

MARKET BULLETIN

REF: Y4414

Title	Additional Securities Limited -July 2010 loan adjustments
Purpose	To inform Managing Agents of the July 2010 Collection & Distribution Exercise
Type	Scheduled
From	Gurdip Sappal Market Finance 020 7327 5762
Date	21 July 2010
Deadline	Queries to be raised by 23 rd July 2010
Related links	

This bulletin advises managing agents of an ASL Collection & Distribution exercise due to take place on the 30th July 2010.

The July adjustments this year will consist of;

- a principle collection and distribution of funds for Singapore, Hong Kong and Lloyd's Asia;
- a second quarter collection for Switzerland;
- a new collection for Cayman Islands; and
- a second income distribution on 2009 loans.

Primary collection & distribution: Hong Kong & Singapore

The Lloyd's 2010 Hong Kong deposit requirement based on premium income and outstanding claims is 23% higher than in 2009. The Lloyd's Singapore deposit has increased by 1%, however, the Lloyd's Asia Scheme has seen a reduction due to the regulator reducing the deposit requirement from 55% to 30% of premium income.

The above collections will be offset with distributions of the respective 2009 loans, interest and foreign exchange movements.

2nd quarter adjustment: Switzerland

Due to regulatory changes in Switzerland, ASL is now required to ensure Swiss premiums and liabilities are reported and adequately funded on a quarterly basis. In April, these loans were converted to local currency at a rate of 1.5959. Following a small increase in claims a further deposit of CHF1.7m is required.

New collection: Cayman Islands

A new collection will be made for the Cayman Islands following a change to the funding of the deposit. The collection will be based on the premium income for 2009.

2nd period interest and foreign exchange distribution: Hong Kong & Singapore (loans returned in 2009)

The original distribution exercise for the 2008/9 loans took place on the 29th July 2009 and returned interest for the period 31st March 2009 and foreign exchange movements to the 30th June 2009. A distribution for Singapore and Lloyd's Asia and a collection for Hong Kong are now required to account for the outstanding foreign exchange movements for the period 1st July to 29th July 2009. Due to the size of collection, the Board agreed to defer this collection in 2009 to 2010.

2nd period interest and foreign exchange distribution: 2009/10 loans

On 29th March 2010, ASL distributed 2009 loans for Switzerland, Australia, Namibia and the Caribbean countries back to syndicates with interest for the period up until 31st December 2009 and foreign exchange movements to 8th March 2010. The 2nd period adjustment includes interest and foreign exchange movements to 29th March 2010.

Basis of Apportionment

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 2009 calendar years premium income data and claims data as appropriate.

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 (maximum 12 months maturity). However regulators in many jurisdictions require some assets to be invested in longer-term debt instruments, therefore the capital value of these assets are 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 are free to arrange appropriate hedging activity on behalf of their syndicates when deemed necessary. Lloyd's Treasury may be able to assist in completing such hedging arrangements, if required.

Syndicate Statements & Settlement

Individual syndicate statements will be sent to managing agents through the Central Accounting system by 21st July 2010 and queries should be raised by close of business 23rd July 2010.

A single sterling settlement to/from syndicates' Premium Trust Funds will be processed via Central Accounting on Friday 30th July 2010.

Any queries should be directed to Gurdip Sappal on 020 7327 5762 or Matt Stone 01634 392202 or by sending an email to gurdip.sappal@lloyds.com