

SOLVENCY AND REPORTING BYELAW

Purpose

The purpose of this byelaw is to provide for the conduct of the annual solvency test for members and for a number of related and incidental purposes.

Notes

This byelaw revokes the Solvency and Reporting Byelaw (No. 13 of 1990).

Words and terms shown in italics have the meanings set out in the Definitions Byelaw (No. 7 of 2005).

This byelaw was made by the *Council* on 26 September 2007 in exercise of its powers under section 6(2) of Lloyd's Act 1982 and may be referred to as the Solvency and Reporting Byelaw (No. 5 of 2007).

These notes are not part of the byelaw.

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Part A - Solvency reporting

Managing agents - syndicate returns

1. Every *managing agent* shall in each year, in respect of each *syndicate* managed by it at the *solvency test date*, prepare a syndicate return in respect of the *insurance business* carried on through that *syndicate*.
2. Every syndicate return prepared under paragraph 1 shall -
 - (a) include the matters and be provided in such form and manner as the *Council* may specify from time to time;
 - (b) be made up to the *solvency test date* or such other date as the *Council* may specify;
 - (c) be signed by the persons referred to in IPRU(INS) 9.60(4); and
 - (d) be filed with the *Council* by such date as the *Council* may from time to time prescribe.

Audit of syndicate returns

3. Every *managing agent* shall procure that every syndicate return prepared by it under this byelaw be audited and reported upon by the *syndicate auditor* of the *syndicate* to which it relates.
4. The *syndicate auditor* shall make a report to the *Council* on every syndicate return audited by him.
5. Every report prepared under paragraph 4 shall -
 - (a) include the matters and be provided in such form and manner as the *Council* may specify from time to time;
 - (b) be signed on behalf of the *syndicate auditor*; and
 - (c) be filed with the *Council* by such date as the *Council* may from time to time prescribe.

Lloyd's - solvency statements

6. The *Society* shall in each year prepare a *solvency statement* in respect of each *member* showing the amount of the *member's relevant liabilities* and the *member's minimum capital requirement (MCR)*, and the amount of *admissible assets* available to meet such liabilities and *MCR* (after deducting the amount of any assets in excess of the limits set out in *INSPRU 2.1* and disregarding any *central assets*).
7. The *Society* shall deliver the *solvency statement* prepared under paragraph 6 to -
 - (a) the *member's members' agent*; or
 - (b) the *corporate member*, where it has no *members' agent*.

Members' agents — solvency statements

8. A *members' agent* shall on receiving a *solvency statement* from the *Society* in respect of a *member* for whom the *members' agent* acts as such –
 - (a) if such statement shows that the *member* has a *solvency shortfall*, forthwith request the *member* to make funds available for the purpose of extinguishing such *solvency shortfall*; or
 - (b) if such statement shows that the *member* does not have a *solvency shortfall*, notify the *member* to that effect.

Duties of members

9. Every *member* in relation to whom any *solvency statement* shows a *solvency shortfall* -
 - (a) shall procure that sufficient *admissible assets* are made available to cover his *relevant liabilities* and *MCR* by such date and in such manner as the *Council* may from time to time prescribe; and
 - (b) where the *member* has a *members' agent*, shall comply with any request made by his *members' agent* to make funds available for such a purpose.

Part B - Miscellaneous

Managing agents — supply of information

10. A *managing agent* shall supply the *Council* with such information as the *Council* may direct in respect of any syndicate return prepared by that *managing agent* under paragraph 1 in respect of each *syndicate* managed by it at the *solvency test date*.

Duty to maintain systems and procedures

11. Every *managing agent* shall establish and maintain such systems and procedures, including maintenance of adequate accounting records and other records, as may be necessary to enable it to comply with the requirements of paragraphs 1 and 2.

Time Limits

12. The *Council* may extend for such period and upon such conditions as it thinks fit any of the time limits specified pursuant to any provision of this byelaw.

Amendment of the Definitions Byelaw

13. The Definitions Byelaw (No. 7 of 2005) is amended by adding the following new definitions –

“admissible asset” has the meaning given in the Glossary made by the *Financial Services Authority*;

“central assets” has the meaning given in the Glossary made by the *Financial Services Authority*;

“counterparty” has the meaning given in the Glossary made by the *Financial Services Authority*;

“GENPRU” means the General Prudential sourcebook made by the *Financial Services Authority*;

“INSPRU” means the Prudential sourcebook for Insurers made by the *Financial Services Authority*;

“insurance business” has the meaning given in the Glossary made by the *Financial Services Authority*;

“IPRU(INS)” means the Interim Prudential sourcebook for Insurers made by the *Financial Services Authority*;

“minimum capital requirement” has the meaning given in the Glossary made by the FSA, as modified in its application to Lloyd’s by *GENPRU 2.3*;

“MCR” means the “*minimum capital requirement*”;

“relevant liabilities” means liabilities calculated in accordance with *GENPRU 1.3*;

“solvency shortfall” means, in relation to a member, the value of *admissible assets* held in respect of the *member* (after deduction of the amount by which those assets exceed the limits set out in *INSPRU 2.1* and disregarding any *central assets*) falls short of the aggregate value of the member's *relevant liabilities* and *MCR*;

“solvency statement” means the document referred to in paragraph 6 of the Solvency and Reporting Byelaw (No. 5 of 2007);

“solvency test date” means 31st December of the preceding year;

Revocation

14. The Solvency and Reporting Byelaw (No. 13 of 1990) is revoked.

Commencement

15. This byelaw shall come into force on 27 September 2007.