

MARKET BULLETIN

REF: Y4478

Title	Additional Securities Limited (ASL) - 2011 Collection & Distribution / Hong Kong, Singapore and Lloyd's Asia 2 nd Income Distribution
Purpose	To notify Managing Agents of the forthcoming 2011 ASL deposit collection and distribution exercise due to take place on 27 April 2011 and the 2 nd Income Distribution due to take place on 7 April 2011
Type	Scheduled
From	Gurdip Sappal Market Finance
Date	28 March 2011
Deadline	

Syndicate accountants will receive individual statements via central accounting detailing their collection requirements for 2011 and distribution of 2010 loans.

2011 Collection

The 2011 collection will take place in April instead of March as per previous years, and will be the new collection timetable going forward.

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

The collection and distribution exercise will take place on the 27 April 2011.

Hong Kong

The Hong Kong deposit is required to be funded in April and will now be collected as part of the main collection and distribution exercise.

Switzerland

Switzerland will continue to be funded on a quarterly basis with the Q1 collection due to take place at the end of April.

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 Singapore adjustments

The adjustments to the Singapore and Lloyd's Asia deposits will take place at the end of July as permitted by the local requirements.

2nd period interest and foreign exchange collection: Hong Kong & Singapore (loans returned in 2010)

The original distribution exercise for the 2009/10 loans took place on the 30 July 2010 and returned interest up to the 31 March 2010 and foreign exchange movements to the 30 June 2010.

Interest for the period 1 April 2010 to 30 July 2010 is scheduled to be distributed on the 7 April 2011.

A collection for Singapore, Hong Kong and Lloyd's Asia are now required to account for the outstanding foreign exchange movements for the period 1 July to 30 July 2010. This adjustment will take place on the 7 April 2011.

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 2010 calendar year signed premium data from XIS.

The collections for Switzerland and 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 2010 deposit principal, plus income earned to 31 December 2010 and foreign exchange gains/losses to 31 March 2011. Accordingly, a single sterling settlement to/from syndicates PTFs will be processed via central accounting on Wednesday 27 April 2011.

Interest for the period 1 January to 26 April 2011 and foreign exchange gains/losses for the period 1 April to 26 April 2011 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/

For deposits directly funded by syndicates, 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' assets invested with ASL will fluctuate in line with the local currency of the investment.

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 & Investment Management, 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 via central accounting on 13 April 2011. Statements for Singapore and Lloyd's Asia will be issued nearer the respective adjustments.

Any queries related to these figures should be directed to either Gurdip Sappal on 020 7327 5762 or Mat Stone on 01634 392 202, or by sending an email to gurdip.sappal@lloyds.com. Queries should be raised no later than 5pm on Friday 15 April 2011.