

FROM: Clive Wormald, Manager, Members' Services Unit
LOCATION: MFD/CH/L3
EXTENSION: 2410
DATE: 11 February 2003
REFERENCE: Y2988
SUBJECT: 2000 ACCOUNT DISTRIBUTION AND ALL CASH CALLS

ATTACHMENTS:
ACTION POINTS: **Managing Agents to note and action section 1**
Members' Agents to communicate to members
DEADLINE: **Various**

1.0 Managing Agents

- 1.1 DD and ND files should be submitted to the MSU by 12 March 2003. On successful validation of the file, the MSU will issue a remittance advice to agents notifying the amount to be collected by currency. Agents should check the details on the advice, sign to confirm their agreement and return it to the MSU within two working days. Debits against sterling, LATF and LDTF dollar surpluses will be applied via the Central Accounting Settlement System for value on 17 April 2003.
- 1.2 Cash remittances collected via Central Accounting must correspond to the values reported in the DD and ND files submitted in March. If for any reason this is not the case, or a cash remittance is not cleared in full for value 17 April, this may cause MSU to have to re-run some of the Distribution systems. This will delay the process and almost certainly incur further costs. The Operations Executive has determined that any costs incurred as a result of MSU having to re-run its processes will be recovered from any managing agent responsible for the delay.

- 1.3 The payment date for cash calls and losses made through the Distribution system will be 30 June 2003.
- 1.4 In order to process interim cash calls for payment in the Distribution system, the MSU must have details of the cash call by 28 March 2003. The MSU will guarantee that cash calls received by that date will be included in the liabilities to which members profit/surpluses from the 2000 Distribution are applied. MSU require notice by 28 March so that MAPA apportionment to member level can be applied prior to loading the data to the debt allocation matrix ("DAM"). Any cash calls notified after 28 March will not be included in the first run of the DAM but will be included as early as possible in subsequent DAM runs. Profits and surpluses in the DAM may therefore have been allocated against debts prior to the inclusion of any late notified cash calls. As a result it may be that these calls need to be funded by new money or drawdowns, which could result in cash passing to syndicates after the due date for payment.
- 1.5 The DD file contains an expense code "RD08" designed to be used to report cash call administration charges made by MSU to managing agents, where the agent does not wish to treat these charges as a syndicate operating expense. It seems that some managing agents have additionally reported items under this code relating to Stamp Administration charges and the cost of providing a data file of Members' Special Contribution Refunds (to adjust profit commission payable by certain members). Whilst managing agents are at liberty to deal with such expenses as they see fit, reporting such additional items under this heading can result in anomalies where syndicates who have not made a cash call appear to be reporting charges for cash call administration etc. In order to overcome this type of problem, the description of code RD08 will henceforth be amended to read "MSU administration charges"

2.0 Members' Agents

- 2.1 Members with Special Reserve Fund (SRF) should ensure that sufficient cash is available within the fund to meet anticipated cash calls and losses as they become due for payment. This will avoid the need for a forced sale of assets should insufficient cash be available in the fund when required. For the 2000 Account Distribution, sufficient cash should be available by 16 May 2003 in the SRF in order to meet the requirements for DAM processing. The compulsory SRF drawdown process will commence on 19 May 2003.
- 2.2 Members may also find it beneficial to retain sufficient cash within the SRF to meet ongoing cash calls, which may be made outside of the normal Distribution timetable.
- 2.3 Members must realise non-cash assets in good time to have sufficient cash available to meet cash calls at least ten working days before they are due, otherwise the MSU will have no alternative other than to make compulsory sales. You are reminded that in accordance with FSA regulations, the MSU can no longer accept instructions from members or their members' agents to sell specific shares (apart from unit trusts upon which we can accept instructions and sell through the fund manager). These sales must be actioned by the members broker. Where members have not completed a Lloyd's Form of Appointment nominating a broker to act on their behalf, shares will have to be sold by the MSU on a compulsory basis.

- 2.4 If 2.3 is not adhered to, approximately ten working days prior to any cash call payment date, the MSU will liquidate SRF assets in the order set out in Market Bulletin Y2598 dated 10 August 2001 entitled "Payment of Losses – Cash Calls". However, for all losses and cash calls in the 2000 Distribution, the SRF assets need to have been realised by 16 May (see 2.1 above). Members should be made aware that any liquidation instructions put in train by the MSU will not be reversed if sales are also placed by a member or his broker which are for settlement within ten working days of the cash call payment date.
- 2.5 It is anticipated that procedures similar to last year will be adopted for dealing with the re-balancing of SRF and transfer of 2000 account profit to SRF to meet open year cash calls.
- 2.6 Similar considerations regarding the liquidity of assets and availability of cash also apply to Personal Reserve Funds (PRF). When a cash call has not been paid by the due date, the MSU will initiate drawdowns on any available PRF assets. This normally occurs 21 days after the due date of the cash call.
- 2.7 When a cash call is made outside of the Distribution period and a member has unallocated assets in the DAM, these assets may be used to meet any cash calls. However where a member has an SRF, the member will be stopped in the DAM until the full amount of the SRF withdrawal has been loaded into the DAM ensuring that the SRF asset is allocated against the intended debt.
- 2.8 Members wishing to meet their cash calls and losses by a voluntary drawdown should ensure that the relevant instructions are provided to the MSU as soon as possible after receipt of the cash call notification. This will avoid the member suffering late payment interest and duplication of effort by the MSU in initiating avoidable compulsory drawdowns.
- 2.9 Audit certificates will be provided for 30 June 2003 and prior losses during August and regularly thereafter, following subsequent cash calls.
- 2.10 Members with no SRF, who have a profit surplus and pass the glass test can anticipate that their surplus will be available for payment in early June. Members with SRF's will have any surplus available for payment later in June. This slight delay is caused by the need to carry out a number of additional tasks to satisfy the Inland Revenue, and also to reflect the glass test calculation and the changes to the SRF. As usual, the above timings are dependent upon the present timetable being adhered to. Members should be warned not to make any financial commitment based upon the planned timetable.

The above advice and guidance to members' agents and their members will apply to the forthcoming Distribution and all future cash calls and loss payments. Where the contents of the bulletin are different to the current SRF manual, this bulletin should take precedence.

- 2.11 Members' agents are asked to communicate this to their members and their investment advisers in good time so that the appropriate steps can be taken to have cash available when required.

3.0 **Future Communication**

The MSU will issue more detailed instructions in the coming weeks to augment this bulletin and the detailed implementation of it.

4.0 **Contacts**

If agents have any queries they should be addressed as follows:

SRF Policy	Christine Allcott	Lloyd's extension	2433
All Drawdowns	Frances Farley	Lloyd's extension	2615
	Kim Harris	Lloyd's extension	2910
DAM	David Stevens	Lloyd's extension	2287
	Theresa Thorp	Lloyd's extension	2417
Cash Calls	David Stevens	Lloyd's extension	2287
	Theresa Thorp	Lloyd's extension	2417
Provision of DD and ND files & Profit Remittances from Syndicates	Graham Bonner	Lloyd's extension	2056

This bulletin has been sent to all members' agents, managing agents and Direct Corporate Participants.

Clive Wormald
Manager
Members' Services Unit