



**FROM:** Regional Manager, North America  
**LOCATION:** 86/311  
**EXTENSION:** 5603  
**DATE:** 28 October 1997  
**REFERENCE:** bmt/oct97/situsmb/Y712  
**SUBJECT:** Withdrawal of funds from the US Situs Credit for Reinsurance and/or Surplus Lines Trust Fund for the Payment of a Major Claim  
**ACTION POINTS:** Managing agents to note  
**DEADLINE:** Immediate

The purpose of this market bulletin is to advise you that we have now established a procedure whereby a managing agent may withdraw funds for the payment of a major claim from the syndicate's US situs Credit for Reinsurance and/or Surplus Lines Trust Fund, in very limited circumstances.

As you may be aware both the Credit for Reinsurance and the Surplus Lines Trust Deeds contain a provision which allows the withdrawal of funds to pay major claims, to the extent that they have been included in the most recently reported Trust Fund Minimum Amount ('TFMA'). After such withdrawal, however, the syndicate must continue to hold assets equal to the balance of the TFMA for the relevant year of account.

To ensure the provision of the situs trust deeds is strictly complied with, the procedure (see Appendix 'A') which has been advised to both Citibank and the New York Insurance Department will require a managing agent to complete a certification (see Appendix 'B') and to submit this to the Market Reporting and Solvency Department for processing. The certificate includes a requirement for the managing agent to certify that the syndicate cannot pay such claim from other non-situs US dollar funds without putting a significant strain on the syndicate's liquidity. A copy of the certificate, together with any supporting documents

will need to be retained by the managing agent in the event that they are the subject of a random audit carried out by the New York Insurance Department.

The Trustee will need to process the information contained in the certificate before another is received in respect of the same syndicate. It is proposed, therefore, to limit the frequency of withdrawals in respect of the same syndicate to one a fortnight, in order for the necessary processing to be completed.

If you require further information, please contact Julian Edkins on extension 6891 or Leslie Rosenberg on extension 6317.

This bulletin has been sent to all Managing Agents, Active Underwriters and Syndicate Auditors.

A handwritten signature in black ink, appearing to read 'Bruce M. Tompson', with a long horizontal flourish extending to the right.

Bruce M Tompson

**Appendix A**

**Procedure for the withdrawal of funds from a syndicate's situs Credit for Reinsurance and/or Surplus Lines Trust Fund for a major claim, included in the most recent Trust Fund Minimum Amount (TFMA) calculation, subsequently paid out of the syndicate's LDT**

<u>MANAGING AGENT</u> (MA)	<u>MRSD</u>	<u>LPSO SETTLEMENTS AND TRUST DEPT</u>	<u>CITIBANK</u>
<p>approve transfer instruction retain supporting documentation for any future audit by NY ID</p> <p>Forward instruction to MRSD (to be received no later than Tuesday 6:00pm by MRSD for value Friday of the following week)</p>	<p>Scrutinise form for completeness and review amounts requested by year of account to ensure that they do not exceed amounts in trust funds.</p> <p>Input data from transfer instruction.</p> <p>Produce schedule (in electronic form) send to LPSO Settlement and Trusts Dpt. (LSTD) together with original authorised instruction from MA (to be sent by Thursday mid-day)</p> <p>** Once authority received by LSTD (see *) copy of schedule (authorised by MRSD) together with copy of MA's authorised transfer instruction and covering letter (the deed requires notification take place prior to withdrawal) sent by fax (original in post) to NY ID before Friday of the following week.</p> <ul style="list-style-type: none"> <li>instructions input into reporting system periodically and summarised on the quarterly reporting packs</li> </ul>	<p>check MA authorities (Friday)</p> <p>if in order approve schedule, * confirm approval of managing agent's authorisation to MRSD (see **) by Friday noon and on the same day send to Citibank for value the following Friday:</p> <p>1) Byfax 2) Electronically 3) Original by post</p>	<p>Schedule of transfers processed by Citibank for value the following Friday.</p>

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

**To: SETTLEMENT & TRUST FUND OPERATIONS, C/O MRSD 86/457.**

**syndicate:** \_\_\_\_\_

	I hereby instruct you to:	1995 Year of Account \$	1996 Year of Account \$	1997 Year of Account \$	All Years of Account (Total) \$
A	debit the Syndicate's SLTF A/c No ..... (in respect of post 31/7 1995, 1996 and 1997 business)				
B	and debit the Syndicate's CRTF A/c No..... (in respect of post 31/7 1995, 1996 and 1997 business)				
C	and credit LDTF A/c No ..... in the sum of				

NOTE: A+B=C

**CERTIFICATION BY MANAGING AGENTS**

**To: MARKET REPORTING & SOLVENCY DEPARTMENT, ROOM 86/457, LLOYD'S OF LONDON**

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/will be\* 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; and
- 3) the situs trust fund of each underwriter comprising the above syndicate will continue to hold assets equal to the Trust Fund Minimum Amount for the relevant years of account (after adjusting for the amounts now withdrawn) as at the previous quarter end.

Authorised Signatory \_\_\_\_\_ Name \_\_\_\_\_  
Director/Partner

Name of Managing Agent \_\_\_\_\_ Date \_\_\_\_\_

*Please return the completed form to: Market Reporting and Solvency Department, 86/457.*

For MRSD use only	
Date received	
Reviewed by:	

\* Delete as appropriate