



**Equitas Meeting of Reinsured Names  
London, Tuesday 2 June 2009**

**HUGH STEVENSON**

Good morning, ladies and gentlemen. It's half past ten. I am Hugh Stevenson, the Chairman of Equitas, and I would like to welcome you all to this Open Meeting of Reinsured Names. Those of you who have been to previous meetings - I think we've probably had 10 or 11 of them, in all in this room -, will be familiar with most of those on the platform. Furthest from me is Sir Adam Ridley, the Chairman of the Trustees of the Equitas Trust, which holds all of the share capital of Equitas in trust for Reinsured Names; on his left is Jane Barker, our Chief Executive Officer, and nearest to me is Philip Hertz, a partner in Clifford Chance who are our legal advisors. And also here today in the front row are other Trustees of the Equitas Trust and other members of the Board of Equitas.

Let me briefly explain our procedure this morning. Following my introductory remarks, Jane will outline the background and the key business aspects of the proposed Part VII Transfer. And then Philip will comment on the principal legal issues. Adam will then say a few words as the Chairman of the Trustees.

Following the presentations we will, of course, be happy to answer questions about Equitas and about the Part VII Transfer. Some people prefer to ask their questions one-on-one rather than in a plenary session, and of course we will be happy to do that at the end of the meeting as well.

As on previous occasions, can I remind you that this is a meeting about Equitas and the Part VII Transfer? We cannot answer questions which are really a matter for Lloyd's or do not in some other way concern Equitas. And as a final matter of housekeeping, you should be aware that a transcript is being made of the proceedings, which are being taped. If you would like a transcript, please leave your name and address at the door when you leave the meeting and we will make sure that you receive one when it's ready in a few weeks' time. So with that I will ask Jane to kick-off by outlining the Part VII Transfer.

**JANE BARKER**

Thank you, Hugh. Good morning. The purpose of the meeting today is to inform you about the insurance business transfer of the 1992 and prior years' non-life liabilities of Lloyd's Names into a limited liability company. Philip and I will talk about the background and reasons for the Transfer. We will then talk about the Transfer process and the independent expert who has prepared a report for the Court. We will take you through what it means for the different groups of stakeholders, and will consider the issue of recognition in jurisdictions other than the UK. Finally, we will explain what you need to do.

First, let me give you a little background. Most of this is well known to all of you, but I think it helps to set the scene. The policies at Lloyd's were underwritten by Lloyd's Names operating in syndicates. Each Name had several, not joint, liability for the policies underwritten by their syndicates. The liability of each Name in respect of their share of the policies underwritten is defined as being unlimited, although clearly any one Name's liability is limited by the value of his or her assets. The syndicates operated as a series of annual ventures called a Year of Account, which in the normal course of events remained open for three years. At the end of the three year accounting period the syndicate purchased a reinsurance to close the Year of Account, generally from the next syndicate Year of Account. This allowed a distribution of profits or an allocation of losses, and it also allowed the Names to resign from Lloyd's if they so chose. Thus, in most cases, the 1984 Year of Account for a syndicate would be reinsured by the 1985 Year of Account of that same syndicate, which in turn would be reinsured by the 1986 Year of Account and so on. This process was called "Reinsurance to Close". Because of the now well-documented problems that afflicted the Lloyd's market from the early 1980s, mainly escalating asbestos, pollution and health hazard claims, it became impossible for many managing agents to calculate the Reinsurance to Close premium. An increasing number of syndicates, therefore, remained open. There was, as you will all recall, widespread litigation. In response, Lloyd's implemented its Reconstruction and Renewal Plan, or R&R. The centrepiece of R&R was the formation of Equitas, which reinsured all the open Years of Account up to and including 1992, and by doing so took on the responsibility, through the Reinsurance to Close mechanism, for all the liabilities of all the prior years. Equitas also indemnified those Names on years already Reinsured to Close into later years in case their Reinsurance to Close was ever set aside or did not perform.

In the very unlikely event that any valid claim is not paid in full by Equitas, the Names remain liable for their share of any unpaid amounts. A policyholder only has a claim against the Names on the syndicate that underwrote the policy; thus, policyholders would have to claim against the original Names. The policyholders cannot claim directly against the Names further along the Reinsurance to Close chain or directly against Equitas.

Equitas was formed in 1996 to reinsure the non-life liabilities underwritten in 1992 and prior years by Lloyd's Names. Since that time, Equitas has paid over \$27 billion in claims and is currently estimated to have further claims of about \$8.8 billion still to pay. Taking into account the external outwards reinsurance, other than from National Indemnity, the net reserve stood at \$7.8 billion at 31 December 2008. We are currently in the process of finalising the accounts for Equitas for the year ended 31 March 2009, and I expect these to show a very similar picture.

In 2007, Equitas entered into a retrocession agreement with National Indemnity that provides cover, now estimated to amount to \$13.1 billion. That is, \$5.3 billion over and above the net reserves at 31 December 2008. The retrocession agreement is working well and in accordance with our expectations.

Enough of the background; turning now to the transfer of business. Why are we doing this?

Under the Transfer, the liabilities of the Names will be transferred away from them into a limited liability company

which will be an authorised insurance company in the UK. Equitas will thus have achieved its objective of obtaining legal finality for Names.

At the same time, we do not wish to prejudice policyholders and cedants, but to improve their security. We will do this by buying an extra \$1.3 billion of cover from National Indemnity for £40 million, approximately \$60 million. We have the option to do this, as long as this Transfer is approved by the UK Court on or before 31 December this year. This will take the total cover to \$14.4 billion, \$6.6 billion above the estimated net reserves.

As part of the communication process, I have just come back from the US, where Philip and I, together with Dan Schwarzmann from PricewaterhouseCoopers, have made presentations to policyholders and cedants. These meetings went well, with lively question and answer sessions. Most of the questions centred on the issue of recognition of the Transfer in the US and the related topic of credit for reinsurance in the accounts of the US cedants.

We were not surprised by these questions and were able to explain that we expect nothing to change in the US unless and until we decide to try to obtain recognition of the Transfer, and if we do so decide there will be further opportunities for those companies to consider the next steps.

On Friday of this week we will complete our communication process by holding a similar meeting for UK policyholders and cedants. All of this communication, including today's meeting, is designed to ensure that all parties that might be affected by the Transfer have been informed and given opportunities to ask questions. Thank you.

**HUGH STEVENSON**

Thank you very much, Jane. And perhaps, Philip, now you could comment on some of the more important legal aspects of the proposed Transfer scheme?

**PHILIP HERTZ**

Thank you, Hugh. As Hugh explained, my name is Philip Hertz. I'm a partner in the firm of Clifford Chance and I am going to look in a little more detail at the proposed transaction.

So what is an insurance business transfer?

A transfer of the type contemplated in respect of the 1992 and prior years' non-life liabilities of Lloyd's Names is permitted under English law under Part VII of the Financial Services and Markets Act 2000. That is why you will hear us and others refer to it as a "Part VII Transfer".

It is a UK Court approved process moving insurance business from one insurer, or in this case multiple insurers – you, the Names - to another; in this case a newly established limited liability company owned by the Equitas group. This company is currently called Speyford Limited but will, once authorised by the Financial Services

Authority (or "FSA"), be called Equitas Insurance Limited. Today, for simplicity, I will call it "Newco".

This process not only transfers the insurance and reinsurance policies underwritten but also transfers the assets, such as outwards reinsurance contracts protecting the insurance business to a new insurer.

So looking at the process, as I have already mentioned, no Part VII Transfer can take place without UK Court approval. Under the governing legislation, an expert independent of the parties is appointed to report to the Court on the impact of the Transfer on policyholders and other stakeholders, with particular reference to security.

In addition, the FSA is involved at all stages. The FSA's regulatory objectives include maintaining market confidence and securing protection for consumers. In the Part VII context, this means ensuring that policyholders affected by the Transfer receive sufficient information about it and that their interests are protected. To this end, in addition to the Chairman's letter to Names, Equitas has provided notice directly to policyholders, cedants and reinsurers, and has advertised in over 100 countries worldwide in a number of publications in a manner approved by the FSA and in accordance with the High Court Order made last November. Equitas has also provided notice directly to brokers and claims handlers of the transferring business. All information provided to Names, policyholders, cedants, reinsurers and others, can be found on the Equitas website, and the address is on the bottom of the slide.

The FSA will produce a report to the Court setting out its views. The FSA also has the right to be heard at the Court hearing for the approval of the Transfer. At that hearing, counsel for the applicants, in this case Equitas and Newco, will explain to the Court the proposals, the notifications they have given and any responses received. The Court will then hear from any person who claims to be adversely affected, and will consider the views of both the independent expert and the FSA before reaching a conclusion as to whether it is appropriate to approve the Transfer. The Court has a wide discretion as to whether to grant this approval and will be concerned with whether anyone will be adversely affected. The Court will not approve the Transfer unless it is satisfied that as a whole it is fair as between the interests of the different groups of persons affected. In coming to its conclusion, the Court will rely heavily on the views of the independent expert and the FSA.

The Court hearing is currently scheduled to commence on 24 June this year at the High Court in London. If you wish to attend the hearing you should check on the Equitas website, which will be updated should the hearing date change. Anyone, including Names, who believes that they are adversely affected can make written representations and/or appear at the Court either in person or by counsel. But as we have said previously, if you do have any concerns we would encourage you to raise them with us as soon as possible so that we can discuss them with you.

Given the key role played by the independent expert, I thought it would be helpful to spend a few minutes looking at his role and function. As the name suggests, the independent expert is not an advisor to anyone involved in the Transfer, but a person independent of the parties involved whom the FSA considers has the necessary skills to assess the effect of the Transfer. The FSA must approve the appointment of the independent expert. Once

appointed, the independent expert is required to prepare a report in a form approved by the FSA. This report is for the Court, and sets out the independent expert's conclusions regarding the effects of the Transfer on policyholders and other key stakeholders. In doing so, the independent expert has an overriding duty to the Court.

In this case, the independent expert approved by the FSA is Mr Allan Kaufman of Navigant Consulting. Mr Kaufman is a US actuary who has worked for many years in the UK. Mr Kaufman's report was produced on 8 April 2009.

It is worth noting that, subject to any different findings in a supplemental report (as to which a little more later), the main conclusion in Mr Kaufman's lengthy and considered first report is and I quote, '*There are no groups of policyholders or other parties that are materially disadvantaged in the event of the Transfer.*' In particular, and in relation to Names, Mr Kaufman's report goes on to conclude that, '*Names as parties overall are not disadvantaged in the event of the Transfer.*'

Mr Kaufman has indicated that he will be producing a supplemental report. This is not unusual. The production of a supplemental report is routine given that any initial report, as is the case here, will have been issued some months prior to the final Court hearing. This supplemental report will address some additional areas, including an update on National Indemnity's financial position, the result of his review of certain supporting documentation which had not been finalised at the time of the initial report, and any issues which may have arisen or need clarification since the date of the first report.

Now, the key issue for you, of course, is what the Transfer will mean for Names.

As Jane has already explained, Equitas is proposing this Transfer because, if it is approved, Equitas will achieve its objective of obtaining true finality for Names under English law as well as European law, whilst at the same time significantly increasing the security for policyholders by virtue of the additional reinsurance cover.

Newco, the replacement insurer, will be an Equitas Group company and will be authorised as an insurer by the FSA before the Transfer takes place. It is intended that the Equitas Trustees, together with the Chairman and CEO of Equitas and the Lloyd's director, will constitute the first Board of Directors of Newco. The Transfer will have the effect of simply replacing Names with Newco in the existing chain of reinsurance, with the result that the reinsurance now provided to Names by Equitas will be transferred, as a matter of English and European law, to Newco. Equitas will continue to be reinsured by National Indemnity. Newco's main asset for the payment of claims, therefore, will be the reinsurance that now funds claims paid by Equitas on behalf of Names. In other words, Newco will be reinsured in the same way that Names are currently reinsured by Equitas and National Indemnity, but it will have \$1.3 billion more reinsurance than is now available. Equitas will buy this additional reinsurance protection from National Indemnity for a premium of £40 million sterling. Therefore, as a matter of English and European law, the impact on policyholders and cedants will be that they are no longer reinsured by the Names. Newco, a UK insurance company authorised by the FSA, will become their new insurer.

It follows, therefore, that the main effect of the Transfer on Names will be that they will, as a matter of English and European law, cease to have any liabilities to policyholders and cedants in respect of the transferred business. Instead, policyholders and cedants will have the claims against Newco.

Subject to the recognition of the Transfer overseas, which I will deal with later, it is theoretically possible that circumstances might arise where policyholders and cedants may seek to make claims against Names in overseas jurisdictions. However, we imagine that any such claims would only be made in the unlikely event of an Equitas insolvency. In addition, the already remote risk of an Equitas insolvency will be reduced even further as a result of the substantial additional security in the form of the \$1.3 billion extra reinsurance coverage from National Indemnity. In any event, Names will have the benefit of an indemnity from National Indemnity under the retrocession agreement, and from Newco under the terms of the Transfer.

Although Names reinsured by Centrewrite or Lioncover will no longer have any liabilities to their policyholders under English and European law, the existing protection they had from Lloyd's will continue, which means that their policyholders will not be prejudiced by the Transfer. Further information about the proposed Lioncover arrangements have been sent to PCW Names by Lloyd's, as well as appearing on the Lloyd's website.

Arrangements will also be put in place to ensure that the policyholders of Hardship Names, those Names who will have had the benefit of various Hardship and other informal arrangements entered into between the relevant Names and Lloyd's, will not be prejudiced by the Transfer.

In sum, Equitas believes that the Transfer does not materially disadvantage Names, or indeed any other stakeholders, and this is a conclusion with which the independent expert concurs.

At this juncture it is perhaps worth me touching on some queries which have been made and my views in relation to them.

To date it is fair to say that the response to the proposed Part VII Transfer has been generally positive. There have been a lot of questions, which is not surprising in view of the complexity of this transaction, but these are mostly dealt with by the information on the Equitas website. There have, however, been two queries raised which I wish to touch upon, if only because some of you might have heard about them, not because we have any concerns.

The first of these queries is, whether Equitas has the authority to facilitate this Transfer on behalf of all Open and Closed Year Names. The second is whether the Transfer should cover the liabilities of Closed Year Names; this, in turn, depends on whether the Lloyd's mechanism of reinsurance to close, already explained by Jane, is a novation or a reinsurance.

Dealing with each issue in turn and looking at authority first. Equitas was given absolute and irrevocable

authority to manage the 1992 and prior years' business on behalf of Names as part of R&R. On 24 September last year, Lloyd's exercised its statutory power to certify that Equitas has the authority to act on behalf of all Names for the purpose of the Transfer. Therefore, we are in absolutely no doubt that Equitas has the requisite authority.

Reinsurance to close. It has been asserted that we are misconceived in attempting to Transfer the 1992 and prior years' liabilities of all Names. That is, Names on syndicates which were open at the time of R&R and those that had already been reinsured to close at that time. The reason for this is because - it is asserted - that the liabilities of those Names who were reinsured to close were actually novated to the Names in the succeeding years, with the result that we need only deal with the Names on syndicates which were open at the time of R&R.

Equitas has consistently held the view that reinsurance to close is a reinsurance not a novation. This is supported by general principles of English law, the applicable legislation, judicial precedent and the FSA. In short, the argument that reinsurance to close is a novation and not a reinsurance is unconvincing and inconsistent with law and practice. As a result, we consider it right and indeed essential that we should seek to transfer the 1992 and prior years' liabilities of all Lloyd's Names. It is also worth noting that if the Transfer is approved by the English Court, the whole issue of reinsurance to close will become completely irrelevant in any event.

Finally, I would like to touch upon the recognition of the Part VII Transfer overseas. If the English Court approves the Transfer, its decision will bind all policyholders and cedants as a matter of English law and will automatically be recognised throughout Europe. It should be appreciated, however, that Part VII Transfers are a relatively new development in English law. There is, therefore, very little experience on which to form a conclusion as to whether the courts of overseas jurisdictions would recognise a Transfer such as this in the event that a claim is brought against a Name in their jurisdiction after the Transfer takes effect. To this end we, as Equitas' legal advisors, are giving careful consideration to the extent to which it is possible and reasonably practicable to take steps in other major overseas jurisdictions to obtain recognition of the UK Court order approving the Transfer..

Pending any recognition it is, as mentioned earlier, theoretically possible that circumstances may arise where policyholders and cedants may seek to make claims against Names in overseas jurisdictions. Any such claims will, however, be made in the event of an Equitas insolvency; as mentioned earlier, the risk of that is already remote and will be reduced further as a result of the substantial additional security in the form of the extra \$1.3 billion of reinsurance cover from National Indemnity. Further, Names will have the benefit of an indemnity from National Indemnity under the retrocession agreement and from Newco under the terms of the Transfer scheme.

So what do you need to do now? Well, no action is required by any Name. However, as already explained, if you believe you are adversely affected and would like to make written representations and/or appear at the Court hearing, we would ask you to provide written representations or written notice of your intention to appear at court and details of your concerns as soon as possible.

The relevant contact details can be obtained from the website or the notices which have been circulated already. The formal documents which have been lodged with the High Court are now available on the Equitas website, and again the slide shows the details. We also have a helpline and, of course, you can contact by email. That is all I have to say. Hugh?

**HUGH STEVENSON**

Thank you very much, Philip. Adam, would you like to say something on behalf of the Trustees?

**SIR ADAM RIDLEY**

Thank you, Hugh.

Ladies and gentlemen, I must begin by underlining to you all that the exercise we're discussing today has called for an enormous amount of hard work; most notably perhaps from our lawyers at Clifford Chance, from Dan Schwarzmann and his team at PricewaterhouseCoopers, and the remaining team at Equitas led in particular by Jane Barker. Now, of course, we haven't got there yet, but I am confident that we will and enormous credit will be due to them and also to Hugh when that happens.

Now while the ponderously named Part VII Transfer procedure is being driven forward through the courts by us, we've also benefited a lot from the constructive co-operation and help of both of the FSA and the Treasury. The FSA, as you've probably noted, have got an important part to play in the Court process, and we all depended on the Treasury to initiate a crucial revision of the Financial Services and Markets Act last year. Without that we couldn't have undertaken the transaction at all. Lloyd's have also been playing an important role. They've given us, as you all know, £72 million already to support the retrocession with National Indemnity, and they've committed a further £18 million toward the additional US\$1.3 billion of reinsurance cover from National Indemnity after a successful Transfer.

So, if all goes well in Court on June the 24<sup>th</sup>, the Transfer is completed as planned and the rest, then Equitas itself will still have some duties, indeed much the same important duties as today; monitoring the conduct of the run-off by National Indemnity, liaising with the regulator, and managing the group's finances wisely, including, not unimportant, the prudent investment of assets of some £80 million.

For a while there will also be some mopping up, in particular the task of examining whether it will be possible or practicable to obtain recognition of the Part VII Transfer in other important jurisdictions.

However, as the dust settles, the burdens on the company will diminish. Once we've completed the strategic task of transferring Names' business to the newly constituted subsidiary, which we're calling Equitas Insurance Limited, the need to maintain relations and communications with Names, to which I return shortly, will largely fall away.

So what then of Equitas itself? After over ten years of devoted effort, Hugh Stevenson has indicated that he



would like to step down as Chairman before the end of this year. This promises to be very elegantly timed, since it should come after the Part VII Transfer has taken place.

Jane Barker, for her part, has also indicated that she'd like to hang up her briefcase and move on before very long. But, happily, she's agreed to stay with us for a little while to help us with the transition to the new world. Now many Names, indeed I'm sure nearly all of you here, will remember that she joined the Equitas project, as it then was, late in 1995. So that represents some 14 years so far of hard service before the mast. I think we're all very grateful, in particular to both you Jane and to you Hugh, for all you've been doing for so long and I'd like you to express your appreciation.

Now, the process of finding a new Chairman and appointing one is well in hand and I hope it will be possible to make an announcement before long, and the replacement for Jane will follow a little later at a suitable moment. But clearly choosing her replacement is something in which the new Chairman will wish to have, and indeed should have, an important voice. Obviously following Jane is going to be extremely difficult. The professionalism and the assurance she brings to her presentations to Names from the platform is marked by the same decisive competence with which she's handled Equitas finances and management, and these are qualities which we, the Trustees, have long witnessed and appreciated year in and year out. Thank you. Now, what about the Trustees themselves? We'll continue with much the same core duty as before, even if our faces will change from time to time, and that is to protect the interests of Names.

To that end, we'll continue to work as now, very closely with the Equitas Executives, whether to monitor the performance of National Indemnity under the retrocession agreement or to keep the group's administration and finances on a sound basis. And we'll also continue to work to pay a further return premium, although, as Hugh has indicated in his last letter, this is unlikely for many years and might never happen at all.

We'll also continue to work closely with the FSA, and possibly other public bodies overseas too if we pursue recognition of the Part VII Transfer process over there. Now, how will we discharge our duties, we the Trustees and Equitas together? Well, after a successful Transfer, we and Equitas expect to operate in a rather lower key. There should be no further need for regular Open Meetings of Reinsured Names and today's events will probably be the last of their kind. I see that as an admirable prospect.

That said, we on the platform, and those working with us, much appreciate the support shown to us by Names at Open Meetings over what is now some 13 or 14 years. And some of you may also regret losing a good excuse for the odd trip to London, but we'll all be far happier when we no longer have to face the anxieties and concerns which have brought us to meet like this so often.

Names, for their part, will no longer be under any obligation to report addresses or other relevant details to Equitas, though obviously it will remain advisable for those Names who wish to preserve their ability to receive a later return premium, should there be one, to continue to update these essential details.

So from now on communications from us will be more limited. They will consist largely of information on the Equitas website, though obviously hard copy will continue to be available on request. We will have no further obligation to send out our reports and accounts, though those too will, of course, still be available.

What about your papers and your recordkeeping? Well I hope, and I think we all hope, that many of you will be able to throw away much, if not all, of the appalling piles of paper about your underwriting in previous decades, your relations with Lloyd's, R&R, Equitas and all the rest of it; things which are no doubt weighing down many an attic floor, blocking capacious cellars, and ruining otherwise well-organised filing systems.

And what about wills and estates? We would like to have been able to say unequivocally that Names and their advisors no longer need to consider measures such as the Re Yorke procedure when preparing wills. To that end we took advice from leading counsel, which is summarised in the "Frequently Asked Questions" document which I am sure you have all seen and have. Take particularly the answer to the question about Re Yorke at the bottom of page four. That is pretty critical. There you will see that I am afraid Names will usually have to continue to take advice.

Let me close then with one or two very personal reflections.

I first got involved in the affairs of Names shortly after I joined the committee of the Association of Lloyd's Members at the end of the '80s, some 20 years ago. Even then one could see trouble brewing in no uncertain terms. During the abortive 1993 settlement negotiation, in which I was the alternate for the ALM Chairman, Neil Shaw, it was possible to see how Lloyd's might combine improving its market practices, staunching the losses and settling the litigation, without demanding a gigantic injection of cash from the authorities in the way that the banking sector now feels is so natural. However, at that time it became abundantly clear that Lloyd's, by which I mean both the corporation and much of the market, were not even inclined to attempt what might be needed.

Less than two years later, however, there were new faces around the table of the Council, darker clouds in the sky, and a much greater sense of realism generally. The action groups were effectively organised and thoughtfully led at last by my fellow Trustees, Michael Deeny, John Mays] Richard Spooner, and by other members of the Litigating Names Committee, such as Chris Messer and Damon de Laszlo.

David Rowland, for his part, brought together a committed and expert Lloyd's team to structure and drive through the R&R process. And at the same time another erstwhile fellow Equitas Trustee, Richard Keeling, together with Heidi Hutter and many others including David Shipley and Jane Barker, were methodically tackling the horrendous task of valuing the reserves of over 700 open years.

The R&R settlement proposed then was exceptionally widely supported by, as you I'm sure all recall, some 97.5% of Names, and very effectively implemented in September 1996; 13 years ago. However, Equitas was, as many observers pointed out, very modestly capitalised. Confidence in its survival was not general and no one knew whether it would last more than a few years.

Yet here we are today, 13 years later, able to say that the risk of ultimate failure of Equitas is minimal and that we have achieved a very high degree of finality, particularly with a successful Part VII Transfer. It will have been an enormous privilege for us all, Trustees and Equitas alike, to have been able to bring this about.

Mr Chairman, thank you.

## **Questions & Answers – morning session**

### **HUGH STEVENSON**

Thank you too Adam. Now that's the end of the presentations and it is time for questions. Unlike previous years, we have not asked people to pre-register their questions so we will throw it open to the floor. As I said earlier, if people would prefer to ask questions one on one after the meeting, then any of us on the platform or, indeed, in the front row will be very happy to do that.

There are two microphones. It is important we use microphones because this is quite a big auditorium; one at the end of the aisle over there and one over there on the other side. For the sake of the record, as usual, could I ask people to say their names and also to state that they are a Reinsured Name? And lastly I would remind you again, this is a meeting about Equitas and the Part VII Transfer and I would request that you keep your questions to those issues. So with that, I throw the meeting open to questions. Yes, sir?

### **DR DALE**

Doctor David Dale, I am a Reinsured Name. A question for Philip Hertz, please. I am just a little bit confused. Those outside of Europe jurisdictions that may not recognise the Part VII Transfer, will they be able to have any claim against a Name who is themselves in the UK and not in an outside Europe territory?

### **PHILIP HERTZ**

The answer to that is no. The Part VII order will have effect throughout the UK and throughout the EEA and any overseas order should not be recognised in those jurisdictions.

### **HUGH STEVENSON**

So anybody who lives in the UK or in Europe, even if the outside jurisdiction does not recognise the Part VII Transfer, is safe?

### **PHILIP HERTZ**

That is our belief.

### **HUGH STEVENSON**

Thank you. Yes?

**DELEGATE [INAUDIBLE]**

Thank you Mr Chairman. I am slightly confused at the almost last minute introduction of Newco, which is to be the body that takes the final ultimate liability away from Names and I note from the newsletters that Newco is not to be bought by NICO, so therefore if it remains a subsidiary of Equitas, part of the Equitas Group, surely we have some at least theoretical liability remaining and it has not been completely and finally transferred to Warren Buffet or NICO.

**HUGH STEVENSON**

On the first point, there are two points there. It is true that under the retrocession agreement with National Indemnity, they had an option to acquire the company into which the liabilities were to be transferred. They didn't exercise their option and I don't know the reason why they did not. As far as the security of Names goes, if the Part VII Transfer goes through, I don't believe it makes any difference but I will defer to the gentleman on my left.

**PHILIP HERTZ**

It makes no difference. As I explained, the reinsurance chain will remain intact. National Indemnity will continue to reinsure Equitas, which will reinsure Newco

**DELEGATE**

Absolutely no theoretical legal liability?

**PHILIP HERTZ**

Under English law.

**Delegate**

Unequivocally, without a doubt...

**HUGH STEVENSON**

No, it is what I believe is true finality, which is what Names have always hankered for.

**Delegate**

Legally true finality...

**PHILIP HERTZ**

Absolutely. As a matter of English and European law.

**Delegate**

What happens to Newco further on down the road? I don't really understand why it isn't NICO that has taken over the completion of this whole exercise. Why did we introduce a new company at a late stage?

**HUGH STEVENSON**

Because National Indemnity did not exercise their option to acquire the company to which the liabilities are transferred. Bear in mind, this is an insurance company which will be authorised by the FSA and, as Adam mentioned in his remarks, may have quite a long life but it will have the benefit of the reinsurance from National Indemnity;, as far as Names are concerned they have no further legal liability under English law, which is recognised as we have heard, throughout the European Union and some other countries.

**DELEGATE**

So we no longer need to know anything at all about Equitas?

**HUGH STEVENSON**

Nothing.

**DELEGATE**

Thank you sir.

**HUGH STEVENSON**

There's a question over there. Yes, sir?

**MR KNAPTON**

Brian Knapton, I am a Reinsured Name. Just following on from the questions here, does it mean that there is no question of being extradited to outside jurisdictions or being grabbed as you enter America or anywhere else outside the jurisdiction here?

**HUGH STEVENSON**

I would have thought not, but again I will defer to my friend on the left.

**PHILIP HERTZ**

I am not a student of extradition law, but I would have thought that you would only be extradited for criminal activity, not for anything to do with this.

**HUGH STEVENSON**

There was another question over there. Yes, sir?

**MR TARRANT**

Tarrant, Reinsured Name. Assuming the legality is in our favour, the Court hearing and Court approval, will you write to us as and when we achieve what you termed finality? And a second sort of supplementary question after the gentleman spoke over there, I was slightly upset is not the right word, but concerned that Adam Ridley seemed to be rolling back slightly in his speech from what we understood as Reinsured Names to be finality.

**HUGH STEVENSON**

On the first question, of course I will write to Names immediately after the Court hearing, irrespective of the result, because it is highly material information. I would expect, a letter will go out a week or so, after that.. Insofar as Adam's remarks about finality, perhaps I could pass that to him? "Finality" has been used a lot as a word over the years – practical finality, final finality, total finality etc– I believe that if we get the Part VII Transfer scheme through, as I've said, under English law and in the jurisdictions where this is recognised, it is as final as it gets, but Adam...

**SIR ADAM RIDLEY**

I don't think there is much else I would wish to add to what I said earlier. . We cannot implement a procedure which covers the whole of the world, but by dealing with the Part VII Transfer through the framework of our Financial Services and Markets regime, given the added benefit of doing it in the European Union and, indeed, with this extension to the EEA we cover a very large part of the world and so in that respect, the degree of legal exposure becomes greatly reduced, probably, as I said, becomes minimal. The other aspect of the whole process is whether there is the ultimate risk of failure of Equitas with an extra US\$1.3 billion of reinsurance, that becomes also more remote so while we cannot talk about a total degree of certainty, I think we are fair in saying, and I just repeat the words that I used at the end of my comments earlier, the risk of ultimate failure of Equitas is minimal and we will have achieved a very high degree of finality with a successful Part VII Transfer, but more we cannot say, and I think that is a fair legal and commercial judgment.

**HUGH STEVENSON**

The lady over there.

**MS BAUM**

My name is Glenda Baum, I am a retired Name. The word that has not been mentioned is asbestosis, because that is big claims in America and America is where the questions are. Could you just comment on that and could you also please comment on the fact that the vast amounts of reserves that Equitas is holding, how they are being affected by the current economic crisis? Thank you.

**HUGH STEVENSON**

Jane, could I ask you to...?

**JANE BARKER**

Yes, certainly. First of all, I mentioned that we have reserves for liabilities. When we talk about reserves, I do recognise we accountants confuse people, but when we talk about reserves, we are talking about the reserves to cover our liabilities. Those liabilities, I am sad to say, still include large amounts in respect of asbestosis, both here, in the UK and in the US, but those reserves are matched by and, indeed, are exceeded by the reinsurance that we have purchased from National Indemnity, so when I read out my numbers earlier, I was trying to indicate to you that we have got cover not only for the estimated amount of the liabilities. That is the point that I would want to keep making, that we have more cover than we have

liabilities. As I say, asbestosis and all of its problems continue.

On the other question, which I think refers really, if I can use the horrible expression. to the “credit crunch”, I think that was where the second part of your question was going, because we match these liabilities by this reinsurance policy, we don’t have to worry about the reinsurance assets being invested in assets such as those, I used to discuss at these meetings, bonds mainly. We don’t have any bonds any more. It is just the value of the reinsurance policy you have to concern yourself with. Adam made the point that we have extra assets within the Equitas Group of approximately £80 million. It is more at the moment but of course I am going to spend some of that to buy this additional reinsurance, but those assets are invested really in bank deposits very, very conservatively and I am glad to tell you we haven’t lost any money on them.

**HUGH STEVENSON**

There’s a gentleman at the back there. I am sort of working my way around the room.

**MR JAMES**

David James, former member of the Council, Reinsured Name and joint chairman of the Validation Committee which created Equitas at the beginning. Question for Mr Hertz, if I may. In the words that were quoted on behalf of Mr Kaufman, I got a little bit of a vibration from them because I started to imagine he is saying no Name has been disadvantaged on this, but could we turn the question round and would he also say that no Names have been advantaged more than any other group to the extent that we could have created a dissident group of, say, American Names who might seek to proceed against the Names who have been advantaged more than them because of the jurisdictional issues?

**HUGH STEVENSON**

Philip, please answer that.

**PHILIP HERTZ**

I can’t really talk for Mr Kaufman and how he would answer that, but what I would say is that, he has looked very, very carefully at all of these issues in detail, he has had independent legal advice and he has concluded the conclusions that he has arrived at, so I can’t really say any more than that.

**MR JAMES**

If his opinion was an extract from a longer report, is it possible his overall report could be circulated to all of us, please?

**PHILIP HERTZ**

It is available on the website.

**HUGH STEVENSON**

It is on the website. Yes, sir?

**MR MERRETT**

My name is Merrett, I am a Reinsured Name. Chairman, I wonder, Mrs Barker made an extraordinary statement with regard to the accounts that she expects to produce. I wonder if you could say do you agree with what she said?

**JANE BARKER**

Mr Merrett, let me just first of all check what I said. I didn't understand that I had made an extraordinary statement but I think I said we are currently in the process of finalising the accounts for Equitas for the year ended 31<sup>st</sup> of March 2009 and I expect these to show a very similar picture. That similar picture was compared with the net reserves at the 31<sup>st</sup> of December 2008, which stood at US\$7.8 billions. I am sorry, I fail to see why that is extraordinary.

**MR MERRETT**

And I suppose you don't either, Chairman?

**HUGH STEVENSON**

No, I don't see why that is extraordinary.

**MR MERRETT**

Well could you explain to me how the net position can possibly be the same or anything like the same?

**JANE BARKER**

Ok, perhaps I could go further back in my speech. Taking into account the external outwards reinsurance, other than from National Indemnity, the net reserves, that sentence was to mean that the gross reserves less external outwards reinsurance other than from National Indemnity, stood at US\$7.8 billion, which as I have already mentioned in answer to an earlier question, is matched by and exceeded by the reinsurance from National Indemnity.

**MR MERRETT**

I understand that, but when you say the net position, therefore, you don't mean the net position. Is that correct?

**JANE BARKER**

Mr Merrett, I am sorry, I am perhaps...

**MR MERRETT**

Net is ordinarily regarded as being after reinsurance.

**HUGH STEVENSON**

Indeed. Taking into account the external outwards reinsurance other than from National Indemnity, the net



reserves.

**MR MERRETT**

Right, I think I have made my point in as far as anyone wants to pick it up. I wonder if I could ask Mr Hertz a question? Mr Hertz, when you were referring to Hardship arrangements, if I may just say so in passing, you made a very substantial report which included some interesting new material which no doubt people might want to study when they see the transcript and I am not intending to comment on any points that I have raised elsewhere or on that new material that you introduced, but could I just ask you one question – you said, with reference to hardship arrangements, that they were informal. Could you explain in what sense they were informal, because it is my understanding that the people who signed hardship agreements with Lloyd's regarded them as extremely formal?

**PHILIP HERTZ**

Well, the first comment, Mr Merrett, is that the arrangements that I have, well, everything that I have discussed and in particular relating to the Hardship arrangements were foreshadowed and set out in the independent expert's report, so hopefully that shouldn't be too new. In terms of the arrangements themselves, yes, I mean, we have been in discussions with Lloyd's as to exactly what is in existence and we have been told that there are a number of agreements as what they describe as informal arrangements. Now, I don't know what the nature of those informal arrangements are. What we need to do as part of the Part VII Transfer is to ensure that policyholders are not prejudiced as a result of the Transfer and that is what the arrangements that we have put in place seek to do.

**MR MERRETT**

But if you are communicating through us, as it were, to Names who have signed Hardship agreements, that Lloyd's regard those as merely being informal, I think that is really quite a serious matter.

**PHILIP HERTZ**

I didn't say that, I said that there are some arrangements which are, well I will actually look at what I said, but I said that there are some arrangements which are more formal than others, I mean, in terms of the actual contract. I mean, there are a number of arrangements which are contractual and contractually binding and there are others, not all of them, others, which we have been told and that have been described as informal.

**HUGH STEVENSON**

Michael, do you want to make comment?

**MR DEENY**

Do you mind if I, just as Chairman of the Association of the Lloyd's members, we take an interest in the position of Hardship Names and the confusion is Hardship Names do have completely formal agreements with Lloyd's and those will continue. Quite separately, right, there were occasions when Names who were unable to meet their losses, Lloyd's arrived at agreements normally in the years after R & R and those are

informal arrangements. There are very few of them and I don't know them, but Hardship Names are completely separate.

**MR MERRETT**

So, I don't know whether Mr Deeny has authority to speak for Lloyd's, but my understanding is that the message you are giving to this meeting is that any interpretation from the words that Mr Hertz used, that hardship agreements were informal, is completely in error. Is that correct? Because what Mr Hertz said in his statement, the reference he made was to hardship names agreements being informal. He didn't discuss some as being informal because I took a note of it at the time because I thought it was such an extraordinary thing to hear.

**PHILIP HERTZ**

The point is, Mr Merrett, that whatever agreements are in place now, those arrangements will be replicated to ensure that, after the Transfer, policyholders will not be prejudiced and therefore nor will Names and that is the point. That is what we are trying to achieve by the Part VII, so....

**MR MERRETT**

I understand that.

**PHILIP HERTZ**

...however I have described the arrangements is actually not that relevant. What is relevant is that whatever they are, they will be replicated going forward and what I did say was, I said various Hardship and other informal agreements. Now, if you took that to mean that all the arrangements are informal, I apologise, but that is not what I meant.

**MR MERRETT**

Thank you very much.

**HIGH STEVENSON**

Thank you Mr Merrett. Mrs Noel, yes?

**MRS NOEL**

Sally Noel. You claim I am a Reinsured Name, I have always claimed I am not because I resigned in 1985. Mr Chairman, I wonder if you would ask Lloyd's to release the Equitas R&R finality statements to an independent body for examination? Because I have been informed by a former senior regulatory person at the regulatory department that there were special deals done for 51 Conservative MPs, one Labour MP and at least 30 members of the judiciary to spare them possible bankruptcy and consequential loss of office.

Also, I have a letter from Sir Gordon Downey, Parliamentary Commissioner for Standards in 1996, stated that the then Chairman of Lloyd's, David Rowland, had confirmed on the 1<sup>st</sup> of July 1996 that no Name would

have received special arrangements under the R&R scheme, as it was an underlying principle of Lloyd's that every member was treated equally. With this insurance, his Committee introduced category 5 and 7 to the Code of Conduct, exempting MPs from disclosing their R&R finality statements, as it was a general settlement available to all Lloyd's members, thus they would have avoided paying tax on enormous debt credits, as well as being possibly offered a walk away deal, which I was in 1996 if I had signed a confidentiality agreement, which I refused to do.

The FSA here have written to me to say that the disclosure of the finality statements is prohibited under section 44 of the Financial Services & Market Act 2000 because it is confidential information, but frankly I would have thought there is a greater chance of being able to return a second premium to the Names if, in fact, one had chased, possibly examined these finality statements and those MPs that basically probably should be required to pay back very large amounts of money could help towards possibly achieving a second return premium. It is quite serious, this, because I believe the reason my evidence has not been allowed to be considered with the Court is because one of my points is that Equitas was illegal, frankly, and that the judiciary were spared under this Equitas scheme.

**HUGH STEVENSON**

We have covered some of this ground in previous meetings...

**MRS NOEL**

I am sure we have, I know but this is quite serious.

**HUGH STEVENSON**

I did ask that we confine our questions to the Part VII Transfer scheme and to Equitas.

**MRS NOEL**

I know. Well, I am confining it from the point of view of the second return premium being made. I feel that if there is a remote chance of Equitas becoming insolvent, a remote chance, I know you say it is remote, but if it should do, I do believe that it should call into question the possible fact that there must be huge monies now that should be returned as, in fact, is going on generally speaking now, with the MPs having to repay payments and this should be repaid to Equitas and to the Inland Revenue for the saving on their debt credits, which was an enormous amount in a lot of Names' cases, but I have, you know, strong evidence to prove this and it is quite serious and I wondered if you would ask Lloyd's for them to actually release these forms to an independent body. I mean, the FSA are blocking this but I think it is important we know the facts on this. This is the answer.

**HUGH STEVENSON**

Well, this is a meeting about the Part VII Transfer scheme and I note what you say.

**MRS NOEL**

Mmm. Would you please could you answer my question? Would you...

**HUGH STEVENSON**

I make no undertaking. This is a meeting about the Part VII Transfer scheme, but I have heard what you have to say and it will of course be in the transcript and I will study it after the meeting.

**MRS NOEL**

All right, thank you.

**HUGH STEVENSON**

Thank you. Yes, sir?

**MR GARSIDE**

Thank you. Stephen Garside. Returning to this issue of asbestos and claims and the legal jurisdictions covered, I understand that the contingency lawyers in the US are lining up or contemplating direct action cases against those Names on the original year which wrote policies. Now, presumably, if that did occur, Equitas or the new company would step in to cover the claims to the extent that it had funds to do so and to the extent that the funds have been exhausted, then presumably this would leave the residual liability with the original Names on that year which wrote the policy, hence your point about closing estates.

My main concern is that under the US constitution, Article 1, Section 10, where no state shall enter into any treaty which would impair the obligation of contracts, so within the US constitution, you cannot get the novation which you are seeking here or obtaining here under English and European law, so does that imply that people's assets are at risk which, if they are outside England and the EU, and in particular what I am looking at is if these lawyers get judgments within the US, then there is a mutuality of enforcement of judgments and therefore they would come to the US to seek enforcement, and then we have got a legal mess because the courts here would say it is unenforceable. Surely we are not still perpetuating this legal mess?

**HUGH STEVENSON**

Yes, there are a number of points in there. Jane and Philip have been in the United States last week, and Jane, perhaps you would like to answer some of the points and then Philip cover the legal issues?

**JANE BARKER**

Certainly. I am not going to say very much because I do see this more as a set of legal points that you are raising. It may well be so that, as you state, there are lawyers working to tackle this. I must say, in the meetings that we had, there was no sign of that but I think I would say to you, there wouldn't be, would there? They probably wouldn't disclose their cards to us, so I think I should pass it to Philip to deal with the specific legal points. I think I know the answers but it is best that we have lawyer tell you.

**PHILIP HERTZ**

Yes, as you have said before, we are looking at the enforceability of the Part VII in the US. We have been taking advice. I have not heard any argument around constitutionality and around the Part VII Transfer not being able to be enforced because of that, and I don't believe that is an issue, but it is very much a step by step process. We are looking into it and what I would say is, and just to go back to what has been said previously, at the end of the day policyholders should only be looking to pursue Names when and if Equitas cannot pay their claims. That seems, from the independent expert's report and everything we have seen, to be extremely remote now, made even more remote by the US\$1.3 billion extra reinsurance.

In addition, as I said in my presentation, even if that were to occur, National Indemnity has issued an indemnity as part of the retrocession cover, within the limits of the retrocession cover, to cover Names in that eventuality and Equitas Insurance Limited, the new vehicle, will also be required to indemnify Names in that eventuality as part of the English Transfer scheme. I would also just reiterate what I said before, that overseas judgments which are inconsistent with the Part VII Transfer will not be enforceable in this jurisdiction.

**MR GARSIDE**

So are you saying finality is now total finality or is it just a legal finality you mentioned earlier, in which case it is still in inverted commas, which we have always had?

**PHILIP HERTZ**

Well, I take legal finality to equal total finality. As a matter of English law, if the Court makes the order that we want them to make on the 24<sup>th</sup> of June, you will have legal finality and therefore total finality as a matter of English and European law.

**MR GARSIDE**

So why do we now need to get Re York orders to close estates?

**PHILIP HERTZ**

I don't think anyone is saying that you do. I think what Sir Adam was saying was that you probably still need to take advice, as set out in the Q and A on page four, attached to the Chairman's letter.

**MR GARSIDE**

But there is a new wave of asbestos claims coming in with the US and new medical procedures, so people can be determined if they have got asbestosis fairly rapidly and the contingency lawyers are advertising for people to come forward all the time, so there is a new wave of claims. Are you confident these reserves will cover all known claims? Because there is now no defence, basically, which could be put up.

**JANE BARKER**

It is very difficult to say that they will always cover all claims, but what I can do is to quote to you from the

independent expert's report, which was mentioned in answer to an earlier question and which is available for everybody to see on the Equitas website. The independent expert reckons that there is an approximately 3 per cent chance of failure of Equitas after we have bought the extra US\$1.3 billion cover, so I think that gives you your answer, that there is a chance that the reinsurance will not be sufficient, that it is 3 in 100. It is actuarial science and they are estimates, but as I say, I would recommend that you have a look and see what the independent expert says about this, rather than just taking it from us.

**MR GARSIDE**

Ok. Thank you.

**HUGH STEVENSON**

There's a question at the back there, yes, and then...

**MR WHITE**

Peter White, a Reinsured Named. Mr Chairman, I have heard quite a lot, in fact the last speaker mentioned the question of closing one's estate. Is Mr Ridley saying that in fact we have no assurances whatsoever unless we take legal advice from our lawyers that we cannot, or our spouses, cannot close our estates, as has been the case to date?

**SIR ADAM RIDLEY**

I can't give a total, categorical assurance to anybody, but what one can say is pick out the points which Counsel has formulated in words that are the bottom of page four of the question and answer document, and I will just repeat those words because I think this significance may help you.

Given that the Part VII Transfer may not be recognised in overseas jurisdictions outside the EEA, we don't yet know, the risk of an executor being sued in a foreign jurisdiction is likely to be dependent ultimately on a particular estate's exposure to foreign claims, so there is an issue to look at there – is there a likely exposure to foreign claims? And at that point, the advice is that each executor should seek his or her own legal advice as to whether a Re Yorke order would be appropriate in any particular case, and I can now tell you what my own personal view is, and this is not advice, I repeat. I don't have assets in the United States, I don't have family with assets in the United States. If I did have substantial assets, then my attitude might be different and so might my wife's and my family's, so then you go to your lawyer and say, I wonder if, because I have a stake in a ranch in the United States, I ought to take some steps. They might then say actually, Re Yorke is no use to you because you are talking about America anyway, so this isn't going to be simple. My instinct is that one has got to just talk it through very sensibly with a lawyer in the light of the Part VII, assuming it goes through, and then over the years to come, in the light of what we are able to do, if anything, in getting recognition

**MR WHITE**

Mr Ridley, with due respect, most lawyers that we go to know very little about how Lloyd's operates, and at

the end...

**SIR ADAM RIDLEY**

Well if I could just interpose there, that is one of the reasons why you go to a lawyer who does know about such matters and manifestly don't seek advice from a lawyer who doesn't know.

My second point is that there is a very important institution called the Society of Trust and Estate Practitioners which will, I should think, be looking at this fairly carefully.

My third point would be that I know that the Equitasian and the ALM will continue to do their best to help in this area so that it is not going to be something which everybody will neglect totally. Whether the Equitasian will continue to be published in the long term is, of course, a matter for the ALM but, you know... that can be helpful.

**MR WHITE**

Sorry to labour it, but I just still want to be clear, that if the 30<sup>th</sup> of June we hear that everything has gone through as you would wish, are you saying that if I have no assets whatsoever in the United States, but of course the liabilities of Equitas still remain, that so long as I as a UK citizen, my wife can close my estate in the event of my death, and that is really all I want to know and I think there is an awful lot of Names who sit here concerned about this very issue. We are in your hands when it comes to all the other issues that you have raised today, but this is the most pertinent one to an awful lot of Names. We have lived with it for the last 13, 14 years. Now we want it to mean what it says – that we have finality and we want to be able to close our estates as and when we die.

**SIR ADAM RIDLEY**

Of course that's fully understood and it is for that reason that I have tried on almost every occasion when I have spoken in public or written about this, to give the best advice we can, but what I did just now was to tell you my own personal approach, so please don't read into that formal advice or, indeed, an informal advice. I am just telling you where I stand.

Now, as far as the future goes, we will continue to do our best, but we aren't in a position to give any total confident, we can't make a totally confident statement for the many reasons that have been adumbrated. As far as the Trustees and Equitas are concerned, looking ahead, we have said we will look very carefully to see whether it is practicable and sensible to get some kind of recognition in the relevant jurisdictions as soon as we can, but that is not something which we can give a firm guarantee on now, and may I just give you one example of a reason why? One of the many reasons why we are uncertain. The United States may be about to embark on a gigantic regulatory reform. We have read this only in a matter of the last two or three days. If it does so, it is impossible for us to know what the environment might be in which we find ourselves two or three years hence, so it is very difficult for Equitas and the Trustees and our legal advisors, or for the FSA or anybody else, to give an absolutely firm basis for a judgment about where we will be in a year or two's time. I

think we have to leave it at that and I promise faithfully we, the Trustees, will do our best to continue to give the guidance that we can.

**MR WHITE**

Thank you very much.

**HUGH STEVENSON**

Yes, down there.

**MRS SPOONER**

I am Laurel Spooner and I am the wife of an ex-Name. May I ask a question?

First of all, I would really like to say that I have much admired the professionalism and openness with which you have tackled the subject today and I would have thought that many people would leave this room greatly relieved, knowing that they have ultimate and infinite finality coming their way. I have only got one question to ask, actually, and it probably has a simple answer. If the business of Newco is such a good prospect, why did National Indemnity not exert their option to have direct ownership?

**HUGH STEVENSON**

I have said before, I don't know the answer to that. That is a matter for them. They had the right under the contract whether to exercise the option or not and they chose they not to.

**MRS SPOONER**

Perhaps it was in order that the local management, as it were, would continue.

**HUGH STEVENSON**

I have no knowledge of that at all.

**MRS SPOONER**

Thank you.

**HUGH STEVENSON**

Any other questions? Yes, up there. I am sorry, sir, you put your hand up before. Yes, please.

**MR MCBRIDE**

John McBride, Reinsured Name. Could you say a word about the effect on the Court hearing of Standard and Poor's diminishing Mr Buffet's status as a debtor? Because it seems to me this is pretty crucial. For example, was the expert appraiser's report made before or after that particular incident?



**HUGH STEVENSON**

Standard and Poor's have not reduced the triple A status of NICO. Moody's have, which is to what I think you are referring, and Moody's have also stated that there is no financial services business in the world to which they would now accord the top triple A level, so the credit standing of NICO is still, according to Standard and Poor's, at the very top, the triple A level, and perhaps Jane, you could answer about the independent expert's report?

**JANE BARKER**

Yes, indeed. The independent expert's report was published before the most recent downgrade that you refer to but, as Philip mentioned in his presentation, the independent expert will be producing a supplemental report to the judge. This is not unusual, Philip mentioned that, it is not unusual. It happens because you have to get the independent expert's report out in plenty of time before the Court case, but recognising that things can change between the original report and the date of the Court case, there will be a supplemental report, but at this stage, as Hugh has said, NICO still has its triple A rating from Standard and Poor's and we hope obviously by the time we go to Court that will still be the case, but we will be monitoring that right up until the day of the Court case. The judge may well take it into account, but it would be fair to point out that NICO would still have, even with the Moody's rating, one of the highest ratings, if not the highest rating, of any insurance or reinsurance company in the world.

**MR MCBRIDE**

I think we must take it that the jury is still out.

**HUGH STEVENSON**

Any other questions? Yes, sir.

**DELEGATE**

Could you say how many Names or what interested parties have actually said to you and written in to say they feel disadvantaged and they will be saying so in Court by the Part VII Transfer?

**HUGH STEVENSON**

I am aware of one Reinsured Name who has already in fact been to the Court and who I assume will attend Court on the 24<sup>th</sup>. Are there any others?

**PHILIP HERTZ**

There is one other that has written to the Court.

**HUGH STEVENSON**

And there is a question there.

**DELEGATE**

Chairman, I am sorry to ask a second question, but you somewhat frivolously referred to the amount of correspondence we have had since 1984 and I certainly have got shelves and shelves of it. If we should be lucky enough to get lucky at the end of June to say that we are now final, can we in fact have a ceremonial bonfire of all that material?

**HUGH STEVENSON**

I believe that you can. I will defer to Adam and to Philip.

**SIR ADAM RIDLEY**

I mean, Hugh, thank you. I mean, I was being a little frivolous but not entirely so and my own reading is that if you get the finality in the EEA, you are in an economic area which we believe we will get on the 30<sup>th</sup>. The position that we are in is so strong that it will be reasonable to burn certainly the old historic material. I would, for my part, think that the R&R material, unless you are a connoisseur of such things, and there are a few advanced students who would put themselves in that category, I would get rid of that. I think what you should keep unequivocally is correspondence relating to Equitas and the things like the FAQ. You should keep the retrocession agreement document which was sent round by Hugh and me in December 2006 and I think you should certainly keep the basic record of your syndicate participations in case anything came up. Nothing much more than that. I just really don't think, for my part, and just talking what I am going to do, I think that is about it and I don't think I am even going to shred it. I don't think it is going to be of any great historic importance.

**HUGH STEVENSON**

Philip, would you like to add anything?

**PHILIP HERTZ**

No, nothing to add.

**SIR ADAM RIDLEY**

I mean, this is not legal advice, this is my own reading of the position.

**HUGH STEVENSON**

Yes, sir.

**MR ALEXANDER**

...Alexander, Reinsured Name. Just a very quick question. Would it not be appropriate for a new Lloyd's Act, which will then give true finality by way of a statutory instrument or some other way of bringing total finality?

**HUGH STEVENSON**

Well, I think that is what we have got under the Part VII of the FSMA, that this is a legal procedure which does

assign rights, or liabilities, rather, in such a way as to provide finality.

**MR ALEXANDER**

Ok, thank you.

**HUGH STEVENSON**

Anything else? Yes, the lady in the green dress.

**MRS BAUM**

Glenda Baum again. I am a Reinsured Name. Are our fellow Names who do not reside in the EEC and Norway and the other countries in the same lucky position as we are?

**HUGH STEVENSON**

Philip, would you like to answer?

**PHILIP HERTZ**

Yes. As I have explained, the Transfer will be effective and binding as a matter of English and EEA law. Overseas, it depends upon the local Courts and their enforcement and whether they enforce the Part VII Transfer in those jurisdictions.

**HUGH STEVENSON**

Yes...

**MR HANDSCOMB**

Michael Handscombe, a Reinsured Name. Thank you for your patience, Mr Chairman. We are encouraged to ensure that our successors keep the name and address on file for Newco because perhaps many years down the line there might be a further repayment. Is the converse not therefore also true? That further down the line, we might also be required to make a further contribution?

**HUGH STEVENSON**

Equitas has never been able to get further contributions from Names, and that has been true from the very beginning and I think I am right in saying, Jane, that you no longer have an obligation to keep your name and address with Equitas if this goes through?

**JANE BARKER**

That is absolutely correct, there will be no obligation for Names to keep us informed of their addresses. The point was made by Sir Adam, that if you are an optimist and you believe one day there will be a permitted return of premium, it would be worthwhile keeping us up to date, but if you don't keep us up to date, that is absolutely your choice.

**MR HANSCOMBE**

So it is a one way bet?

**JANE BARKER**

I believe so.

**MR HANSCOMBE**

Splendid. Thank you.

**HUGH STEVENSON**

It is worth adding, Jane, that that is what legal finality under English law means, there is no way you can, you have not got any remaining liability so someone goes to Court and says X or Y owes me some money because of some failure under an insurance policy, the English judge says too bad, you have got no basis for proceeding against him. His interests all went off to Newco or whatever we call it in a few days, a long time ago now.

**MR HANSCOMBE**

Splendid. Thank you very much. Mr Chairman, will you put a paragraph in your letter you are going to write to us in the next few weeks which makes the unequivocal statement about theoretical ongoing liability? I am sure you can find some suitable words.

**HUGH STEVENSON**

I am sure I will put something about it, yes, I will certainly put something about that.

**MR HANSCOMBE**

Thank you.

**HUGH STEVENSON**

Mr Merrett, yes.

**MR MERRETT**

Chairman, I hadn't intended to speak again but there has been so much discussion about finality, would you like to express any views on the statutory instrument 2005 1998 which says that ex-members of Lloyd's are liable in the event of the insolvency of the Lloyd's marketplace? Or, it doesn't say that, I am so sorry, it provides a system whereby ex-members of Lloyd's may be asked to contribute in the event of the insolvency of the Lloyd's market.

**HUGH STEVENSON**

Perhaps I can ask Mr Hertz to answer that?

**PHILIP HERTZ**

Yes, Mr Merrett, you are referring to the implementation of the European Winding Up Directive in relation to Lloyd's.

**MR MERRETT**

I am indeed.

**PHILIP HERTZ**

As far as my reading of that is concerned, it doesn't require any contribution by Names and it doesn't change the several liability of Names.

**MR MERRETT**

It provides a mechanism for the controller, in the event of there being a deficiency in the assets of the Lloyd's market, to allocate obligations to everybody who has not got assets in the way of Lloyd's funds. Is that not correct?

**PHILIP HERTZ**

I don't believe it says that. It provides for an order called a Lloyd's Market Reorganisation Order in the event of a Lloyd's insolvency and the appointment of an office holder. The office holder would then come up with a plan to ensure the efficiency of the Lloyd's market, going forward. It doesn't really go into any more detail than that. It certainly doesn't say anything about contributions by Names and it doesn't change the several nature of Names liabilities, so no, I disagree with you, Mr Merrett.

**MR MERRETT**

Well, it requires the controller to establish from whom contributions can be determined as of proof not to be necessary. They are excluded against anybody else, including ex-members. Would you confirm that it does specifically include amongst its potential subscribers ex-members of Lloyd's? Or are you unfamiliar with that?

**PHILIP HERTZ**

No, I know the statute and the regulation very well because I was part of a working party that had to comment on it. The regulation itself does no such thing. The regulation, yes, can apply, as can any order, Lloyd's Market Reorganisation Order, apply to Lloyd's, Lloyd's companies and any participant in the Lloyd's market, which could include Names, but it doesn't then go on to say that contributions can be sought from Names and as I have said already twice, it doesn't change the several liability of Names.

**MR MERRETT**

I haven't suggested that it did, but what I did suggest was that it made specific reference to ex-members of Lloyd's.

**PHILIP HERTZ**

What do you mean by ex-members?

**MR MERRETT**

It makes specific reference to ex-members of Lloyd's as such, so I mean by ex-members of Lloyd's precisely what the law means in the terms of that statutory instrument.

**PHILIP HERTZ**

No, I am sorry Mr Merrett, I have to disagree with you.

**MR MERRETT**

Are you not familiar with the fact that that refers to ex-members of Lloyd's?

**PHILIP HERTZ**

What I can say is that it doesn't require any contributions by members and it doesn't change the nature of liabilities. I mean, I think that is the point you have made previously in correspondence with us and we have responded to you and I really can't say any more than that.

**HUGH STEVENSON**

I think we can't say any more than that. If you would like to continue this discussion with Mr Hertz after the meeting...

**MR MERRETT**

No, I have pointed out that it makes specific reference to ex-members of Lloyd's and the possibility of them being required to make contributions. That is all but I am not sure whether that is being challenged or not.

**PHILIP HERTZ**

All I can say is I would challenge you to show me where it says that those members have to make a contribution.

**MR MERRETT**

Well of course it doesn't because it is providing for a scheme, it is not providing...

**PHILIP HERTZ**

But you have just, I am sorry, but Mr Merrett, you have just said to me that it provides for ex-members of Lloyd's to make a contribution, then you just said...

**MR MERRETT**

Maybe amongst those to whom a controller, from whom a controller requires contributions, that ex-members of Lloyd's are specifically scheduled in that statutory instrument and, as you say, rightly, I have written to you about it before, as you say, perhaps less rightly, you haven't in fact responded on it. You have simply said in the course of the Court hearings you will of course get any answer to which you are entitled.

**PHILIP HERTZ**

And you will.

**MR MERRETT**

Which isn't actually to give me an answer. That is the point I was making.

**HUGH STEVENSON**

Are there any other questions? If not, perhaps I could just say one or two things in closing.

As Adam mentioned, I plan to step down as chairman of Equitas later this year, whether or not the court scheme goes through. Naturally I hope very much that it will, but there is always the possibility that that might not happen, but in any event I plan to step down. I have been chairman for over 10 years now and that is, I think, long enough for anything, certainly long enough to be chairman of Equitas. So I would like, because this is I think the ninth of these meetings that I have chaired, we are re-running it this afternoon, but subject to that, this is also my last, to thank very much some wonderful colleagues in St Mary Axe, to thank the board colleagues that I have had and to thank the Trustees. A chairman will always say that things are a team effort but in this case I think it really is true. And I would also like to thank the Reinsured Names who have always kept me on my toes and who have been wonderfully supportive over the whole period. I think we have come a long way certainly since 1996 and I think also since 1998 and I am really grateful to all of you.

Thank you.

[APPLAUSE]

**Questions & Answers – afternoon session**

**MR WOOD**

My name is Ian Wood and I am a Reinsured Name. You mentioned that, and indeed in the literature you sent, you said that there would be no return premium at the moment because of the objection of FSA. Could you tell us what that objection was and when they may be likely to drop that objection?

**HUGH STEVENSON**

I'm not sure without turning up my letter that I said exactly that. I mean it is true that a return premium can only be paid with the approval of the FSA and that is indeed what we got, whatever it was, two years ago. I think that I said in the circumstances of the general economic recession I thought it was most unlikely that we would be able to pay a return premium for many years. Indeed if that ever were to be possible. We have however as part of the proposal preserved the rights to a future return premium for Reinsured Names. So that if subsequently the economy looked healthier, financial markets looked healthier and so on. It's not a right

that you are going to lose by this Part VII Transfer

**MR WOOD**

You're making it sound as if it's your decision whereas in your letter to us you suggest that the FSA were ...

**HUGH STEVENSON**

Well, it can only be paid... it's a decision technically of the board but the board can only make that decision with the approval of the FSA so without that approval we don't start.

**MR WOOD**

Why are they withholding their approval?

**HUGH STEVENSON**

Well we haven't asked them on this occasion because in my view there'd be no point in making that request.

**MR WOOD**

I'm surprised.

**HUGH STEVENSON**

I'm sorry I defer to my finance director on that one.

**JANE BARKER**

We did request. You're quite right. We did request and the FSA said no and I think Hugh's confusion stems from this. The FSA at this juncture feel that all the money, and it's already been referred to by Sir Adam we have assets of the order of £80 million. And in fact we have more than that at the moment but of course some of this will be spent as and when I spend £40 million on the extra premium for the extra cover. But the FSA clearly want us to keep the £80 million remaining in this company against any future claims that might be made by policy holders if the cover that we've purchased from National Indemnity is insufficient.

May I stress to you that if we have been successful in obtaining the Part VII that £80 million will represent the end of the line in the UK. So if Equitas is insolvent there is no question that Names will not be asked for any more money in the UK. So that's the point I'd like to make. Sir Adam would also like to add to what I've been saying.

**SIR ADAM RIDLEY**

If I may Hugh I'd like to quote your own words because I think Mr Wood there's been a slight misstatement of what Hugh's letter actually said. In point five towards the end of his letter he says "*the FSA has informed us having reviewed the capital requirements of the Equitas group they have decided not to permit a further return premium to be paid at this time*" and then Hugh goes on to say "*while it remains possible that such a payment may be made at a later date in view of the current financial climate this is highly unlikely in the foreseeable future*". Now you have only to look at the external world to see why a regulator, particularly a regulator that's



been through the veil of the shadow of death, may feel a little bit uneasy about being too generous and will err on the side of risk averseness for a period. And I think therefore it's entirely understandable the reason that led them to be cautious and I think we have to be realistic about the fact that's the way they feel and having negotiated with other bits of the FSA at this time I actually think they're being remarkably generous compared to the treatment meted out to those infamous people in the investment banking world whom I once used to represent.

**MR WOOD**

Yes I think having slipped up with the banks they're going to make sure they don't slip up with us. Yes. I mean considering that there is that money there and it doesn't look as if it's likely to be needed how are we going to keep in touch with you over this? I mean, Sir Adam seems to be suggesting that it's you know goodbye and here we go kind of thing but I think there is some money there which is would amount to a considerable amount in my case and lots of other people and you know there ought to be some way of communicating responsibly.

**HUGH STEVENSON**

And I'm sure that my successor and the Trustees will keep in touch with Reinsured Names and we have, as I said before, specifically preserved the right to refer the return premium as part of these arrangements.

**MR WOOD**

Good thank you.

**HUGH STEVENSON**

Yes there's a question up there.

**MR CRAWFORD**

Jack Crawford. A Reinsured Name. I'd like to just ask for a little more detail on a point that Sir Adam made about the situation of Names' executors and legal advice. The frequently asked questions advise each executor should seek his or her own legal advice as to whether a Re Yorke order would be appropriate in any particular case. The executor's legal advisor in many cases will be a local solicitor who may not know much about Equitas or Lloyd's. Is there some guidance available for the legal advisors on how to go about answering the executor's questions?

**HUGH STEVENSON**

Adam would you like to answer that?

**SIR ADAM RIDLEY**

I may just offer a few observations on this. My first point would be is, if you think there's a serious issue here you need to possibly talk to a lawyer who does know something about Lloyd's. There really is no point in talking to someone who doesn't know what they're talking about.

Second point there is an important organisation called STEP which is an acronym for the Society of Trust and Estate Practitioners who do give quite a lot of guidance, and some of it on their website, and they look at such issues.

Third point we, the Trustees, have long done our best with Equitas to give what guidance we can responsibly and some of it is included here. And I go back to what was said very carefully in the text that counsel settled and which I read out in my speech.

Last point what would I do? Looking hard at the text that I read out I would say to myself do I have a lot of assets exposed in a non-European Economic Area of jurisdiction if I am making a will or dealing with a will? I, Adam Ridley, do not have material assets in the United States. Were Equitas to get into great difficulties, were policyholders to seek to make claims against me in the United States it would be a pretty futile endeavour. I'm not personally going to be bothered therefore with the thought of a Re Yorke procedure.

That's my approach and I will talk it through again with my lawyers and they have previously agreed with me on that line. but this is a good example of why in my view, our view, it's very important to take the concrete case to a sensible legal advisor who knows the way the law works and see what he or she says. There's no alternative but to get the best expertise you can. I'm sorry we will do our best. And finally as to sources of information the Association of Lloyd's Members of which I happen to be an officer but in whose interest I do not now speak, does publish information from time to time and in its magazine the Equitasian has sought to give good guidance intermittently. Its matter for consideration how that will be done in the future but that will be certain a possible source of information for some. We though Equitas will continue to do what we can and I suspect the website if we have something to say will be a good place to keep an eye on.

**MR CRAWFORD**

Thank you very much.

**HUGH STEVENSON**

Next question. Yes sir there's one there.

**MR SMALLBONE**

Alan Smallbone. Reinsured Name. Elected 1959. Expelled 1999 for reluctance to continue underwriting. Mrs Jane or is it Miss Jane Barker mentioned a moment ago the time arose when increasing numbers of syndicates were finding it difficult equitably to calculate a reinsurance to close. I just wondered whether it has ever been carefully explained to her the distinction between pure run off figures and run off figures and if it hasn't been, I shall be happy to tell you afterwards.

**JANE BARKER**

Thank you very much.

**HUGH STEVENSON**

Any other questions? Mrs Noel.

**MRS NOEL**

Sir Peter Biggers has been in the news rather recently regarding his palatial houses for ducks and I have just written a letter to him actually regarding the fact that he was on the Council for four years and a member of the audit committee, the Hardship committee and deputy chairman of the regulatory board. And he did say that he had spent a long time putting through the Equitas scheme. Now I have to say it worries and concerns me and I ask you now and I return to the question I asked you this morning, have you had time over lunch to consider my question this morning and that was for Lloyd's to release their finality statements to an independent body for examination because I have it on very good authority from somebody who was at the regulatory department that there were special deals done for 51 Conservative MPs, one Labour MP and at least 30 members of the judiciary.

My case of fraud has never been considered at court because obviously the council rather the judiciary do not wish me to expose the fact that I know what I know and that obviously I also know that Lloyd's was or rather the Equitas scheme was illegal under which though they benefited hugely. I think it's very important to know. The thing is you see they would have saved a huge amount of tax on their debt credits because Gordon Downey made it a special exemption to the rules on the promise of David Rowland to say that there were no special deals done and he exempted under that promise the MPs from disclosing their settlement offers under Category 5 and 7 of the Conduct Rules. But I had a special deal and so I know first hand there were special deals because only though if I signed a confidentiality agreement which I refused to sign. I do think it's therefore important to get these finality statements examined by an independent body as all the MPs' expenses are now going through the process of because you say that there may you know not be a return premium, a second return premium, but I believe if the MPs actually disclosed their debt credits which they were exempted from doing, which were huge and the tax element of it, they obviously would have to pay back quite a lot to Equitas and even the Inland Revenue. I know for sure there were special deals done and it is important and it is actually. I mean there was a horrific fraud at Lloyd's but also there's been a horrific cover up by successive governments and the judiciary as a result of these special deals done. And I do think it's important that you please ask Lloyd's to release these statements to an independent body. Would you do that please Mr Chairman? I know I haven't given you long to think about it have I?

**HUGH STEVENSON**

I think the members of the meeting should be aware that Mrs Noel made the same statement at the meeting this morning. And I undertook to her when the transcript is there to look at it and to consider it but I can't undertake further than that. Thank you.

**MRS NOEL**

OK but can you would you write to me regarding that and say that you will undertake to do this?

**HUGH STEVENSON**

No I gave no undertaking to do it. I said that I would undertake to look at the transcript when it's available.

**MRS NOEL**

So you won't actually give me an assurance that you will be asking Lloyd's to release.

**HUGH STEVENSON**

I believe, but I will stand corrected, that I'm giving you the answer now that I gave you this morning.

**MRS NOEL**

Right you see I just would like to tell those that are here that ...

**HUGH STEVENSON**

Well I think this and I said this earlier on, Mrs Noel, this is a meeting about a Part VII Transfer scheme.

**MRS NOEL**

I understand.

**HUGH STEVENSON**

If you have issues or questions about Lloyd's that is a matter for them.

**MRS NOEL**

The FSA who are regulating Lloyd's say they cannot go into any of the activities of Lloyd's prior to 2001 and therefore they cannot examine my evidence. I've just got a letter back yesterday because they cannot. Also they're saying they cannot disclose the finality statements or ask Lloyd's to disclose the finality statements because they are prohibited from doing so under section 44 of the Financial Services Act.

**HUGH STEVENSON**

Mrs Noel I am anxious there are others who want to ask questions.

**MRS NOEL**

But it is quite serious because it's at the heart of a major cover up and it's very topical at the moment now with the MPs being hauled across the coals. I think 51 or 52 more should be hauled across the coals. Thank you.

**HUGH STEVENSON**

I understand thank you. Next question. Yes sir.

**MR LEWIS**

Thank you. My name is John Lewis and I'm a Reinsured member. My question is a good deal shorter than the

last one. What do you think are the chances of the Part VII Transfer being recognised in the United States?

**HUGH STEVENSON**

Perhaps I could pass that to Philip as a legal question to answer.

**PHILIP HERTZ**

We're looking at this very carefully and we're going to take it step by step and you know we'll have to communicate something at the time as and when we've assessed that. I can't really give you an answer now because I'm not a qualified US lawyer and there may be different avenues of seeking recognition but as I said we're still considering it

**HUGH STEVENSON**

I think I mean all our efforts have been addressed at getting this scheme through. And that's really what we've had to focus on in the last year 18 months.

**HUGH STEVENSON**

Any other questions? Yes sir.

**MR VERNON**

My name is Dick Vernon. I'm a Reinsured Name. I just really want clarification. I'm a little bit confused about the name of the new company. It was called Newco. I believe at one stage it was called Speyford. I've heard the name Speyford which doesn't seem to have been mentioned this morning. And I can't quite understand why it's not been properly named and identified.

**HUGH STEVENSON**

I'll hand that to Philip but my understanding is that it is still called Speyford because it was a so called shelf company.

**PHILIP HERTZ**

That's right. It was a Clifford Chance shelf company. And it just happened to be called Speyford Limited. The same corporate entity, Speyford, will be the company into which the business will be transferred. But until the FSA actually authorise it we can't use the word insurance anywhere within its title. Once Speyford Limited is authorised by the FSA its name will be changed to Equitas Insurance Limited. But it's the same company that I was referring to as Newco just for ease of reference.

**MR VERNON**

Thank you very much.

**SIR ADAM RIDLEY**

And it will of course become Equitas Insurance Limited.

**HUGH STEVENSON**

Yes sir.

**MR BROWN**

My name's James Brown. I'm the executor of my late father's estate. He was a Reinsured Name when he died 11 years ago. I'd like to pick up one of the replies made earlier in relation to the Re Yorke declarations. Is it the view of the panel that in the unlikely event that a claimant in the United States brought a claim against either me or my late father's estate and then got judgement in a court in the United States. That judgement would not be enforceable against my, or the estate's assets in this jurisdiction?

**PHILIP HERTZ**

That's absolutely correct.

**MR BROWN**

Thank you very much.

**HUGH STEVENSON**

Any other questions. John yes.

**MR MAYS**

Mr Chairman I'm not going to ask you a question you'll be very relieved to know. But I am just going to make a comment and my comment is "bloody good show". Thank god. Thank god we've come to the end of a long, long road. And I for one never dreamt in 1991 when we started all this going that we would come to the day when we'd have an Equitas. Still less in 1996 when Equitas was launched I did not believe at that time with Adam that we would come to the day of virtual finality. So thank god for that and thank those who've been responsible. And yet I hear Mr Chairman that there are people who object. That there are people who find this unreasonable. And those people I believe I'm correct in saying are going to make an appearance at the court hearing on the 24<sup>th</sup> June. Quite extraordinary. I would say to them give up. Get lost. Get a life.

[APPLAUSE]

**MR MAYS**

The game, if game it was, is over. We've all won. Go home. Enjoy the rest of whatever it is you have to do. Can I remind you Mr Chairman of the famous words "there is a tide in the affairs of men which taken in the flood leads onto fortune admitted all the voyages of their lives are bound in shallows and in miseries". And in case you don't know who said that – it was said by Brutus according to Shakespeare before the Battle of Phillipa and those words apply as well today and to our situation as they did in those remote times. Thank you very much.

[APPLAUSE]

**HUGH STEVENSON**

Brutus of course lost at the Battle of Fillipa so though the lines are beautiful Shakespeare the advice he gave was absolutely disastrous.

**MS NOEL**

Can you identify what connection Mr Mays has with Equitas

**HUGH STEVENSON**

His name is John Mays. John Mays who was formerly a Trustee of the Equitas Trust.

**HUGH STEVENSON**

Any other questions. Yes sir.

**MR SULLIVAN**

Gary Sullivan, a Name of 20 years, still a current Name. Thank you very much for what you have achieved so far.

The last speaker I'm going to disagree with because the premium for me as a young Name as I was at the time was very expensive to pay into Equitas and whilst I was very familiar with the specialist claims unit "Newco" as it was ... the operations of people like Jim Teff, Scott Moser, Glenn Brace etc, they did an excellent job and a lot of savings were made with policyholders in the States, with cedants in the States. A lot of good deals were done. A lot of reinsurances were commuted. And what originally appeared to be a pot of money, US\$16 billion, I think was the original figure, some people said pounds but dollars was quoted. What originally appeared to not be enough has turned out to be more than enough and with the purchase of reinsurance from Warren Buffet and a few other people it turns out there is a big pot of money. And I for one, unlike the previous speaker, although I have to say I was born on the 15<sup>th</sup> March and I have to be aware of the Ides of March. I, for one, would like to see something back so whilst what you have done is laudable and we do appreciate it. I would like to see more effort being made to make sure that Mr Buffet and a few others, Magic Circle law firms and accountants who are continually taking money out of Equitas in these last days of the Raj, make sure that the few Names of us that are left that, some of us paid a lot of premium in, it was a big premium for me. Certainly a big premium for a lot more people in this room who are writing a lot more than I was I'd like more efforts to be done to try and get us some of that return premium back. Other than that, thank you.

[APPLAUSE]

**HUGH STEVENSON**

That's noted. Any other questions? Oh yes there's one there.

**MR HENDERSON**

Mark Henderson also Reinsured Name. I'd just like to follow up that last bit about the possibility of a return. If not in my lifetime does it mean that if there is a return it will be available to those to whom I leave my estate?

**HUGH STEVENSON**

I understand that it would be. Yes.

**JANE BARKER**

And indeed Mr Chairman we can add to this. With the return premium that we have been paying since 2007 we have paid many executors of estates, just to give you more assurance.

**SIR ADAM RIDLEY**

Chairman could I just? On this matter of looking ahead first of all pick up the previous speaker. If he has any ideas about what specifically he thinks that the Trustees should be making sure happens to make a return premium more likely than already our considerable efforts, I'd be very grateful if he could tell me what they are afterwards. But as far as predicting the future, let us just remember what the three or four difficult elements in the picture are and put ourselves back in the position we were in '96. We've got to be confident that we can first of all evaluate the way in which the claims are evolving. And now that's a massively difficult thing particularly as you all know in the world of asbestos. We have to be confident that we know about the future value of our assets. About the way our costs are moving. And then one has to have a view about what the regulator will require and the matter of regulatory capital. At a time, and this is another of the uncertainties I could have mentioned, when the European and worldwide regulatory regime for capital adequacy is under serious review. The insurance world faces a new series of rules called Solvency II. This is a very important unknown or if not unknown uncertainty. And the way it's administered is something which we're all beginning to just see the first signs of and that will be a consideration for the FSA. Under these circumstances the Trustees cannot conceivably make predictions. All we can do is to continue to undertake to you as we've always done, we will do our best using the resources we have prudently. We cannot do more than that. Chairman thank you.

**HUGH STEVENSON**

Yes sir.

**MR SHEARER**

I'm Fred Shearer. I'm a Reinsured Name. I'd just like to make comment about younger Reinsured Names. We are all still in an unlimited liability environment and whoever is the last Reinsured Name alive ... might think back ruefully at any missed opportunities to achieve finality. So I wish you luck in arranging that finality.

**HUGH STEVENSON**

Thank you very much.



## **HUGH STEVENSON**

If there are no other questions, perhaps I can just say one or two words in conclusion. This is the tenth of these meetings of which I have had the privilege to act as chairman.. And it's going to be my last because as Adam mentioned before I do want to step down from this chairmanship before the end of this year.

I have done it for over ten years and that really is long enough, certainly in my book. But I would pay an enormous tribute to some wonderful colleagues who have achieved what has been achieved since 1996. I've had great support from other members of the board during the time and also from all the Equitas Trustees. . Not all of the Names always share this but I do feel I've had great support from Reinsured Names as well for what we've done and for what I think we have achieved.

So my last words to you are to thank you very much.

[APPLAUSE]