

MARKET BULLETIN

From Mat Stone Financial Control (extn 2202)

Date 6 March 2006

Reference Y3759

Subject **LLOYD'S NEW CENTRAL FUND CONTRIBUTIONS AND SYNDICATE LOANS
2006**

Subject areas

Attachments None

Action points

Deadlines **21 March 2006**

The purpose of this bulletin is to advise Managing Agents that the 2006 New Central Fund contributions and syndicate loans, which were included in MB Y3707 issued on 20 December 2005, will be collected on 3 April 2006 and not 1 April 2006 as previously stated. New Central Fund contributions in respect of qualifying quota share arrangements outside the Lloyd's market will be collected on 28 April 2006. All collections will be made via the Lloyd's Central Accounting System.

The principal New Central Fund contribution rates and syndicate loan rates for 2006 are:

	Members (other than New Corporate Members as defined below)	New Corporate Members (Joining in 2004)	New Corporate Members (Joining in 2005)	New Corporate Members (Joining in 2006)
New Central Fund Contributions	1.00%	2.00%	2.50%	2.50%
Syndicate Loans	0.75%	0.75%	0.75%	0.75%
Total Rate Applicable	1.75%	2.75%	3.25%	3.25%

New Central Fund Contributions

The annual New Central Fund contribution rate payable by all members (other than new corporate members underwriting on new syndicates) for the 2006 year of account is 1.00% of a member's syndicate premium limit in respect of each syndicate of which he is a member.

New corporate members who joined in 2004 will continue to pay double the standard rate of contribution for their third year of operation at Lloyd's.

New corporate members who joined in 2005 will continue to pay 2.5% for their second and third year of operation at Lloyd's.

New corporate members for 2006 will pay 2.5% for each of their first three years of operations. It should be noted that if a member writes on a mix of existing and new syndicates, then the higher rate will only be payable in respect of its participations on new syndicates.

Within the category of new corporate members the increased charges do not apply to:

- Conversion vehicles which meet the current definition of a "successor corporate member" in the Membership (Entrance Fees and Annual Subscriptions) Byelaw – i.e. in broad terms, any vehicle which is 85% owned by converting Names
- New corporate members which only participate on *existing syndicates*.

Syndicate loans

MB Y3394 dated 17 September 2004 set out the requirements pursuant to which members will be required to make the syndicate loans. At its meeting on 2 March 2005 the Council amended these requirements. The amendments were made to ensure that Lloyd's fully complies with the FSA's Integrated Prudential Sourcebook requirements and to ensure that the subordination provisions track the subordination provisions in the Lloyd's subordinated notes issued in November 2004.

The rate for the syndicate loans has been set at 0.75% of a member's syndicate premium limit in respect of each syndicate of which he is a member for 2006.

Interest will be paid at a rate equal to the total return recorded during the interest period by the Merrill Lynch 1-3 Year Government Bond Index relevant to the currency of account of the loan, less an administrative charge of 0.07% per annum of loan values. If the annual interest calculation generates a negative amount then the interest amount will be zero. Statements of 'accrued' interest amounts have been provided to agents quarterly. Interest payments for the year ended 31 March 2006, subject to Council approval on 5 April 2006, will be settled via Lloyd's Central Accounting on 11 April 2006.

For advice on solvency, capital, and accounting treatment please refer to MB Y3394.

Settlement Arrangements

As advised in MB Y3394, syndicates have the option to settle their New Central Fund contributions and syndicate loans in sterling or US dollars.

Please notify Carolyn Smith **by 21 March 2006** if the New Central Fund contribution and / or the syndicate loan are to be paid in US dollars. It should be noted that all settlements for the 2006 year will be made in the currencies selected now. This arrangement can be changed for 2007.

For those wishing to pay in US dollars the amount to be collected will be calculated by reference to the middle closing exchange rate published in the FT on 20 March 2006.

Advices detailing amounts due will be issued on 24 March 2006 for settlement via Central Accounting on 3 April 2006 and by 18 April for settlement via Central Accounting on 28 April 2006

Any queries or feedback in relation to this market bulletin should be addressed to Mat Stone on ext 2202 or by e-mail to mat.stone@lloyds.com or Carolyn Smith on ext 2922 or by e-mail to carolyn.m.smith@lloyds.com

This bulletin has been sent to all managing agents.

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Financial Reporting
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