

15Oct2001 UK: Lloyd's of London to be checked by US regulators.

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US insurance regulators are to check the financial strength of the Lloyd's of London insurance market in light of the September 11 terrorist attacks.

Lloyd's has estimated that the market's net exposure to the World Trade Center attacks will be GBP1.3bn after it has claimed reinsurance.

It has refused to give a figure for its gross exposure - before it claims reinsurance - but ratings agencies estimate it could be up to GBP7bn. Although analysts are confident that the biggest reinsurers will be able to meet all their claims, there has been concern some of the weaker reinsurers could prove vulnerable.

The US National Association of Insurance Commissioners said its financial investigation would primarily check the gross exposure of Lloyd's and the quality of the market's reinsurance and retrocession - reinsurance of reinsurance.

John Oxendine, insurance commissioner of Georgia and chairman of the association's reinsurance committee, said:

"We will want to verify the solvency of Lloyd's, but we believe Lloyd's to be solvent."

To ease the liquidity pressures on Lloyd's, the association last week agreed to relax temporarily its regulation governing how much Lloyd's must deposit into one of its US trust funds to cover claims relating to the attacks.

Instead of having to lodge enough to cover 100 per cent of the gross liabilities of its US reinsurance claims, Lloyd's will be allowed to deposit only 60 per cent - and it will also be permitted to use letters of credit from banks as security.

Meanwhile, Amlin, an insurer at Lloyd's, raised the estimate of its net losses from last month's attacks to GBP60m from GBP45m. British financial regulators say they have found no evidence of insider dealing by Osama bin Laden or any of his associates ahead of the attacks.

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