EXHIBIT D

Request #56

STATE OF MISSOURI
OFFICE OF SECRETARY OF STATE

IN THE MATTER OF:

LLOYD'S OF LONDON,
a/k/a LLOYD's,
a/k/a THE CORPORATION OF LLOYD'S,
a/k/a THE COMMITTEE OF LLOYD'S,
a/k/a THE SOCIETY OF LLOYD'S,
a/k/a THE COUNCIL OF LLOYD'S
One Lime Street
London EC3M 7HA
ENGLAND

R.W. STURGE LTD. f/k/a A.L.STURGE
(Management) LIMITED d/b/a
R.W. STURGE & CO.,
Cutler House
3 B Devonshire Square
London EC2M 4YA
ENGLAND

FALCON AGENCIES LIMITED
f/k/a R.W. Sturge, LTD.
18 London Street
London EC3R 7JP
ENGLAND

ELLINGER, HEATH, WESTERN LTD.
23 Rood Lane
London EC3M 3AN
ENGLAND

OCTAVIAN UNDERWRITING LTD.
85 Gracechurch Street
London EC3V OAA
ENGLAND

ORDER TO CEASE AND DESIST
File No. CD-96-12

WELLINGTON MEMBERS AGENCY LTD.
2 Minster Court, Mincing Lane
London EC3R 7FB
ENGLAND

STENHOUSE REED SHAW
Bankside House
London
ENGLAND

BANKSIDE MEMBERS AGENCY
Beaufort House
15 St. Botolph Street
London
ENGLAND

JANSON GREEN
6-11 Crescent
London EC3N 21X
ENGLAND

GARDNER MOUNTAIN
Lloyd's Chambers
1 Portsoken Street
London E1 8DF
ENGLAND

ALEXANDER HOWDEN & BECK LTD.
S-10 Bury Street
London EC3M 3LH
ENGLAND

LONDON WALL MEMBERS AGENCY
31-35 Fenchurch Street
London EC3M 3LH
ENGLAND

HARRIS & DIXSON MEMBERS AGENCY
a/k/a CATER ALLEN MEMBERS'
AGENCY LIMITED
a/k/a LRG CATER ALLEN LIMITED
#2 Seething Lane
London EC3N 4AY
ENGLAND

ANTON MEMBERS AGENCY LTD)
Arthur Castle House)
33 Creechurch Lane)
London EC3A 5AJ)
ENGLAND)
)
LATHAM HOWE)
16 Minories)
London EC3N 1EX)
ENGLAND)
)
Respondents.)

WHEREAS, the Commissioner of Securities is empowered by Section 409.408, RSMo 1994, to issue such orders as are necessary to protect the public interest; and

WHEREAS, the Commissioner has received a Petition for a Cease and Desist Order, a copy of which is attached hereto, the Commissioner issues the following Findings of Fact and Conclusions of Law:

FINDINGS OF FACT

1. Lloyd's of London is a common enterprise, as more fully described below, that consists of the following entities and individuals: the Corporation of Lloyd's ("Corporation") a/k/a the Society of Lloyd's ("Society"); the Council of Lloyd's ("Council"); and the Committee of Lloyd's ("Committee"), hereinafter referred to collectively as "Lloyd's"; Members' Agents ("Members' Agents"); Managing Agents ("Managing Agents"); Lloyd's Brokers ("Lloyd's Brokers"); and Lloyd's Names ("Names" or "Members").

2. Lloyd's has an address of One Lime Street, London EC3M 7HL, England.

3. The Corporation is a United Kingdom ("U.K.") corporation incorporated, established and governed by acts of Parliament known as the Lloyd's Acts of 1871 to 1982.

4. Lloyd's is governed by the Council and the Council delegates many of its powers to the Committee.

5. Lloyd's is engaged, among other things, in: raising capital for the transaction of

insurance business; providing a marketplace for the transaction of such business and managing, supervising and regulating such insurance business and all those who engage in it under the Lloyd's trade name.

6. In order to conduct insurance underwriting business at Lloyd's, a person must be elected by the Council as a Member of the Society. These underwriting Members or Names are joined together in underwriting syndicates.

7. Syndicates are operated by Managing Agents. Insurance risks are accepted by syndicates at Lloyd's as a result of negotiations between these Managing Agents and insurance brokers (Lloyd's Brokers).

8. Managing Agents are U.K. corporations or partnerships approved by Lloyd's to underwrite insurance risks exclusively at Lloyd's subject to Lloyd's "byelaws."

9. Members' Agents are U.K. corporations or partnerships authorized by Lloyd's to recruit Names, advise Names on syndicate selection and place Names in syndicates.

10. To become a Name, a person must file an application with Lloyd's. This application for membership can only be made through a Members' Agent registered by Lloyd's.

11. By becoming part of a syndicate, a Name agrees to pay a specified percentage of any losses on any policies underwritten by that syndicate during the forthcoming year, and in turn is entitled to receive the same specified percentage of that underwriting syndicate's net profits, if any, for that year (after payment of fees, expenses, and a share of the profits to the Managing Agent).

12. A Name is purported to be severally, but not jointly, liable for his proportionate share of losses in each syndicate in which he participates.

13. A Name is potentially liable to the full extent of his net worth to pay his proportionate share of any losses on policies underwritten by a syndicate in which he participates.

14. The Names fall into two groups: (1) those Names who are actively and fully engaged in the insurance business at Lloyd's, known as "Working Names;" and (2) those names who are passive investors, known as "External Names."

15. From 1977 to the present, Lloyd's and its Members' Agents have offered and sold memberships in Lloyd's and participations in Lloyd's syndicates to at least seventy-nine (79) Missouri residents.

in their syndicates. The following representations were made by Members' Agents to convince Missouri Names to continue to underwrite:

a. A Name would be "switched away from the major loss making syndicates into alternative first class syndicates;"

b. A Name should increase his Premium Income Limit to help trade through temporary losses that the Name had experienced. The Name was informed that this practice was known as "trading on through" and was told that this would allow the Name to recoup his losses;

c. The market was firming up and Lloyd's was expecting a "good year, next year;"

d. "Leaving Lloyd's would be a mistake;" and

e. The next year's syndicate profits would make up for any losses.

25. Although Members' Agents advised Missouri residents that being a Name involved unlimited liability, this statement was almost always coupled with qualifying statements such as:

a. Lloyd's, has "incurred losses in only two or three years in its 300 year history;"

b. "No Name has ever been called upon to put up money for a loss in the past;" and

c. The possibility of a Name incurring a loss was "unimaginable."

26. Lloyd's and its Members' Agents mailed offering materials and documents to Missouri residents.

27. These materials and documents were prepared by Lloyd's and distributed under the Lloyd's trade name.

28. In the materials provided to Missouri residents, Lloyd's and its Members' Agents made the following representations concerning the fiduciary duty owed by Lloyd's to Names:

a. Names can expect Lloyd's to perform its obligations with the "utmost good faith;"

b. Members' and Managing Agents will act in the best interests of Names;

c. The Council regulates the content of the information provided to Names about their investments; and

d. Members' Agents duties to Names included, among other things, keeping the Names informed at all times of material factors which may affect their investments.

29. The documents provided to Missouri residents by Lloyd's and its Members' Agents included: a General Undertaking Agreement ("General Undertaking"), which was an agreement executed between the Corporation of Lloyd's and the Missouri residents; agency agreements; Statement of Means forms and Premiums Trust Deeds.

30. The General Undertaking was a master agreement, signed by Names, in which Lloyd's imposed obligations which bound the Names for the duration of their investments.

31. The General Undertaking expressly required each Missouri resident to execute a variety of subordinate agreements, instruments and acknowledgements under byelaws adopted by the Council of Lloyd's and as from time-to-time prescribed by Lloyd's. These subordinate agreements governed each Missouri resident's relationship with Lloyd's, his Members' Agents, Managing Agents, and with other Names.

32. Missouri residents entered into agency agreements with Members' Agents granting the Members' Agents full and complete control over the Names' investment with Lloyd's. This authority included the power to:

a. Allocate the Names' overall Premium Income Limit (as discussed more fully below); and

b. Enter into a Standard Managing Agent's Agreement as prescribed by Lloyd's with the Managing Agent of each syndicate in which the Name participates.

33. Missouri residents entered into agency agreements with Managing Agents, granting the Managing Agents the authority to:

a. Accept risks and effect reinsurance;

b. Settle or compromise claims without regard to a claim's legal merit;

c. Enter into any arrangement for the purpose of avoiding or reducing liability for a claim;

d. Participate in any project for the purpose of avoiding or reducing liability for a claim;

e. Collect all premiums and other monies due to the Names;

f. Pay all liabilities and other obligations of the Names;

g. Initiate legal or other proceedings in connection with the Names' underwriting business; and

h. Borrow money from any source for the purpose of paying any liabilities, expenses or other obligations of the Names, if such payments are necessary for reasons arising in connection with the Names' underwriting business.

34. Almost all of these agreements and documents executed by Missouri residents were executed in Missouri. The terms of these agreements and documents were non-negotiable.

35. To be admitted to Lloyd's, an applicant was required to attend an interview in London by the "Rota Committee." Ordinarily this interview lasted under fifteen minutes.

36. During this meeting, a Name was asked if he understood that he would be exposed to unlimited liability for his pro rata share of the risks underwritten by the syndicates in which he would participate. Typically, no other disclosures were made at the Rota Committee interview.

37. To remain a member of Lloyd's, a Missouri resident was required to pay a non-refundable entrance fee, annual fees to Lloyd's, annual assessments and a periodic special levy to the "Central Fund" ("Central Fund"), and maintain a Lloyd's Deposit ("Lloyd's Deposit").

38. It was represented to Names that the Central Fund was held and administered by Lloyd's to pay Lloyd's policy holders when Names were unable to meet their liabilities from their Premiums Trust Funds, their Lloyd's Deposits, their reserves and their personal assets outside of Lloyd's. Lloyd's, however, could and did use the Central Fund for other purposes.

39. The Lloyd's Deposit (typically a letter of credit) had either to be registered in the name of the Corporation or held in the name of the Corporation as trustee for the Name. The Lloyd's Deposit was purported to be available solely for the purpose of meeting the Name's liabilities for syndicate losses.

40. The Lloyd's Deposit was based upon the Name's Premium Income Limit ("PIL"). The PIL was the total permissible amount of premium income which could be underwritten by an individual Name in any one calendar year. The PIL was assigned by Lloyd's based upon the Name's financial means and was purportedly a measure of a Name's exposure to risk.

41. The Premiums Trust Deed requires Names to credit all insurance premiums received to the Premiums Trust Fund. Claims, syndicate expenses and profits to Names are paid from the Premiums Trust Fund. Each Lloyd's syndicate has an account of its premiums in the Fund.

42. Upon admission as an external member of Lloyd's, a Missouri Name (acting through his Members' Agent) joined one or more underwriting syndicates.

43. Syndicates were described by Lloyd's and Members' Agents to Missouri Names as primarily underwriting either marine, non-marine, motor or aviation insurance.

44. Missouri Names purportedly selected (with the advice of their Members' Agents) which syndicates to join each year. Ordinarily Missouri Names invested in syndicates recommended by their Members' Agents.

45. Members' Agents commonly recommended to Missouri Names the syndicates controlled by the Members' Agent.

46. These Missouri Names were obliged to rely on their Members' Agents' advice because the Names were given little material information about the syndicates or the types of risks that the syndicates insured. The Members' Agents stated that they were the experts and that they would act in the Names' best interests.

47. Members' and Managing Agents were in a position to place themselves, and did place themselves, in profitable syndicates that did not have significant liabilities for asbestosis and environmental pollution losses.

48. Missouri Names were contractually prohibited from interfering with the underwriting process and were passive investors in the syndicates they joined.

49. Syndicates typically were composed of hundreds or even thousands of Names.

50. Lloyd's syndicates underwrite risk for a period of twelve months called an Underwriting Year of Account ("UYA"). The UYA usually remains open for three years after the syndicate UYA stops underwriting risks in order to process all premiums and claims received as a result of the syndicate's underwriting efforts. At the end of this three year period a UYA is usually closed and final accounts or profit statements can be prepared.

51. Traditionally, each UYA was closed after the expiration of the three year accounting period. UYAs were closed after the establishment of a reserve account designed to pay known and incurred but not reserved ("IBNR") claims, and after payment of a premium for Reinsurance To Close ("RITC"). The premium was paid to reinsure the potential outstanding liabilities passed on to the subsequent syndicate year of account.

52. RITC was typically provided by a succeeding syndicate's UYA. The succeeding syndicates may have the same or different Names as investors.

53. Under the Lloyd's byelaws, a UYA cannot be closed if the UYA's IBNR claims cannot be determined with a sufficient degree of accuracy.

54. If the UYA's liability for IBNR claims cannot be determined with a sufficient degree of accuracy the UYA must remain open and allow the claims to "Run Off."

55. When a syndicate is in Run Off a Name's exposure to liability remains indefinite until such time as IBNR claims are sufficiently quantified (both in number and scope) to permit the syndicate UYA to purchase RITC.

56. If a Name does not pay his share of losses, Lloyd's Central Fund, at the discretion of Lloyd's, pays the losses, Lloyd's confiscates all monies the Name has on deposit at Lloyd's, draws down the Name's letter of credit, and attempts to collect any losses in excess of such letter of credit. If these measures do not satisfy the Name's obligations to Lloyd's, Lloyd's sues the Name to recover the Name's share of such losses.

57. The decision to close a UYA is made by the Managing Agent with the approval of the syndicate's auditor.

58. The decision whether to close a syndicate UYA and purchase RITC was extremely important to the Names in the reinsuring syndicate. If the reinsurance premium determined by the Managing Agent was inadequate to cover IBNR claims the Names could and did suffer losses unquantifiable in time and amount.

59. Long-tail claims are those claims that ordinarily arise after the three year accounting period (as opposed to "Short-Tail" claims which ordinarily arise within the three year accounting period). Long-Tail claims include claims arising from asbestosis and environmental pollution.

60. Each time a syndicate UYA was closed, the reinsuring syndicate not only took on the risks that the prior syndicate directly insured but all the risks that the prior syndicate may have reinsured in the past. These risks often included liability for asbestosis and environmental pollution claims insured decades earlier.

61. When a UYA was prematurely closed without adequate reserves for known claims and an accurate determination of an appropriate premium, Names who participated in the reinsuring syndicate could be financially ruined.

62. Names can also be financially ruined when their syndicates reinsure unrelated syndicates with asbestosis and environmental pollution liability.

63. A syndicate is permitted by Lloyd's to allocate twenty per cent of its PIL to the insurance of risks outside of its area of specialization. A portion of this twenty per cent was often used by Managing Agents to reinsure the asbestosis and environmental pollution liability of unrelated syndicates.

64. Missouri Names remain exposed to unlimited liability from a substantial number of the syndicates in which they participated.

65. Many of the syndicates from which Missouri Names remain exposed to unlimited liability are in Run Off as a result of Long-Tail liability for losses from asbestosis and environmental pollution claims. Many of these risks were known by Lloyd's before the Missouri Names joined Lloyd's. However, these risks were not disclosed to Missouri Names before their investments.

66. Lloyd's and its Members' Agents represented to Missourians that Lloyd's had a reputation for integrity and fair dealing as reflected in its motto, "Fidentia," meaning confidence, and in its trading standard, "Uberrima Fides," meaning utmost good faith.

67. Lloyd's and its Members' Agents used the name and reputation of Lloyd's to induce Missourians to become Names.

68. Lloyd's held itself out as being in control of the common enterprise known as Lloyd's, the Lloyd's market and the sale of memberships in Lloyd's and participations in Lloyd's syndicates.

69. Policies of insurance underwritten by Missouri Names are issued under the Lloyd's trade name and stamped with the official seal of Lloyd's.

70. Lloyd's, through the Rota Committee, interviews and admits Names to membership at Lloyd's.

71. At all times relevant herein, the Council has been controlled by Working Names of Lloyd's.

72. Lloyd's, acting through the Council and the Committee, pursuant to the Lloyd's Act

81. Despite the fact that Lloyd's was aware that it was selling securities and that the laws of Missouri required that the securities be registered, at no time did Lloyd's make filings with the Missouri Division of Securities or otherwise attempt to comply with Missouri securities laws.

82. The December 22, 1977 letter further stated, "It is possible that if these requirements are not complied with, actions alleging breaches of the Securities Acts could be brought against Lloyd's or an Underwriting Agent, in each case alleging that the 'security' was sold without registration and not pursuant to an exemption."

83. Lloyd's later demonstrated its responsibility for the sale of participations in Lloyd's syndicates by making filings, purportedly on behalf of Members' Agents, with the United States Securities and Exchange Commission to claim an exemption under Regulation D from the provisions of the Securities Act of 1933.

84. Memberships in Lloyd's and participations in Lloyd's syndicates are investment contracts. Investment contracts are securities pursuant to Section 409.401(m), RSMo Supp. 1995.

85. An investment contract is a transaction or a combination of transactions in which a person invests money in a common enterprise with an expectation of profit to be derived from the significant managerial efforts of others.

86. Missouri Names invested money by making initial and annual payments to Lloyd's, to their Members' Agents, and to the Managing Agents of the underwriting syndicates to which they belonged.

87. Missouri Names could and can be required to invest additional money as a result of their obligation to Lloyd's to pay a share of any losses incurred by syndicates in which they participated.

88. The writing of insurance at Lloyd's is a common enterprise for a number of reasons, including but not limited to the following:

a. No single external Name has the financial resources to underwrite even a small portion of the total risks insured through Lloyd's. It is the pooling of the financial resources of the external Names that enables insurance to be underwritten by Lloyd's;

b. Each underwriting syndicate is a common enterprise. Each Name of the syndicate pools his financial resources with those of the other Names by agreeing to pay a specified percentage of any losses in exchange for a pro rata share of the anticipated net profits;

of 1982, has comprehensive authority over the operation of the common enterprise known as Lloyd's (Members' and Managing Agents and their employees, Lloyd's Brokers and underwriters, and the members of the Council, Committee, Corporation and the Society of Lloyd's), including the power to:

a. Regulate and approve the admission of Members to the Society of Lloyd's;

b. Suspend any Member of the society from membership;

c. Replace any Managing or Members' Agent;

d. Prescribe the terms which are or are not to be included in agreements between Members' and Managing Agents and Members;

e. License and regulate persons employed by Members' Agents.

73. Members' Agents and Managing Agents are represented by Lloyd's to appear to serve solely as agents for Names.

74. Members' Agents and Managing Agents have both actual and apparent authority to act as agents for Lloyd's.

75. Members' Agents act on behalf of Lloyd's to solicit new Names.

76. Lloyd's regulates the information that Members' Agents and Managing Agents provide to Names about Lloyd's syndicates.

77. Members' Agents act on behalf of Lloyd's to assure that Names comply with Lloyd's byelaws.

78. Throughout the time that Lloyd's was selling memberships in Lloyd's and participations in Lloyd's syndicates in Missouri, Lloyd's recognized that it was selling unregistered securities under both United States and Missouri law.

79. On December 22, 1977, I.H.F. Findlay, Deputy Chairman of Lloyd's, sent a letter "Addressed To All Underwriting Agents" (Members' and Managing Agents) that stated, "It is now likely that the election to Membership of Lloyd's and subsequent participation in the insurance business of Lloyd's by a new Member would be considered to involve the offering and sale of a 'security' under United States Law."

80. This letter went on to state, "The 'security' must either be registered pursuant to the [Securities Act of 1933] or be sold pursuant to an exemption from the Act."

c. Managing Agents share in the profits of the syndicates they manage;

d. Members' Agents typically receive a share of the profits (though they do not share in the losses) of each external Name for whom they act; and

e. The writing of insurance at Lloyd's is a common enterprise through the operation of the Central Fund; if an external Name refuses, or is unable, to pay his share of the losses on policies for which he is responsible, Lloyd's can, and does, shift that loss to all the other Names by paying that Names pro rata share of the loss from the Central Fund. The Central Fund mutualizes risks. Without mutualization it would difficult, and perhaps impossible, to sell policies of insurance written through Lloyd's.

89. Persons become and remain external Names based upon the expectation of making profits.

90. The profits Names expect to make are to be derived solely from the efforts of others; i.e., from the experience, acumen, and efforts of the Managing Agents who run the underwriting syndicates, from the experience and acumen of the Members' Agents in selecting the underwriting syndicates for Names to join, from the efforts of Lloyd's in providing the premises, the services, and the administrative staff to permit its members to conduct the business of insurance, and the management and regulation of the activities of its members in the conduct of that business.

91. The external Names have no voice in underwriting or investment decisions made by the Managing Agents.

92. Lloyd's and Members' Agents engaged in various activities to encourage Missouri residents to invest in Lloyd's syndicates. These activities included: attending and conducting meetings in the State of Missouri (including meetings held in St. Louis, Missouri on May 15, 1989, May 21, 1990; May 13, 1991 and May 18, 1992); mailing documents into the State of Missouri; and engaging in telephone conversations with Missouri residents.

93. On September 16, 1994, the Commissioner sent a letter of inquiry to Lloyd's.

94. The letter requested a claim of exemption or an exception from a definition upon which Lloyd's relied in offering or selling unregistered securities in the State of Missouri.

95. The September 16, 1994 letter also advised Lloyd's that under Section 409.201, RSMo [1994], it is unlawful for any person to transact business a broker-dealer unless he is registered under the act.

96. The September 16, 1994 letter requested information regarding the offer and/or sale of securities to Missouri residents and advised Lloyd's that failure to respond within a reasonable time as fixed by the Commissioner constituted proper grounds for the entry of an order suspending its right to sell securities in the State of Missouri. This letter required a response on or before October 3, 1994.

97. On September 29, 1994 Lloyd's requested additional time to respond to the Commissioner's inquiry. This request was granted.

98. On October 26, 1994, Lloyd's responded to the Commissioner's letter of September 16, 1994.

99. In the October 26, 1994 response Lloyd's stated that participations by Missouri residents in the Lloyd's insurance business did not involve the sale of a security.

100. In the October 26, 1994 response, Lloyd's stated that if participations by Missouri residents in the Lloyd's insurance business did involve the sale of a security the security was issued by Members' Agents rather than Lloyd's.

101. In the October 26, 1994 response Lloyd's stated that if participations by Missouri residents in the Lloyd's insurance business did involve the sale of a security the security was exempt under Section 409.402(b)(10) RSMo [1994] and 15 CSR 30-54.210 adopted pursuant to Section 409.402(c) RSMo [1994].

102. On February 7, 1995, counsel for Lloyd's met with the staff of the Division of Securities.

103. In the February 7, 1995 meeting, Lloyd's counsel repeated the claims made in its letter of October 26, 1994.

104. At the February 7, 1994 meeting, the staff of the Division of Securities informed Lloyd's counsel that Lloyd's had failed to sufficiently prove an exemption or exception from a definition.

105. In its communications with Missouri Names, Lloyd's withheld material information contained in the Cromer Report ("Cromer Report") as discussed below.

106. In November 1968, Lloyd's appointed Lord Cromer to chair a "working party" to recommend what should be done to maintain Lloyd's future share of the international insurance market and to encourage the participation of additional Names.

107. On December 23, 1969, the Cromer Report was issued. It contained the following

findings and conclusions:

a. Lloyd's had lost ground in the world insurance market in the decade between 1957 and 1966 due to lack of underwriting capacity;

b. Technological advances around the world had created new hazards which were difficult to assess and increased the size of risks assumed by Names;

c. Additional capital and reserves were necessary to maintain Lloyd's share of the world insurance market and to confront what the Cromer Report called "violent fluctuations in profitability;"

d. That "standards of underwriting may have fallen in recent years," and that "there have been complaints of a lack of expertise in the handling of risks of a complex technical character. . . ;"

e. That as a result of the first overall losses experienced by Lloyd's (in 1965 and 1966), "the obligations involved in unlimited liability have become a reality;" and

f. That Lloyd's was well aware of "the dangers of the present situation."

108. In connection with its sales efforts in Missouri Lloyd's and Members' Agents withheld from Missouri Names material information concerning liabilities for asbestosis and environmental pollution.

109. In or about 1991, the Council appointed a committee (the "Loss Review Committee") to review and report on circumstances that gave rise to losses in Syndicate 421's accounts for 1990.

110. In July 1993 the Loss Review Committee issued its report to the Council. The report contained the following disclosures concerning Lloyd's awareness of the potential for substantial losses from asbestosis and environmental pollution:

a. In the early 1950's, Lloyd's had a substantial market share of United States liability risks under policies that were interpreted by U.S. courts to cover losses arising from bodily injury and property damage caused by asbestos and environmental pollution;

b. By the mid-1970's, Lloyd's was aware of medical studies indicating that inhalation of asbestos was linked to the development of asbestosis and other terminal diseases in asbestos workers;

c. By 1979, Lloyd's had been made aware, by its U.S. counsel, of the need

to increase its reserves to address the greatly increasing number of asbestos claims;

d. In or about 1980 Lloyd's established the Asbestos Working Party ("AWP") to deal with these potential asbestos claims;

e. The AWP circulated throughout Lloyd's a letter dated August 5, 1980 that disclosed that asbestos manufacturer Johns-Manville had estimated that 2,400 to 3,000 lawsuits concerning asbestos would be filed in the next ten years;

f. At a November 10, 1981 meeting of Lloyd's "panel auditors", R.J. Kiln, chairman of Lloyd's audit committee, said he did not want to see asbestosis claims mentioned in the audit instructions to be used for determining the premium and reserves necessary to close syndicate UYAs;

g. At a January 15, 1982 meeting of Lloyd's panel auditors Ted Nelson, chairman of Lloyd's AWP, acknowledged that asbestosis claims will almost always arise in Lloyd's syndicates that have reinsured other Lloyd's syndicates;

h. On February 24, 1982, an employee of Neville Russell, on behalf of other panel auditors, wrote a letter (the "Neville Russell Letter") to Ken Randall, manager of Lloyd's Audit Department, which stated:

   i. A substantial proportion of Lloyd's syndicates had losses, or potential losses, from asbestosis;

   ii. Syndicates with exposure to asbestosis claims were unable to quantify their final liability with the reasonable degree of accuracy necessary to close their UYAs;

   iii. "Total exposure to the [asbestos] problem appears to be considerably in excess" of Lloyd's estimate of asbestosis claimants; and

   iv. Most Lloyd's syndicates would incur losses on their own writings of reinsurance of syndicates with exposure to asbestosis and related claims.

i. In a meeting of Lloyd's auditing firms to discuss the Neville Russell Letter, Henry Chester of Lloyd's Audit Department stated that a syndicate's reinsurance of another syndicate could lead to the funneling of a large amount of liability into a small number of Names and therefore

consideration was being given to asking syndicates to stop underwriting reinsurance in open years; and

j. In a letter dated March 18, 1982 to active underwriters and underwriting agents, Murray Lawrence, Deputy Chairman of Lloyd's, wrote that "potential claims arising in connection with asbestosis represent a major problem for insurers and reinsurers" and strongly advised Managing and Members' Agents "to inform their Names of their involvement with Asbestosis claims and the manner in which their syndicates' current and potential liabilities have been covered."

111. Despite the widespread knowledge of the growing asbestos problem within Lloyd's, Members' Agents recommended that Missouri Names invest in syndicates that had underwritten asbestos liabilities without disclosing to Missouri Names that the syndicates had asbestos liabilities.

112. Missouri Names also incurred losses from asbestosis and environmental pollution liabilities as a result of Lloyd's' requirement that the Missouri Names contribute to the Central Fund.

113. In the mid-1980's, the actions of Managing Agent Peter Cameron-Webb resulted in massive asbestos and environmental pollution losses to certain Lloyd's syndicates. Lloyd's' settlement of a dispute with the syndicates that incurred liability from the actions of Cameron-Webb resulted in the formation of Lioncover Insurance Company Limited ("Lioncover").

114. Lloyd's, through the Central Fund, is required, upon demand of Lioncover, to fund amounts by which Lioncover's liabilities exceed its assets. All Missouri Names have contributed to the Central Fund.

115. Lloyd's, in its "Annual Report and Accounts 1993," stated that Lioncover had substantial exposure to long-tail liabilities including environmental pollution, and asbestosis bodily injury and that considerable uncertainty existed regarding the ultimate settlement of these liabilities.

116. Through their participation in the Central Fund, each Missouri Name is liable for unknown and unquantifiable losses of Lloyd's syndicates in which they did not invest. This fact was not disclosed to Missouri Names.

117. In connection with its sales efforts in Missouri Lloyd's withheld certain material information concerning the liability of Names for losses in syndicates they did not underwrite through the operation of the Lloyd's American Trust Fund ("LATF").

118. To permit Lloyd's to underwrite insurance risks within the United States, Lloyd's

was required to hold in trust certain premium income on behalf of each Name to meet the insuring obligations as they became due.

119. To accomplish this requirement, Lloyd's created the Lloyd's American Trust Fund ("LATF") in or about 1939. LATF is presently administered through Citibank Corporation in New York.

120. Rather than account for these funds individually, as Lloyd's and Citibank were required to do under the Deed of Trust creating LATF, the funds of all Names held in trust were commingled.

121. As claims came due for risks underwritten in the United States, Lloyd's caused funds to be disbursed from the LATF. Where funds were unavailable to meet the obligations of some individual Names, Lloyd's "borrowed" funds held in trust for other Names to fund such obligations.

122. Pursuant to a Report of Examination of Lloyd's as of December 31, 1993, prepared by the State of New York Insurance Department investigating the affairs of Lloyd's and the LATF, it was discovered that Lloyd's had been advised by its U.S. counsel that such borrowing was permissible so long as it was prudent, even though such conduct was not permitted under the Deed creating the LATF. The State of New York's Insurance Department's examiners determined that such practice was questionable since the borrowing was being done to fund claims on behalf of Names unable or unwilling to pay.

123. In addition, Lloyd's, in July 1992, caused certain funds to be transferred from the LATF, by means of a special levy against Names, to a portion of the Central Fund held in the United States ("CFUS"). The funds transferred represented a portion of Names' underwriting profits on closed syndicate UYAs held by LATF. Transfers out of CFUS were at the discretion of the Council, for the purpose of funding alleged claims against Names, including claims by Lloyd's Managing Agents. No U.S. policyholder, however, has any direct access to such funds.

124. The result of Lloyd's operation of the LATF is to obligate Missouri Names, for joint liability for losses and claims of other syndicates and Names.

125. In connection with the offer and sale of memberships in Lloyd's and participations in Lloyd's syndicates, Lloyd's failed to disclose material facts known to it regarding the LATF.

126. In connection with the offer and sale of the memberships in Lloyd's and participations in Lloyd's syndicates to Missouri residents, Lloyd's misrepresented the following material facts:

a. Names could resign from a syndicate after the three year accounting period whereupon the investors' liability for losses on that syndicate would also end. In fact, syndicates with unquantifiable losses could remain open indefinitely and the Names' liability for those unquantifiable losses would continue;

b. RITC would cover liabilities which arose after the three year accounting period had ended. In fact, RITC was not available to certain syndicates in which Missouri Names' invested because those syndicates had unquantifiable losses;

c. No Name had ever been called upon to put up money for a Lloyd's loss. In fact, this was not true;

d. Asbestosis and environmental pollution claims were a thing of the past. In fact, this was not true;

e. Investors were only liable for losses incurred by syndicates in which they invested. In fact, the investors were liable for losses incurred by other syndicates as a result of the investors' participation in the Central Fund and in the LATF; and

f. Investors were only liable for losses incurred by syndicates in which they invested. In fact, the investors were liable for losses incurred by other syndicates as a result of the investors' participation in syndicates that reinsured losses in other syndicates.

127. In connection with the offer and sale of memberships in Lloyd's and participations in Lloyd's syndicates to Missouri residents, Lloyd's omitted to state the following material facts:

a. Liabilities incurred by previous syndicate UYAs were passed on to later syndicates through RITC;

b. Cash calls could be made for syndicate losses without providing a specific accounting of those losses to the Names;

c. By becoming Names at Lloyd's, Missouri residents would incur liability for asbestosis and environmental pollution claims;

d. The findings of the AWP describing the magnitude and severity of asbestos liability faced by syndicates at Lloyd's;

e. After the findings of the AWP were made known to Lloyd's, certain

133. This Order is in the public interest.

CONCLUSIONS OF LAW

1. Section 409.401, RSMo Supp. 1995, defines "Security" as "any note; stock; treasury stock; bond; debenture; evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral trust certificate; preorganization certificate or subscription; transferable share; investment contract . . . ."

   The offering and selling of memberships in Lloyd's constitutes the offer and sale of securities in the State of Missouri.

   The offering and selling of participations in Lloyd's syndicates constitutes the offer and sale of securities in the State of Missouri.

2. Section 409.301, RSMo 1994, provides that "[i]t is unlawful for any person to offer or sell any security in this state unless (1) it is registered under this act or (2) the security or transaction is exempted under Section 409.402."

   Lloyd's' sale of unregistered securities, as described in the above "Findings of Fact," constitutes an illegal practice under Section 409.301, RSMo 1994.

3. Section 409.402(f), RSMo 1994, provides that "the burden of proving an exemption or an exception from a definition is upon the person claiming it."

   Lloyd's has failed to sufficiently prove an exemption or an exception from a definition.

4. Section 409.101, RSMo 1994, provides that "[i]t is unlawful for any person in connection with the offer, sale or purchase of any security, directly or indirectly

   [1] to make any untrue statement of a material fact or to omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they are made, not misleading, or

   [2] to engage in any act, practice, or course of business which operates or would operate as a fraud or deceit upon any person."

   Lloyd's' omissions of material fact in connection with the offer and sale of securities, as described in the above "Findings of Fact,"

constitute fraudulent, and thus illegal, practices under Section 409.101, RSMo 1994.

Lloyd's' misrepresentations of material fact in connection with the offer and sale of securities, as described in the above "Findings of Fact," constitute fraudulent, and thus illegal, practices under Section 409.101, RSMo 1994.

Lloyd's' conduct, as described in the above "Findings of Fact," constitutes acts, practices or courses of business which operate or would operate as a fraudulent or illegal practice under Section 409.101, RSMo 1994.

6. Section 409.408(b), RSMo 1994, provides that the Commissioner may, if he believes from the evidence satisfactory to him that a person is engaged or about to engage in any fraudulent or illegal practice or transaction, issue an order prohibiting such person from engaging in or continuing such fraudulent or illegal practice or doing any act or acts in furtherance thereof.

Selling or offering to sell unregistered securities, as described in the above "Findings of Fact," constitutes an illegal practice under the statute.

Engaging in an act, practice, or course of business which operates or would operate as a fraud or deceit upon any person constitutes a fraudulent or illegal practice under the statute.

Omitting to disclose material facts in connection with the offer and sale of securities constitutes a fraudulent, and thus illegal, practice under Section 409.101, RSMo 1994.

Misrepresenting material facts in connection with the offer and sale of securities constitutes a fraudulent, and thus illegal, practice under Section 409.101, RSMo 1994.

Taking any action to enforce an obligation to pay as described in the above "Findings of Fact," including engaging in the appropriation of any deposit, including the drawing down of a letter of credit, constitutes an act or acts in furtherance of a fraudulent, and thus illegal, practice under Section 409.408(b) RSMo 1994.

7. Sufficient evidence exists to conclude that Respondents have engaged in willful violations of Sections 409.301 and 409.101, RSMo 1994.

8. Sufficient evidence exists to conclude that Respondents will continue such

fraudulent and illegal practices.

NOW, THEREFORE, it is Ordered by the Commissioner of Securities, pursuant to Section 409.408(b), RSMo 1994, that Lloyd's, their agents, employees and servants, Cease and Desist the offer and sale of securities in violation of Sections 409.101, RSMo 1994, 409.201, RSMo Supp. 1995 and 409.301, RSMo 1994.

NOW, THEREFORE, it is further Ordered by the Commissioner of Securities, pursuant to Section 409.408(b), RSMo 1994, that, Lloyd's, their agents, employees and servants are to Cease and Desist from engaging in any act or acts, including engaging in any action to enforce an obligation to pay and the appropriation of any deposit, including the drawing down of a letter of credit, in furtherance of the fraudulent or illegal offer and sale of securities.

SO ORDERED:

WITNESS MY AND OFFICIAL SEAL OF MY OFFICE AT JEFFERSON CITY, MISSOURI THIS 25th DAY OF February, 1996.

REBECCA MCDOWELL COOK
SECRETARY OF STATE

Douglas F. Wilburn

DOUGLAS F. WILBURN
COMMISSIONER OF SECURITIES

NOTICE:

Respondents and any of their unnamed representatives aggrieved by this Order may request a hearing in this matter by sending such request, in writing, to Douglas F. Wilburn, Commissioner of securities, Office of the Secretary of State, Missouri State Information Center, Room 229, 600 West Main Street, Jefferson City, Missouri 65101, pursuant to Section 409.412(a), RSMo 1994, and MO 15 CSR 30-545.020, within thirty (30) days of the receipt of this Order.