3.   A drawing by the beneficiary of a Syndicated LC need only be presented to the Agent. The Agent notifies the Issuing Banks of the draw and forwards all documentation. With respect to each complying drawing, each Issuing Bank agrees to deliver its portion of the draw to the Agent, which in turn delivers the funds to the beneficiary. The payment to the beneficiary typically is made on the same day as the drawing or, if a drawing is made late in the day, on the next day.

4.   The Syndicated LC provides that each Issuing Bank is severally, not jointly, liable to pay its specified percentage of the total dollar amount of each drawing made by the beneficiary. A schedule containing each Issuing Bank's respective percentage of the total liability is set forth in the letter of credit. The several liability of the Issuing Banks means that the failure of any Issuing Bank to fund its portion does not relieve the other banks from the obligation to fund their respective portions. Conversely, if one bank fails to fund its portion of a drawing, the other banks are not obligated to fund such portion for the defaulting bank. In this respect, the Syndicated LC is identical to Multiple LCs.

5.   The accounting issue is whether Syndicated LCs, as described above, are consistent with the requirements of paragraphs 40-47 of A-785?

INT 02-09 Discussion

6.   The working group reached a consensus that the Syndicated LC is consistent with A-785, in that the Syndicated LC is the legal equivalent of multiple letters of credit separately issued by each of the issuing banks. Reporting entities shall take a reduction in liability on account of reinsurance recoverables secured by the Syndicated LC if all of the following conditions are met:

   a.   All listed banks on the letter of credit are qualified and meet the criteria of the NAIC SVO approved bank listing;

   b.   Banks are severally and not jointly liable; and

   c.   Specific percentages for each assuming bank are listed in the letter of credit.

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7.   No further discussion is planned.