Limit (No.4) Limited

Annual Report

31 December 2006

Registered Number 2852608

LIMIT (NO.4) LIMITED

ANNUAL REPORT
for the year ended 31 December 2006

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DIRECTORS AND OFFICERS

Directors

I D Beckerson	
S P Burns	
D M Lang	resigned 30 September 2007
D J Winkett	

Company secretary

H G Pallot	resigned 8 December 2006	
A C H Williams	appointed 8 December 2006	resigned 15 May 2007
S Boland	appointed 15 May 2007	

Registered office

Plantation Place
30 Fenchurch Street
London
EC3M 3BD

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Hays Galleria
I Hays Lane
London
SE1 2RD

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2006

Principal activity

The principal activity of the company is to act as a corporate member of Lloyd's and to participate in the Lloyd's insurance market through the provision of underwriting capacity to various Lloyd's syndicates that underwrite insurance and reinsurance business The company disposed of all its syndicate capacity for the 2000 year of account and is currently running off its remaining syndicate participations The only remaining open syndicate year is the 1999 year for syndicates 62 and 205

As a result all underwriting business is treated as discontinued

Business review and future developments

The company does not intend to participate in the Lloyd's insurance market after the run-off of its 1999 underwriting years of account is completed

The results for the Company are set out in the profit and loss account on pages 6 and 7 The loss for the year was £223,000 (2005 loss £10,000) The directors do not recommend the payment of a dividend (2005 £nil)

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business

Principal risks and uncertainties

From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the UK group and are not managed separately Accordingly, the principal risks and uncertainties of the QBE International Holdings (UK) plc group, which include those of the company, are discussed as part of the group's annual report which does not form part of this report

Directors

Details of the directors that served during the year are shown on page 2

At no time during the year did any director have a beneficial interest in the shares of the Company

The directors are not required to disclose any interests they may have in the shares of the ultimate controlling entity, QBE Insurance Group Limited, which is incorporated in Australia in accordance with The Companies (Disclosure of Directors' Interests) (Exceptions) Regulations 1985

DIRECTORS' REPORT (continued)

Creditor payment policy

The company does not follow a published code or standard on payment practice, although its policy is to pay amounts due within the relevant period of credit included in the terms and conditions under which business transactions with suppliers are conducted The company has no trade creditors

Auditors

The shareholders have dispensed with the requirement to hold annual general meetings and with the requirement to appoint auditors annually, through an elective resolution PricewaterhouseCoopers LLP continue to be the company's auditors

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing those financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently, with the exception of changes arising on the adoption of new accounting standards in the year,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- Prepare the financial statements on the going-concern basis, unless it is inappropriate to presume that the Company will continue in business

The directors confirm they have complied with the above requirements in preparing the financial statements

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement of disclosure of information to auditors

Each of the persons who is a Director at the date of this report confirms that

- so far as each of the Directors is aware, there is no information relevant to the audit of the Company's financial statements for the year ended 31 December 2006 of which the auditors are unaware, and
- the Director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the board,

S Boland
Secretary
London
29 October 2007

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LIMIT (NO. 4) LIMITED

We have audited the financial statements of Limit (No 4) Limited for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet and the related notes These financial statements have been prepared under the accounting policies set out therein

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its loss for the year then ended
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London
29 October 2007

PROFIT AND LOSS ACCOUNT
TECHNICAL ACCOUNT – GENERAL BUSINESS
for the year ended 31 December 2006

	Notes	£'000	2006 £'000	£'000	2005 £'000
Earned premiums, net of reinsurance					
Gross premiums written	2	56		95	
Outward reinsurance premiums		(44)		(109)	
Net premiums written			12		(14)
Earned premiums, net of reinsurance			12		(14)
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(1,109)		(1,401)	
Reinsurers' share		486		564	
		(623)		(837)	
Change in provision for claims					
Gross amount		465		1,235	
Reinsurers' share		(226)		(547)	
		239		688	
Claims incurred, net of reinsurance			(384)		(149)
Net operating expenses	3		(151)		13
Balance on technical account – general business			(523)		(150)

The notes set out on pages 10 to 17 form an integral part of these Financial Statements

PROFIT AND LOSS ACCOUNT
NON-TECHNICAL ACCOUNT
for the year ended 31 December 2006

	Notes	2006 £'000	2005 £'000
Balance on technical account – general business		(523)	(150)
Investment income	4	229	182
Investment expenses and charges	5	(7)	(22)
Unrealised gains/(losses) on investments		1	(10)
Other charges		(9)	(2)
Loss on ordinary activities before taxation	8	(309)	(2)
Tax on loss on ordinary activities	9	86	(8)
Retained loss on ordinary activities after taxation		(223)	(10)

The results above are derived from discontinued operations

There is no difference between losses on ordinary activities before taxation and the retained losses for the current and preceding financial year stated above and their historical cost equivalents

There are no recognised gains and losses for the current and preceding financial year other than those included in the profit and loss account above and therefore no statement of total recognised gains and losses has been prepared

The notes set out on pages 10 to 17 form an integral part of these Financial Statements

BALANCE SHEET
at 31 December 2006

	Notes	2006 £'000	2005 £'000
Assets			
Investments			
Other financial investments	10	3,082	3,666
Deposits with ceding undertakings		1	1
Reinsurers' share of technical provisions			
Claims outstanding		1,377	1,751
		1,377	1,751
Debtors			
Debtors arising out of direct insurance operations		3	-
Debtors arising out of reinsurance operations		1,016	996
Other debtors	11	2,058	1,778
Deferred tax	12	231	68
		3,308	2,842
Other assets			
Cash at bank and in hand		523	883
Overseas deposits		183	266
		706	1,149
Prepayments and accrued income		4	3
Total assets		8,478	9,412

The notes set out on pages 10 to 17 form an integral part of these Financial Statements

LIMIT (NO.4) LIMITED

BALANCE SHEET
at 31 December 2006

	Notes	2006 £'000	2005 £'000
Liabilities			
Capital and reserves			
Called up equity share capital	13,14	-	-
Profit and loss account	14	821	1,044
	14	821	1,044
Technical provisions			
Claims outstanding		7,000	8,060
		7,000	8,060
Creditors			
Creditors arising out of direct insurance operations		55	34
Creditors arising out of reinsurance operations		136	172
Other creditors	15	453	89
		644	295
Accruals and deferred income		13	13
Total liabilities		8,478	9,412

These financial statements were approved by the board of directors on 29 October 2007 and signed on its behalf by

D.J.Winkett

D J Winkett
Director

The notes set out on pages 10 to 17 form an integral part of these Financial Statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2006

1. Accounting policies

(a) Basis of preparation

The financial statements have been prepared on the going concern basis under the historical cost convention, in accordance with Section 255A of, and Schedule 9A to, the Companies Act 1985, and applicable accounting standards The Company has adopted the recommendations of the Statement of Recommended Practice issued by the Association of British Insurers dated December 2005 (amended December 2006) and Technical Release 1/99 "Accounting by Lloyd's Corporate Capital Vehicles" issued by the Institute of Chartered Accountants in England and Wales

Not withstanding the uncertainty as to the ultimate value of outstanding claims, as explained in note 18, the Directors consider it appropriate to prepare the accounts on a going basis having regard to the capital available as explained in note 16

(b) Cash flow statement and related party disclosure

The Company is included in the consolidated financial statements of QBE Insurance Group Limited, which are publicly available Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under Financial Reporting Standard 1 (revised 1996) The company is also exempt under Financial Reporting Standard 8 from disclosing related party transactions

(c) Basis of accounting for insurance

The technical account – general business set out on page 6 has been prepared by aggregating the Company share of the underwriting transactions (premiums, claims and expenses) of the Lloyd's syndicates of which the Company is a member

The Company's share of the underwriting transactions is presented on an annual accounting basis under which insurance profits or losses are recognised as they are earned

The Lloyd's syndicates in which the company participates are managed and controlled by their respective managing agents The accounting information in respect of these participations has been provided by the managing agents through an information exchange facility operated by Lloyd's and has been audited by the respective syndicates' auditors

(i) Premiums written

Premiums written comprise premiums on contracts incepted during the financial year, together with adjustments made in the year to premiums written in prior years Premiums are shown gross of commissions payable to intermediaries and exclude taxes and duties levied on them Estimates are included for premiums due but not yet received or notified, less an allowance for cancellations

(ii) Reinsurance premiums written

Outward reinsurance premiums and associated recoveries are allocated to the appropriate year of account on the basis of the policy inception date

(iii) Claims outstanding

Claims incurred comprise claims and related expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years Where applicable, deductions are made for salvage and other recoveries

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the company The estimated cost of claims includes expenses to be incurred in settling claims and allows for the expected value of salvage and other recoveries

Outstanding claims and reinsurance recoveries are estimated by reviewing individual claims and making allowance for claims incurred but not reported using past experience and trends adjusted for foreseeable events

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2006

1. Accounting policies (continued)

(c) Basis of accounting for insurance (continued)

(iv) Claims outstanding (continued)

Case estimates are set by experienced claims technicians, applying their skill and specialist knowledge to the circumstances of individual claims The ultimate cost of outstanding claims, including claims incurred but not reported, is estimated by the syndicate actuaries who apply recognised actuarial techniques considered appropriate for each portfolio, such as the Chain Ladder and Bornhuetter-Ferguson methods These methods take into account, amongst other things, statistical analysis of the development of the value and frequency of past claims and the results of analyses undertaken at the point of underwriting Techniques considered appropriate for specific portfolios include contract by contract analysis, segmentation by subclass, and stochastic analysis Classes of business are analysed at a level of detail appropriate to their materiality Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or decrease when compared with the cost of previously settled claims, for example, one-off occurrences and changes in mix of business, policy conditions or the legal environment The syndicate actuaries produce an estimate of reserves, which is reviewed by an independent actuarial firm, and is then assessed by QBE management with input from the syndicate underwriting and claims experts

As provisions for claims outstanding are based on information which is currently available, the eventual outcome may vary from the original assessment depending on the nature of information received or developments in future periods For certain classes of business including liability and other long tail classes written by the company, claims may not be apparent for many years after the event giving rise to the claim has happened These classes will typically display greater variation between initial estimates and final outcomes Differences between the estimated cost and subsequent re-estimation or settlement of claims are reflected in the technical account for the year in which these claims are re-estimated or settled

Provisions are calculated gross of any reinsurance recoveries A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability

(v) RITC

Following the end of the third year, the underwriting account of each Limit syndicate is normally closed by reinsurance into the following year of account The amount of the reinsurance to close premium is determined by the managing agent, generally by estimating the cost of claims notified but not settled together with the estimated cost of claims incurred but not reported at that date and claims handling costs

Where the Company has increased or decreased its participation from one year of account to the next, the reinsurance to close paid is treated as a portfolio transfer from the closing year to the receiving year

The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims If the reinsuring syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims The directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account

As the reinsurance to close is concluded after the balance sheet date, this is a non-adjusting event under FRS 21, "Events after balance sheet date", and recognised in the period in which it is concluded

(vi) Acquisition costs

Acquisition costs, which represent commission and other related costs, are deferred subject to recoverability and amortised over the period in which the related premiums are earned

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2006

1. Accounting policies (continued)

(d) Exchange rates

Income and expenditure in US dollars and Canadian dollars are translated at the average rates of exchange for the period Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed

Syndicate assets and liabilities are translated into sterling at the rates of exchanges at the balance sheet dates unless contracts to sell currency for sterling have been entered into prior to the year end, in which case the contracted rates have been used

Exchange gains or losses are recognised in the profit and loss technical account

(e) Investment return

Investment return is recorded in the non-technical account and comprises all investment income, realised investment gains and losses and movement in unrealised gains and losses, net of investment expenses, charges and interest

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period

(f) Investments

All investments are stated at their market value at the year end Listed investments are stated at the current value Debt securities and other fixed income securities are stated at market value at that date

(g) Taxation

The charge for taxation is based on the result for the year adjusted for disallowable items Deferred taxation is provided in full on all timing differences at the rate at which it is expected that the tax liability or benefit will arise Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered Deferred tax assets and liabilities are not discounted

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2006

2. Segmental analysis – technical account

The following business has all been underwritten in the Lloyd's insurance market, which has been treated as one geographical segment and class of business for the purpose of Statement of Standard Accounting Practice No 25 'Segmental reporting'

Segmental information in the format required by the Companies Act 1985 is as follows

2006	Gross premiums written and earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Direct insurance				
Accident and health	-	(13)	(1)	22
Motor (third party)	-	46	-	1
Motor (other classes)	4	102	(9)	1
Marine, aviation and transport	16	(1,490)	(75)	(15)
Fire and other damage to property	3	6	(5)	5
Third party liability	15	669	(19)	174
Miscellaneous	5	(5)	(11)	-
	43	(685)	(120)	188
Other reinsurance acceptances	13	41	(31)	28
	56	(644)	(151)	216

2005	Gross premiums written and earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Direct insurance				
Accident and health	-	4	-	32
Motor (third party)	-	(6)	-	1
Motor (other classes)	1	21	-	47
Marine, aviation and transport	23	(217)	4	(100)
Fire and other damage to property	10	(25)	1	32
Third party liability	50	84	2	(101)
Miscellaneous	7	(49)	4	23
	91	(188)	11	(66)
Other reinsurance acceptances	4	22	2	(26)
	95	(166)	13	(92)

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2006

3. Net operating expenses

	2006 £'000	2005 £'000
Acquisition costs	11	18
Administrative expenses	36	34
Foreign exchange losses/(gains)	104	(65)
	151	(13)

4. Investment Income

	2006 £'000	2005 £'000
Realised gains on investments	17	2
Income from other investments	212	180
	229	182

5. Investment expenses and charges

	2006 £'000	2005 £'000
Realised losses on investments	4	18
Other investment expenses	3	4
	7	22

6. Employees

The Company does not employ any staff All staff were employed by QBE Management (UK) Limited, a fellow group undertaking No recharge has been made to the Company for the services provided by these staff

7. Directors' emoluments

The emoluments of the directors are paid by QBE Management (UK) Limited for their services to the group as a whole No emoluments were payable to the directors in respect of their services to this Company for the year ended 31 December 2006 (2005 £nil)

8. Loss on ordinary activities before taxation

Remuneration receivable by the Company's auditors for the auditing of these accounts of £4,700 (2005 £4,274) is borne by QBE Management (UK) Limited Fees for the supply of other services are also borne by group companies and are disclosed in total in the QBE International Holdings (UK) plc group financial statements

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2006

9. Tax on loss on ordinary activities

Analysis of charge/(credit) in period	2006 £'000	2005 £'000
Current tax		
UK corporation tax at 30% (2005 30%)	72	(84)
Adjustment to tax in respect of prior period	5	18
Total current tax charge/(credit)	77	(66)
Deferred tax		
Origination and reversal of timing differences	(163)	84
Adjustment to tax in respect of prior period	-	(10)
Total deferred tax	(163)	74
Tax on loss on ordinary activities	(86)	8

Factors affecting tax charge for the period

The tax for the period is lower (2005 – lower) than the standard rate of corporation tax in the UK (30%) The differences are explained below

loss on ordinary activities before tax	(309)	(2)
loss on ordinary activities before tax multiplied by standard rate of UK Corporation Tax of 30%	(92)	(1)
Effects of		
Other timing differences	163	(83)
Adjustments to tax in respect of prior period	6	18
Current tax charge/(credit) for the period	77	(66)

10. Other financial investments

	Cost 2006 £'000	Market value 2006 £'000	Cost 2005 £'000	Market value 2005 £'000
Shares and other variable yield securities	741	741	308	308
Debt securities and other fixed interest securities	2,063	2,056	3,080	3,066
Deposits with credit institutions	285	285	292	292
	3,089	3,082	3,680	3,666

11. Other debtors

	2006 £'000	2005 £'000
Amounts owed by group undertakings	1,793	1,718
Amounts receivable for group taxation relief	-	26
Lloyd's distribution debtors	233	-
Other debtors	32	34
	2,058	1,778

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the year ended 31 December 2006

12. Deferred tax asset

	2006 £'000	2005 £'000
Deferred tax asset as at 1 January	68	490
Deferred tax credit/(charge) in profit and loss account	163	(74)
Transfer to corporation tax account	-	(348)
Deferred tax asset as at 31 December	231	68
Comprising		
Lloyd's losses/(profits) taxed in future years	231	68
Undiscounted provision for deferred tax	231	68

13. Called up share capital

	2006 £	2005 £
Authorised		
100 Ordinary Shares of £1 each	100	100
Called up, allotted and fully paid		
1 Ordinary Share of £1 each	1	1

14. Reconciliation of movements in shareholders' funds

	Share capital £'000	Profit and loss account £'000	Total 2006 £'000	Total 2005 £'000
At 1 January	-	1,044	1,044	1,054
Retained loss for the year	-	(223)	(223)	(10)
At 31 December	-	821	821	1,044

15. Other creditors

	2006 £'000	2005 £'000
Underwriting losses due to Lloyd's	246	14
Other creditors	207	75
	453	89

Underwriting losses due to Lloyd's represents the net uncalled losses on run-off years of account of the syndicates in which Limit (No 4) Limited has participated

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the year ended 31 December 2006

16. Guarantees and contingencies

The company's holding company, Limit plc, has entered into a deed of covenant to meet the obligations of Limit (No 4) Limited to Lloyd's The total guarantee given by Limit plc under the deed of covenant amounts to £822,000 (2005 £822,000) which together with ABC securities pledged of £67,000 (2005 £758,000) provides total 'funds at Lloyd's' of £889,000 (2005 £1,560,000) for the company In addition further financial resources are available to the company to ensure it can meet obligations as and when they fall due

The obligation under the deed of covenant is secured by a fixed and floating charge over the investments and other assets of Limit plc in favour of Lloyd's Similar arrangements have been made in respect of other corporate member subsidiaries of Limit plc

Liability under the deed of covenant is limited to a fixed monetary amount However, the enforcement by Lloyd's of the deed of covenant in the event of a default by Limit (No 4) Limited may result in the appropriation of a share of Limit plc's funds at Lloyd's that is greater than the proportion which Limit (No 4) Limited's overall premium limit bears to the total overall premium limit of the group A similar result may occur in the event of default by other corporate member subsidiaries

Of the total assets disclosed on the company's balance sheet, £6,221,000 (2005 £7,683,000) of which £3,082,000 (2005 £3,666,000) are investments, are subject to Lloyd's Premium Trust Funds or will become subject to them on realisation These funds will only be released to the company on the closing of the run-off years of account

17. Parent undertakings

The Company's ultimate parent undertaking and controlling entity is QBE Insurance Group Limited, which is incorporated in Australia This is the largest group of undertakings into which the Company's financial statements are consolidated The smallest group of undertakings into which the Company's financial statements are consolidated is headed by QBE International Holdings (UK) plc, which is incorporated in Great Britain The consolidated financial statements for QBE Insurance Group Limited and QBE International Holdings (UK) plc are available from the Company's registered office at Plantation Place, 30 Fenchurch Street, London, EC3M 3BD

The Company's immediate parent company is Limit Corporate Members Limited, which is incorporated in Great Britain

18. Significant uncertainties

Significant uncertainty remains as to the ultimate value of outstanding claims As explained in note 1, the figure for outstanding claims has been prepared by aggregating the Company's share of the outstanding claims of the Lloyd's syndicates of which the Company is a member An additional provision is included within outstanding claims to reflect a degree of caution in the Director's best estimate of the ultimate value of outstanding claims, having regard to the uncertainties explained below

These syndicates are managed and controlled by their respective managing agents, who have been unable to date to reinsure the open years The ultimate cost of claims within Syndicate 205 will depend on many factors outside of the control of the Syndicate, in particular rulings and decisions made in US Courts regarding both the quantum of and responsibility for losses suffered by investors in the US financial markets in the years 1999 to 2002 In addition, other uncertainties mean that the 1999 year of account of Syndicate 62 remains open

As a result of these underlying uncertainties, the years in which the Company has participated have remained open, and it has not been possible to predict with sufficient certainty the reserving levels and risk premium that may be applied by a reinsuring syndicate