

# MARKET BULLETIN

REF: Y4297

<b>Title</b>	Additional Securities Limited - July 2009 loan adjustments and 2008 expense collection
<b>Purpose</b>	To inform Managing Agents of the July 2009 ASL Collection and Distribution exercise
<b>Type</b>	Scheduled
<b>From</b>	Keith Coutinho Market Finance
<b>Date</b>	20 <sup>th</sup> July 2009
<b>Deadline</b>	Queries to be raised by close 22 <sup>nd</sup> July 2009

## Related links

**This bulletin advises managing agents of the ASL Collection & Distribution exercise due to take place on the 29 July 2009.**

The July adjustments this year will consist of;

- a principle loan collection and distribution of funds for Hong Kong, Singapore and Lloyd's Asia,
- a second loan collection for Switzerland,
- second income distributions on 2008 loans, and
- a collection of 2008 expenses.

### **Principle collection & distribution: Hong Kong & Singapore loans for 2009**

The Lloyd's 2009 Hong Kong deposit requirement based on premium income and outstanding claims is 34% higher than in 2008. In addition, as a direct consequence of increased premium income, the funding requirement for the Lloyd's Singapore deposit and Lloyd's Asia Scheme has increased by over 25%. Collections will be based on individual syndicate requirements.

The above collections will be offset with distributions of the respective 2008 loans, interest and foreign exchange gains.

### **Second loan collection for Switzerland**

Due to regulatory changes in Switzerland, ASL is now required to ensure Swiss premiums and liabilities are reported and adequate funded on a monthly basis. Following an increase in premiums and claims above initial forecasts a further requirement of £2.7m is required. This loan will be refunded as part of the March 2010 distribution.

ASL aims to minimise the number of annual collections from syndicates, however this is dependant on further growth in business in Switzerland and any new deposit requirements that may be required by overseas regulators.

### **2nd period interest and foreign exchange distribution: Hong Kong & Singapore loans returned in 2008**

The original distribution exercise for the 2007/8 loans took place on the 28 July 2008 and returned interest for the period 31 March 2008 and foreign exchange movements to the 30 June 2008. A collection is now required to account for the outstanding adverse foreign exchange movements for the period 1st July to 28 July 2008. Due to the size of collection, the Board agreed to defer this collection in 2008 to 2009.

### **2nd period interest and foreign exchange distribution on 2008/9 loans**

On 27<sup>th</sup> March 2009 ASL distributed 2008 loans for Switzerland, Australia, Namibia and the Caribbean countries to syndicates, with interest for the period up until 31 December 2008 and foreign exchange gains and losses to 8<sup>th</sup> March 2009. The 2<sup>nd</sup> period adjustment includes interest and foreign exchange movements to 27<sup>th</sup> March 2009.

### **Expense collection**

A collection of £0.5m for 2008 operating expenses is now due. This has been calculated based on expenses applicable to each jurisdiction and apportioned to syndicates participating in each country.

### **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 2008 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 20<sup>th</sup> July 2009 and queries should be raised by close of business 22<sup>nd</sup> July 2009.

A single sterling settlement to/from syndicates' Premium Trust Funds will be processed via Central Accounting on Wednesday 29 July 2009.

Any queries should be directed to Keith Coutinho on 020 7327 5762 or Matt Stone 01634 39 2202 or by sending an email to [keith.coutinho@lloyds.com](mailto:keith.coutinho@lloyds.com)