

MARKET BULLETIN

From	Market Finance (Extn 5901)
Date	7 March 2007
Reference	Y3973
Subject	ADDITIONAL SECURITIES LIMITED (ASL) - 2007 Collection & Distribution
Subject areas	Overseas deposit collection and distribution
Attachments	None
Action points	Managing Agents to note contents
Deadlines	Queries on individual statements to be made by 22 March 2007

Executive Summary

The purpose of this bulletin is to notify managing agents of the forthcoming 2007 Additional Securities Limited ("ASL") deposit collection and distribution exercise due to take place on Thursday 29 March 2007.

Individual syndicate statements will be distributed to agents via the Central Accounting system on 8 March 2007. Queries relating to these figures should be raised no later than Thursday 22 March 2007.

2007 Collection

As in previous years, it is proposed that collections will only be made for those countries with larger deposits funded through ASL. For 2007, collections will be made for the Australian Statutory Deposit, Bahamas, Grenada, Hong Kong, Namibia, St Vincent, Switzerland and Trinidad & Tobago.

Deferral of Singapore Deposit Adjustment

Although the funding of the Singapore deposit has traditionally been collected in March along with the funding of all other ASL deposits, the adjustment to the local deposit in Singapore, whether an overall increase or decrease, has actually taken place in July in accordance with local regulations. After due consideration, the ASL Board has concluded that the collection and distribution of the Singapore funding should also take place in July to match with the local deposit adjustment timetable. As such the refund of the 2006 deposit loans in respect of Singapore will be deferred to coincide with the revised 2007 collection date which is anticipated to take place on 27 July 2007.

Basis of Apportionment

For those countries where collections will be made, each syndicate's deposit requirement will be collected from the appropriate year of account which has given rise to the local funding requirement based on 2006 calendar years premium income data.

The collections for Hong Kong and Switzerland will be allocated on a basis which reflects the method employed by local regulators to calculate the total deposit requirement. In each case, this will consist of an outstanding claims element as at 31/12/06 plus an element based on 2006 calendar years premium income data.

Single Net Adjustment per Syndicate

The actual amount due to be collected will be net of the return of the 2006 deposit principal, plus income earned to 31 December 2006 and foreign exchange gains/losses to 23 February 2007. Accordingly, a single Sterling settlement to/from syndicates' PTFs will be processed via Central Accounting on Thursday 29 March 2007.

Interest for the period 1 January to 28 March 2007 and foreign exchange gains/losses for the period 24 February to 28 March 2007 will be distributed once figures are available. It is anticipated that this will be during June 2007.

ASL Investment and Hedging policy

Where permitted by local insurance regulations and achievable within local financial markets, ASL's assets are invested in high quality money-market securities of up to 12 months to maturity. However regulators in many jurisdictions require some assets to be invested in longer-term debt instruments, so that the capital value of these assets is affected by movements in local interest rates.

ASL ceased foreign exchange hedging activity in June 2001 and Agents are reminded of this each year prior to the annual funding of ASL. As a result, the sterling value of syndicate assets invested by ASL will fluctuate in line with movements in the currency of investment.

Agents may conclude that hedging is appropriate to the particular circumstances of individual syndicates and are free to arrange appropriate hedging activity on behalf of such syndicates. Lloyd's Treasury Department may be able to assist in completing such hedging arrangements, if required.

Syndicate Statements

Individual syndicate statements will be sent to Managing Agents through the Central Accounting system on 8 March 2007. Due to the deferral of the Singapore deposit adjustment until July 2007, Singapore has been excluded from syndicate statements. Separate statements in respect of Singapore will be issued in July.

Any queries relating to these figures should, in the first instance, be directed to Mike FitzGerald on 020 7327 5901 or Keith Coutinho on 020 7327 5762 or by sending an email to asl@lloyds.com. Queries must be raised no later than 5.00 p.m. on Thursday 22 March 2007.

This Market Bulletin has been sent to all Managing Agents.

Mike FitzGerald
Market Finance