



thinking outside The Box

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## **Reassurance on Ascot Ratings & Security**

### **Ratings**

As a Lloyd's Syndicate Ascot enjoys the credit ratings assigned to Lloyd's. The reputation of Lloyd's for first-class security is recognised by three leading independent international ratings agencies:

- A (Excellent) from AM Best
- A+ (Strong) from S&P
- A+ (Strong) from Fitch

### **Security**

Ascot Underwriting is a syndicate at Lloyd's and therefore subject to the regulations that ensure the security of all policies written at Lloyd's. Put simply, all policies that Ascot writes are secure and the availability of funds to pay our claims is guaranteed by the Lloyd's Chain of Security, which includes the Central Fund.

### **Lloyd's Chain of Security: Linking Strength with Stability**

Lloyd's Chain of Security provides 3 levels of financial back-up for policies underwritten at Lloyd's:

#### **First level: Syndicate level assets**

All premiums received by a syndicate are held in its premiums trust funds, and are the first resource for paying policyholder claims of that syndicate. Each syndicate is obliged to ensure that there are sufficient funds in the premiums trust fund for the syndicate to meet all claims and all necessary and reasonable expenses and outgoings in connection with the syndicate business. Assets are liquid in nature to ensure that liabilities can be met as they fall due.

#### **Second level: Syndicate's funds at Lloyd's**

Each syndicate is required to hold additional capital at Lloyd's as further security for their underwriting. In accordance with the Financial Services Authority (FSA) regime, each syndicate produces an 'Individual Capital Assessment' (ICA) stating how much capital it requires to cover its underlying business risks. The amount of capital required from each syndicate is determined by the nature and amount of risk they underwrite. When agreed,

each ICA is then 'uplifted' to provide an extra buffer to support Lloyd's rating and financial strength. This uplifted ICA, which is the Economic Capital Assessment (ECA), is used to determine the syndicate's capital requirement subject to prescribed minimum levels.

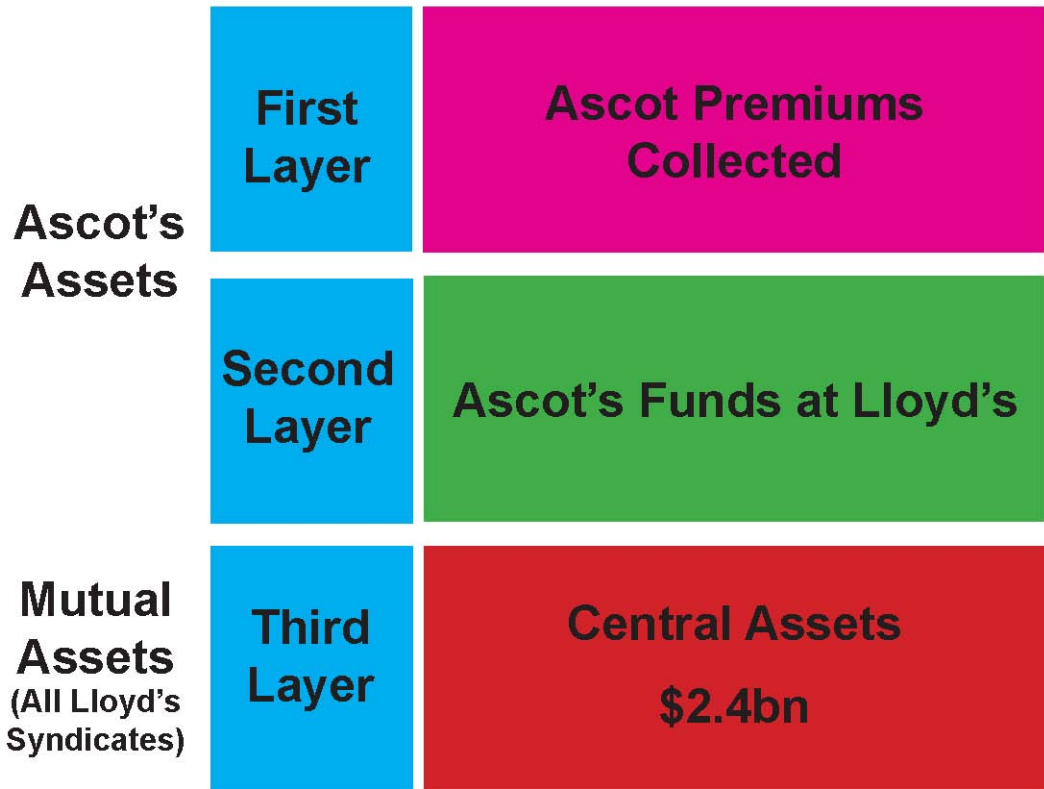
The capital is provided as funds at Lloyd's, which are held in trust as security for the protection of policyholders and the syndicate's other insurance business creditors. To qualify for inclusion, these assets must be readily realisable. They include cash, securities, letters of credit, and bank and insurance company guarantees.

**Third level: Central Fund**

Lloyd's has established a Central Fund which is available, at the discretion of the Council of Lloyd's, to meet any portion of any syndicate's liabilities that the syndicate is unable to meet in full. These assets are held on a mutual basis.

The Central Fund is funded by syndicate's annual contributions and subordinated debt, issued by the Corporation in 2004 and 2007. In addition to the Central Fund and assets of the Corporation, central assets may be supplemented by a 'callable layer' of up to 3% of members' overall premium limits.

# Chain of Security at Lloyd's



\*Figures as at 31 December 2008