

# MARKET BULLETIN

REF: Y4379

<b>Title</b>	Additional Securities Limited (ASL) - 2010 Collection & Distribution
<b>Purpose</b>	To notify Managing Agents of the forthcoming 2010 ASL deposit collection and distribution exercise due to take place on 29 March 2010
<b>Type</b>	Scheduled
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<b>Date</b>	12 March 2010
<b>Deadline</b>	Queries relating to statements should be raised no later than 19 March 2010
<b>Related links</b>	

Syndicate accountants will receive individual statements via central accounting detailing their collection requirements for 2010 and distribution of 2009 loans.

## 2010 Collection

As in previous years, it is proposed that collections will only be made for countries with material deposits. The March collection will consist of the Australian statutory deposit and the deposits for Bahamas, Brazil, Grenada, Namibia, Papua New Guinea, St Vincent's, Switzerland and Trinidad & Tobago.

## Switzerland

New legislation in Switzerland requires reserving to be assessed and adjusted on a quarterly basis (compared to monthly funding during 2009). As a result of this change and a significant increase in the deposit requirement, ASL proposes to collect the March deposit requirement in sterling. Following the adjustment, syndicates will receive a notice of the applicable exchange rate that has been applied to their funds to convert them to Swiss Francs.

The Q1 adjustment will take place at the end of April 2010. ASL will adjust this and subsequent requirements using the Currency Conversion System. The system allows collections and distributions to be made in Swiss Francs where possible and sterling where not. It will also align Switzerland to the new quarterly adjustments and assist efficiency of collection.

Syndicates should note as a result of increased premiums and claims in Switzerland, a credit equalisation reserve will also be included in this years funding requirement.

### **Deferral of Hong Kong Adjustment and Singapore**

The adjustment of Singapore and Asia scheme, will take place at the end of July as permitted by the local requirements.

The Hong Kong deposit is required to be funded in April and will be aligned with the Swiss Q1 adjustment.

### **Bahamas**

A deposit for the Bahamas is now required to be funded as a consequence of new legislation. The collection will be made in sterling on the 29 March.

### **Basis of apportionment**

For those countries where collections are 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 the 2009 calendar year signed premium data from XIS.

The collections for Switzerland and the deferred collection for Hong Kong are also partially based on outstanding claims as per the local regulatory funding requirements.

### **Single Net Adjustment per Syndicate**

The actual amount due to be collected will be net of the return of the 2009 deposit principal, plus income earned to 31 December 2009 and foreign exchange gains/losses to 8 March 2010. Accordingly, a single sterling settlement to/from syndicates PTFs will be processed via central accounting on Friday 29 March 2009.

Interest for the period 1 January to 29 March 2010 and foreign exchange gains/losses for the period 09 March to 29 March 2010 will be distributed later in the year.

### **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, regulations in certain jurisdictions such as Switzerland and Australia may require some assets to be invested in longer-term debt instruments which mean the capital value of these assets is affected by movements in local interest rates. A quarterly update of investment returns and terms of ASL loans is available on

[http://www.lloyds.com/Lloyds\\_Market/Services/Treasury/](http://www.lloyds.com/Lloyds_Market/Services/Treasury/)

For deposits directly funded by syndicate, ASL ceased foreign exchange hedging activities in June 2001 and Agents are reminded of this each year prior to the ASL funding exercise. As a result the sterling value of syndicates asset invested with ASL will fluctuate in line with the local currency of the investment.

Given recent currency volatility, Agents may conclude that hedging is appropriate to their particular circumstances and are free to arrange appropriate hedging activities on behalf of such syndicates. Lloyd's Treasury Department, [treasury.operations@lloyds.com](mailto:treasury.operations@lloyds.com), may be able to assist in such hedging arrangements if required.

### **Syndicate Statements**

Individual syndicate statements will be sent to managing agents through central accounting system on 12 March 2010. Statements for Singapore and Hong Kong will be issued nearer the respective adjustments.

Any queries related to these figures should be directed to either Keith Coutinho [keith.coutinho@lloyds.com](mailto:keith.coutinho@lloyds.com) on 020 7327 5762 or Jyoti Jiwani [jyoti.jiwani@lloyds.com](mailto:jyoti.jiwani@lloyds.com) on 020 7327 5544. Queries should be raised no later than 5pm on Friday 19 March 2010.