

John Weiss CB
Deputy Chief
Executive

30th September 2005



Mr Hugh W Bailey
Director
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Dear Hugh

ECGD REINSURANCE FOR EXPORTS SOLD ON SHORT TERMS OF CREDIT

My letter of 5 October 2004 set out the basis of a planned review of our current standby arrangements for short-term reinsurance and sought views on our proposal to allow these arrangements to be withdrawn.

The above consultation was concluded on 31 December 2004 and I am now writing to record the outcome.

Although there has been no call to activate these standby arrangements since their introduction in 2001, the replies received from the consultation process indicated that this facility is viewed as a useful safety net for short-term insurers if faced by extraordinary events. Having considered the views of those who responded, it has been decided that ECGD should retain the current standby arrangements as set out in our letter to insurers of October 2001 but reserving the right to offer reinsurance on the basis of a revised form of the draft Surplus Reinsurance Agreement annexed to that letter. ECGD will review the case for the continuation of these arrangements again at the end of 2007.

I must stress that, as indicated in the second paragraph of our letter of October 2001, this stand-by facility will be maintained on an "in principle" basis only and ECGD is not committed to provide such reinsurance. Accordingly, should any extraordinary events arise, which meant that the market could not underwrite credit insurance risks, ECGD would only consider, on the basis of the circumstances then prevailing (and in consultation with the Treasury and Ministers), whether it should



INVESTOR IN PEOPLE

provide reinsurance to insurers on the terms of the draft Surplus Reinsurance Agreement (or a revised form of that Agreement).

I trust that this decision will be welcomed by all those that ECGD consulted.

A copy of this letter recording out the outcome of the consultation will immediately be made available on the Public Information (Public Consultation section) of ECGD's website, alongside my earlier letter of 5 October 2004.

Yours sincerely

A handwritten signature in black ink that reads "John". The letters are cursive and slightly slanted.

JOHN WEISS

Enc: annex : List of Recipients
cc : Letter dated October 2001

**ECGD REINSURANCE FOR EXPORTS SOLD ON SHORT TERMS OF CREDIT –
PUBLIC CONSULTATION**

List of Consultees

Atradius

Euler Hermes UK

COFACE UK

The British Exporters Association (BExA)

The Confederation of British Industry (CBI)

The Association of British Insurers (ABI)

The British Insurance Brokers Association (BIBA)

October 2001

Mrs D Price
Group Reinsurance Manager
NCM
3 Harbour Drive
Capital Waterside
Cardiff CF1 6TZ

7171

Dear Diane

NEW ECGD REINSURANCE ARRANGEMENTS

- 1 In my letter of 11 October 2000 I informed you that the existing ECGD Reinsurance Agreements would expire w.e.f. 30 June 2001.
- 1 Since 1991 ECGD has provided reinsurance for certain UK export risks that could not be placed in the private reinsurance market. Although there is no current demand for such reinsurance ECGD is prepared to continue to provide in principle support on a risk by risk basis, under the terms of the enclosed Surplus Reinsurance Agreement. These new arrangements and the market need for support will be reviewed at the end of 2003 and the basis of ECGD's support may well be varied at that time.
- 3 If you have any queries, please do not hesitate to contact me. However, you will wish to note that, w.e.f 1 November 2001, all correspondence, on reinsurance issues and queries should be sent to;

Mr Paul Hillman
ECGD
PO Box 2200
2 Exchange Tower
Harbour Exchange Square
London E14 9GS
Tel: 020 7512 7733

Yours sincerely

SIMON RICHARDSON