

MARKET BULLETIN

From	Manager, Overseas Reporting, Market Reporting (extn 5490)
Date	28 April 2006
Reference	Y3801
Subject	Major Claims Withdrawal Scheme in respect of Hurricanes Katrina (CAT 05H), Rita (CAT 05L) and Wilma (CAT 05M)
Subject areas	US Situs Trust Fund Reporting
Attachments	Two
Action points	Please note amended procedure in respect of Hurricanes Katrina, Rita and Wilma claims
Deadlines	None

The purpose of this bulletin is to advise all Managing Agents of the amended procedure and requirements of the Major Claims Scheme ("MCS") in respect of CAT codes 05H, 05L and 05M. Please refer to bulletin Y2730 issued on 21 February 2002 for details of the standard scheme.

Background

Following discussions with the New York Insurance Department ("NYID") Lloyd's has obtained permission to treat all CAT codes 05H, 05L and 05M claims reserved in the US Situs Trust Funds under an amended MCS procedure. The NYID will allow the market to make weekly withdrawals from the US Situs Trust Funds so as to assist market liquidity. The amended procedure is a temporary facility and is outlined below.

Summary of process

The amended MCS in respect of losses arising from hurricanes Katrina, Rita and Wilma closely mirrors the existing scheme for CAT 01G (Attack on the US). Syndicates will be able to submit withdrawal requests on a weekly basis in respect of paid claims for these

three hurricanes subject to a minimum request of US\$500,000 per syndicate and a minimum of \$2,000,000 aggregate release across the whole market per week. These limits apply to the three hurricanes in aggregate for both SLTF and CRTF combined. If this market threshold is not met for any week then Market Reporting will notify any agents who have submitted a release request that no withdrawal will be made that week. The requirement that the withdrawal must exceed 10% of the TFMA in the previous quarterly filing for the relevant year of account will not apply to this scheme.

Syndicates must submit Appendix A in electronic format to the Market Reporting mailbox Lloyds-MR-OverseasReporting@lloyds.com and Appendix B in hard copy format to David Cokayne in Market Reporting ("MR") by midday Monday in order to enable a release that week.

Any applications not processed because the market threshold was not met, together with any late submissions, will be held over to the next available application date. If you wish to increase the amount of any application which has been held over please advise MR and submit revised forms by the midday Monday deadline (these must be clearly marked to show they replace a held over application).

MR will review and check each submission prior to onwards transmission to Citibank and the NYID in New York, and to the Settlement and Trust Fund Operations ("STFO") in Chatham. This will allow the release of funds from the US Situs Trust Funds into syndicates' Lloyd's Dollar Trust Funds ("LDTF") for value date Thursday of the same week.

Points to note

- 1 Syndicates must ensure that sufficient cash is available in order for a transfer out of the US Situs Trust Funds to take place. Should Citibank not execute a transfer due to insufficient cash then the transfer will be made at the earliest opportunity provided sufficient assets have been liquidated in time by the syndicate. Agents are reminded that under no circumstances should Investment Managers adopt the practice of relying on proceeds from securities which are expected to mature just after the value date for the cash transfer to the LDTF. Where Letters of Credit are to be drawn down on Managing Agents should allow at least seven working days after notifying the US Situs Trustee for the cash to be available for transfer to the LDTF.
- 2 No withdrawal will be permitted during the 10 days prior to the normal quarterly funding date or until 15 days after this date.
- 3 The first date that an withdrawal application may be made following the issue of this Market Bulletin is Tuesday 30 May 2006 (Monday being a US national holiday) for payment on Friday 2 June 2006.

Contact details

If you need assistance or advice on the completion of the forms for submission please contact David Cokayne on extension 6238.

Yours faithfully

Leslie Redmond
Manager, Overseas Reporting
Market Reporting

Syndicate	Managing Agent	Trust Fund	YOA	Name of Assured (SLTF)/ Reassured (CRTF)	Name of Claim	Date of Loss	Amount of Claim	Date Loss Paid	Amount Reserved	Total amount reserved for loss at last Q/E	Gross Reserves	TFMA	Amount Reserved/T FMA
SLTF													
9999	ABC Underwriting	SLTF	2000	Policy holder	Hurricane	dd/mm/yy		dd/mm/yy					
9999	ABC Underwriting	SLTF	2000	Policy holder	Hurricane	dd/mm/yy		dd/mm/yy					
9999	ABC Underwriting	SLTF	2000	Policy holder	Hurricane	dd/mm/yy		dd/mm/yy					
			2000		Sub Total		0		0	0			#DIV/0!
CRTF													
9999	ABC Underwriting	CRTF	2000	Policy holder	Hurricane	dd/mm/yy		dd/mm/yy					
9999	ABC Underwriting	CRTF	2000	Policy holder	Hurricane	dd/mm/yy		dd/mm/yy					
9999	ABC Underwriting	CRTF	2000	Policy holder	Hurricane	dd/mm/yy		dd/mm/yy					
			2000		Sub Total		0		0	0			#DIV/0!

- 1 **Reserves Movements worksheet must be completed.**
- 2 Shaded boxes must be completed.
- 3 "Amount of Claim" is the amount the syndicate has paid. Please refer to syndicate claims personnel to clarify amount.
- 4 "Date Loss Paid" is the payment date.
- 5 "Amount Reserved" is determined by the level of reserving in the trust fund i.e. 30% SLTF
- 6 "Total Amount Reserved for Loss at Last Q/E" is the total amount included in the trust fund for the loss at the end of the previous quarter.
- 7 "Gross Reserves" is the 100% reserve for the trust fund year of account as per form RI/SL 2 line 1 of the syndicates most recently filed return.
- 8 "TFMA" is the Trust Fund Minimum amount for the year account as per form RI 2 (line 4) and SL 2 (line 2) of the syndicates most recently filed return.

Katrina CAT 05H Gross Reserve Trust Fund Movements

	SLTF 2003	SLTF 2004	SLTF 2005	CRTF 2003	CRTF 2004	CRTF 2005
CAT 05H Situs Fund reserve balance at the start of the quarter						
CAT 05H Previous reserve releases during the quarter						
CAT 05H Requested reserve release in respect of paid claims						
CAT 05H Closing Situs Fund reserve balance	0	0	0	0	0	0

Rita CAT 05L Gross Reserve Trust Fund Movements

	SLTF 2003	SLTF 2004	SLTF 2005	CRTF 2003	CRTF 2004	CRTF 2005
CAT 05L Situs Fund reserve balance at the start of the quarter						
CAT 05L Previous reserve releases during the quarter						
CAT 05L Requested reserve release in respect of paid claims						
CAT 05L Closing Situs Fund reserve balance	0	0	0	0	0	0

Wilma CAT 05M Gross Reserve Trust Fund Movements

	SLTF 2003	SLTF 2004	SLTF 2005	CRTF 2003	CRTF 2004	CRTF 2005
CAT 05M Situs Fund reserve balance at the start of the quarter						
CAT 05M Previous reserve releases during the quarter						
CAT 05M Requested reserve release in respect of paid claims						
CAT 05M Closing Situs Fund reserve balance	0	0	0	0	0	0

Notes

- 1 "Situs Fund reserve balance at the start of the quarter" is the actual reserves held in the trust fund as per your Hurricane Reserves submission last quarter.
- 2 "Previous reserve releases during the quarter" is the total of any releases already made during the quarter.
- 3 "Requested reserve release in respect of paid claims" is the release amount you are requesting with this application.

CASH MOVEMENT INSTRUCTION TO LDTF FROM SLTF AND /OR * CRTF

To: SETTLEMENT & TRUST FUND OPERATIONS, C/O MARKET REPORTING 86/G5

Syndicate: _____

Cash Transfer Value Date: _____

	I hereby instruct you to :	Year of Account \$	Year of Account \$	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, 86/G5, 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

