

FROM: Mike FitzGerald, Treasury Services
LOCATION: 86/G5
EXTENSION: 5901
DATE: 16 October 2003
REFERENCE: Y3162
SUBJECT: ADDITIONAL SECURITIES LIMITED (ASL) – 2002
EXPENSE COLLECTION
ATTACHMENTS: See Appendix 1
ACTION POINTS: **To note that the ASL 2002 Expense collection will
take place on 23rd October 2003**
DEADLINE: None

1. Introduction

Additional Securities Ltd expenses for 2002 will be collected from syndicates based on 2002 premium income. Expenses are to be allocated to underwriters for all countries including countries where ASL funded deposits from its accumulated reserves.

2. Collection

In order to ensure transparency, ASL's expenses have been allocated equitably to syndicates writing business in each territory that ASL maintains a deposit, regardless of how this deposit has been funded. For those countries where the deposit was funded from reserves, the cost of using these reserves for this purpose has been charged to appropriate underwriters. However, whilst underwriters receive a separate income distribution for those countries where they fund deposits, income earned upon the deposits funded from reserves has been utilised to offset relevant operating expenditure. Such income includes interest earned as well as foreign exchange gains and losses on these deposits.

The management of the deposits in 2002 has resulted in net expenses amounting to £407k being due from underwriters. All amounts are to be apportioned to syndicate level based upon applicable 2002 premium income. The attached appendix provides analysis of all amounts at a country level, and it should be noted that a de minimis of £5,000 is applied at country level. The collections and distributions will be made from/to syndicate sterling PTF's on 23 October 2003.

Should you have any queries regarding the adjustment please contact either myself on Lloyd's extension 5901 or alternatively Tracey Freeman on Lloyd's extension 2243.

3. 2003 Expense Collection

Following a recent review of procedures for the funding of the company's operating expenditure the ASL Board concluded that in future, ASL expense collections will take place at the beginning of each year. As such, 2003 ASL expenses will be collected early in 2004. The date for the collection will be advised to Managing Agents in due course.

This bulletin has been sent to all Managing Agents.

Mike FitzGerald
Treasury Services

ASL OPERATING EXPENSES - 2002**Net Adjustment (£)****DEPOSITS FUNDED VIA COLLECTIONS FROM UNDERWRITERS**

COUNTRY	Expenses	2002 Levy Rate (%)	Income, gains & losses on deposit	Adjustment Due Coll/(Dist)
Australia	0	-	31,213	31,213
Cyprus	24,359	0.43	(1,271)	23,088
Hong Kong	202,528	0.27	5,686	208,214
Malta	5,878	0.11	165	6,043
Singapore	67,252	0.18	(4,770)	62,482
St Lucia	4,237	0.15	(56,795)	(52,558)
Switzerland	122,416	0.15	44,118	166,534
Trinidad & Tobago	7,700	0.03	33	7,733
TOTAL	434,370		18,379	452,748

DEPOSITS FUNDED FROM COMPANY RESERVES

COUNTRY	Expenses (Inc. Cost of Borrowing)	2002 Levy Rate (%)	Income, gains & losses on deposit	Adjustment Due Coll/(Dist)
Barbados	1,694	0.01	18,279	19,973
Belize	1,365	0.04	5,881	7,246
Canada	1,158	0.00	46,052	47,209
Grenada	2,359	0.01	18,791	21,150
Israel	274	0.00	6,068	6,342
Namibia	5,016	0.34	(118,948)	(113,932)
New Zealand	568	0.00	(33,344)	(32,776)
Papua New Guinea	1,029	0.02	(34,906)	(33,877)
St Kitts	480	0.02	7,947	8,426
Zimbabwe	7,827	0.31	16,267	24,094
TOTAL	21,769		(67,913)	(46,144)

GRAND TOTAL	456,139		(49,534)	406,605
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