdrawn from the SLTF for any year of account for any purpose will not
 - (a) be in excess of the amount of cash available for withdrawal in the SLTF for such year of account on the settlement date; or
 - (b) cause the amount of trust fund assets in the SLTF for such year of account to be less than the Trust Fund Minimum Amount for such year of account (as adjusted for any withdrawal to pay any Claim (directly to American Policyholders or Third Parties or to the syndicate's LDTF for such payment), or to reimburse the syndicate's LDTF for such year of account for paying any Claim, by an amount not exceeding the amount reserved against such Claim in the previous quarterly filing for such year of account;
- 4) in the event that for any reason execution of the instructions of the Managing Agent or the Agent's Representative to the Trustee of the SLTF would cause the cash assets in the SLTF for any year of account to be less than zero, and the Trustee, in its discretion, chooses to execute such instruction, the Trustee is further authorized and instructed to sell such other assets, or draw down letters of credit in the SLTF for such year of account as may be necessary to provide the cash necessary to execute such instruction;
- 5) the amount hereby instructed to be withdrawn from the CRTF for any year of account for any purpose will not
 - (a) be in excess of the amount of cash available for withdrawal in the CRTF for such year of account on the settlement date; or

