

Lloyds Banking Group	BL9001 – Insurance	
EL0401 – Suitability, Disclosure & Fiduciary	GBP – 325,000,000.00 LOSS	GBP – Pound Sterling
DE – GERMANY	Western Europe	

Lloyds provisions GBP 325 million for insurance subsidiary litigation

Lloyds Banking Group has provisioned a total of GBP 325 million (USD 520.9 million, EUR 378.5 million) for litigation relating to alleged misrepresentations made by its insurance subsidiary, Clerical Medical Investment Group (CMIG), in insurance policy contracts.

The firm originally provisioned GBP 175 million in its 2011 Q3 results, before announcing in its 2012 annual report that it would be increasing this amount by GBP 150 million to GBP 325 million.

Lloyds made the provisions after it received a number of claims in the German courts relating to policies issued by CMIG but sold by independent intermediaries in Germany, largely during the late 1990s and early 2000s.

According to The Local, on 11 July 2012 a German Supreme Court ruled in favour of five complainants who had put hundreds of thousands of euros into a CMIG insurance scheme called Wealthmaster Nobel on the promise of eight per cent returns on their investments. The insurance schemes were intended to make enough money to pay out quarterly dividends to investors and to ensure that their initial investment was repaid in full at the end of the agreed period.

However, the scheme did not work and the quarterly payments were in fact paid from the invested capital, which depleted as a result.

The court ruled that CMIG's contracts had been too optimistic and that the firm had only believed that a six per cent return was realistic, and that this had not been adequately disclosed to investors.

Despite this ruling, investors have not yet received any payout and a decision is yet to be made regarding the amount of compensation CMIG may be liable for, The Local reports.

The Supreme Court is still to hear a further 40 cases, while there are over 1,000 cases waiting to be heard across Germany.

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Source(s): http://www.lloydsbankinggroup.com/media/pdfs/investors/2011/2011Nov8_LBG_Q3_IMS.pdf http://2011.lloydsbankinggroup-annualreport.com/media/96161/FinancialStatements_LBG_AR_2011.pdf http://www.lloydsbankinggroup.com/media/pdfs/investors/2012/2012_LBG_FY_Results.pdf http://www.lloydsbankinggroup.com/media/pdfs/investors/2011/2011Nov8_LBG_Q3_IMS.pdf http://www.thelocal.de/money/20120712-43711.html#UUhdlMxcqWZ5	Related Articles <i>There are no linked loss events</i>
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Event	Published in Media	Date of Occurrence – From	Date of Occurrence – To	Discovery Date	Date of Recognition / Settlement
	08/Nov/2011	01/Jan/1995	31/Dec/2005	N/A	N/A
Loss Amount USD USD 520,874,250.00	Loss Amount EURO EUR 378,456,000.00	Provision Yes	Product PD9800 - Non-Banking Product	Boundary Risk Other Risk	Process PC0301 - Advisory or Pitch or Pre-Sales
Industry Event N/A	Scenario MISSEL - Mis-Selling & Business Practices	ORX Member Yes	Role of Firm LS0302 - Agent / Facilitator	AMA Status N/A	
Parent Company N/A					
Cause 1 CS0403 - Inadequate Policy / Procedure	Cause 2 N/A	Cause 3 N/A			
Counterparty LS0207 - Individual - Retail	Jurisdiction / Choice of Law LS0105 - Western Europe (excluding United Kingdom)	Environmental Volatility LS0406 - Not Identifiable			