



03/21/00

THE COMMUNICATOR

BRIEFING ON JAFFRAY VS. LLOYD'S COURT CASE

On January 11, 2000 a court case between Sir William Jaffray and Lloyd's began in London. The case stems from an allegation of fraud by Jaffray in which he contends the management of Lloyd's was aware of a massive build up of asbestosis claims at the time he joined the Society of Names as an investor. This allegation is a counterclaim to Lloyd's own action to recover debts owed to Lloyd's by Jaffray.

Lloyd's underwent a Reconstruction and Renewal plan in 1996. Under this plan all claims incurred in 1992, and before were placed in a reinsurance company named Equitas that was created for the purpose of meeting and paying all such claims. The funding to pay those old claims is being successfully carried out by all current Insuring Syndicates admitted to Lloyd's by contributing a part of their new premiums to this project.

The plan also provided for the acceptance of corporate capital for the first time in history. Prior to that change all capital was made up of investments from individuals who additionally pledged their entire fortune behind the risks selected by their Underwriters. This is known as "unlimited liability". AM Best and Standard and Poor's rates Lloyd's as a solidly financed and well-managed organization as a result of these changes.

The action taken by Jaffray is intended to enable him to evade the payments to Lloyd's brought about by the unexpected claims for asbestosis dating back to the turn of the 20th Century. Lloyd's, true to its belief, has never denied payment of any legitimate claim. Lloyd's is meeting those unexpected claims incurred in the distant past, including the liabilities of Insurers long out of business.

Out of 34,000 names, 95% paid their obligations to Lloyd's to settle the pre-1992 claims. Only 220 have joined Jaffray in his action against Lloyd's. This case has no material bearing on the security of the Lloyd's market and on business produced since 1992.

Should you wish more detailed information on this subject please make your requests known. Attached is Lloyd's 02/29/00 Press Release.

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LLOYD'S

Press Release

February 29, 2000

You will no doubt have seen something of the substantial media interest generated by the commencement of the Jaffray proceedings. Lloyd's will not be entering into detailed public debate about the allegations, as we believe the place for such argument is in court. However we are very confident of winning this case.

You may find the following information useful should your clients have queries on the case and as you follow events in court.

- The allegations are being made by a small number of dissident Names who between them owe Lloyd's over £50 million. For most of those involved, the case is a counter-claim to Lloyd's own proceedings for debt recovery.
- These allegations have been made in public for the last ten years but none of them have ever been substantiated.
- The case is not about Lloyd's today. The market has been completely restructured, both financially and in terms of regulation, since the losses of the late 80's and early 90's. Standard & Poor's said, "Lloyd's regulatory management is very strong and independently minded and the lessons of the past have been well learned."
- The case has no material bearing on the security of the Lloyd's market. Equitas is in no way threatened and the security ratings agencies are fully conversant with the facts of the case.
- Lloyd's is backed by assets of more than £15 billion.

Yours sincerely,

Caroline Wagstaff
Head, Marketing & Communications