

1985, began to make huge awards to victims of asbestosis. And under old policies, some going back to the 1940s, Lloyds syndicates had to pay most of those reinsurance bills for the asbestos manufacturers such as the now-bankrupt Johns Manville Co. As publicity of the huge court asbestos awards spread, more suits were filed, leading to snowballing claims, threatening the exposed Lloyds syndicates, and their Names, into the next century. By 1991, potential losses to the Outhwaite syndicates were believed to be as high as \$2 billion, a potential average loss of \$1.2 million for each of 1,600 Names in the syndicate. Because no fixed cap on liability could be made, no insurance company in the world would agree to cover it in the reinsurance market, leaving an open liability of the Name syndicates.

This was compounded by similar foolish and, in some cases fraudulent, insurance forays by individual Lloyds underwriters. Then, a series of unprecedented catastrophes hit the Lloyds market beginning in 1988, with Hurricane Andrew, the *Exxon Valdez*, the San Francisco earthquake, the North Sea Piper Alpha oil rig fire, and, most recently, the Kobe earthquake, which will cost Lloyds Names an estimated \$2.4 billion in claim payouts alone.

Lloyds has an archaic system of settling three years back. Thus, final results presented on May 30 will be for the insured year 1992. By then, cumulative losses by the 33,000 Names will likely total a staggering \$14 billion or more, according to Lloyds specialist analysts, Chatset. As claims on Names began to snowball after 1988, for an unprecedented five years running, Names began to face bankruptcy, and several reportedly committed suicide amid personal financial ruin. Today an estimated 9,000 Names are financially insolvent, partly reflecting the lowered wealth standard of recent years. Their arrears total alone more than \$2 billion.

But even the figure of \$14 billion in total losses likely understates the amount. According to estimates by one former Lloyds broker, David Springbrett, the real losses as of the Lloyds year 1991 were already above \$20 billion, even before the expected \$2.4 billion losses for 1992, which are expected to be announced at the May 30 Lloyds annual meeting.

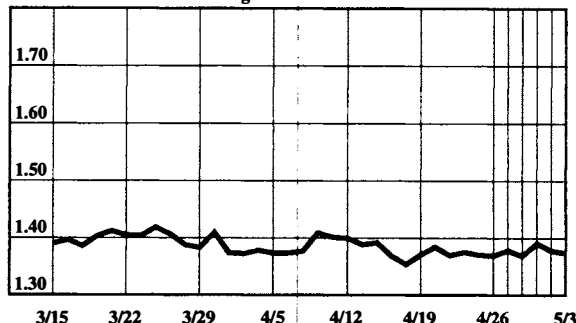
Thousands more Names, including many in the United States who, like Supreme Court Justice Stephen Breyer, were lured into becoming a Name without full awareness of potential liability, have stopped paying their syndicate, and instead are suing in U.S. or U.K. courts. Many of these are recent Names who claim they were deliberately steered to the most high-risk syndicates, to give needed capital, such as Outhwaite's, leaving the old established "wealthy Names" mostly safe in more conservative syndicates.

Because of the three-year lag on reporting results, the added losses to Lloyds owing to exposure to financial derivatives speculation, foreign currency losses, and such over the period beginning early 1994 during the shocks to world financial markets, can only be imagined.

Currency Rates

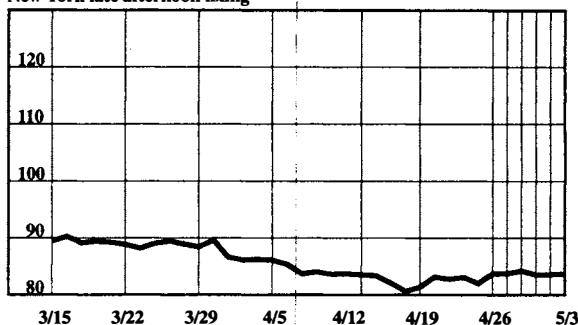
The dollar in deutschemarks

New York late afternoon fixing



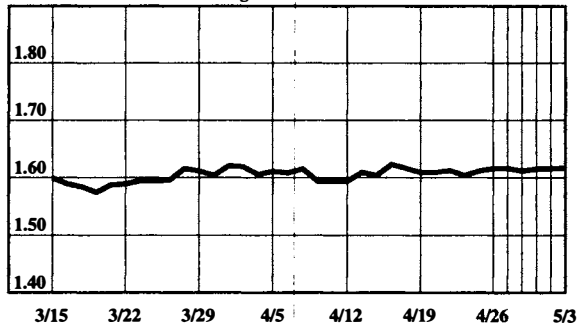
The dollar in yen

New York late afternoon fixing



The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing

