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LOCATION: 86/G5

EXTENSION: 5743

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REFERENCE: Y3070

SUBJECT: **CHANGES IN CAPACITY AND PRE-EMPTION OFFERS FOR THE 2004 YEAR OF ACCOUNT**

SUBJECT AREA(S): Procedure and criteria for making pre-emption and de-emption applications for the 2004 year of account.

ATTACHMENTS: None

ACTION POINTS: Agents to note timetable

DEADLINE: See text

1. Introduction

- 1.1 This bulletin replaces and supercedes the market bulletin on the same subject, Y3068, issued on 30 May 2003.
- 1.2 All changes in syndicate capacity for the 2004 year of account will be reviewed and, where appropriate, agreed through the syndicate business forecast and the new business planning process.
- 1.3 This will allow the old requirements for specific regulatory approval for –
- increases in syndicate capacity in excess of 25%;
 - any increases where a managing agent has been informed of a regulatory concern or where manages agent manages a syndicate in run-off; and
 - reductions in syndicate capacity in excess of 15%,

to be waived, together with the £5,000 fee for such applications.

2. Changes in syndicate capacity in respect of “aligned syndicates”

2.1 Where the managing agent will be able to confirm that –

- all of the members of a syndicate approve a proposed change in syndicate capacity and the proportions in which the change will be allocated; and
- the capacity will not be traded in the auctions,

the Franchise Performance Directorate will consider a proposed change in syndicate capacity as an integral part of agreeing the business plan in October 2003. No formal application need therefore be submitted but an indication of any proposed change in syndicate capacity must be set out in the syndicate business forecast which managing agents must submit by no later than 20 June 2003.

3. Changes in syndicate capacity in respect of “unaligned syndicates”

3.1 Where all of the members of a syndicate are not aligned so that the managing agent is unable to confirm the matters set out in paragraph 2.1, the following arrangements will apply.

3.2 Any proposed change to a syndicate’s capacity must be set out in the syndicate’s business forecast which must be submitted by no later than 20 June 2003.

Increases greater than 7.5%

3.3 Where a proposed increase in syndicate capacity is greater than 7.5% (excluding any existing qualifying quota share arrangements) the managing agent must give notice of the proposed increase to the members’ agents and any direct members of the syndicate by no later than 20 June 2003. This must be done in accordance with paragraphs 6(1) to (7) of the Syndicate Pre-Emption Byelaw.

3.4 Members’ agents and direct members then have 14 days in which to approve or disapprove the increase. Members’ agents must inform managing agents of the outcome by 11 July. Managing agent’s must then confirm to Lloyd’s whether they have obtained the “requisite level of approval” by no later than 15 July.

All Changes

3.5 The Franchise Performance Directorate will consider all proposed changes to syndicate capacity. In respect of increases greater than 7.5%, the “requisite level of approval” of the members must first be obtained. Where the Franchise Performance Directorate considers that the change to syndicate capacity is appropriate and justifiable, agreement to the change will be given as part of the business planning process by no later than 22 July. This will enable pre-emption offers, or notification of a decrease in capacity, to be issued by managing agents by no later than 28 July. Members’ agents must notify members by the 6 August of any changes in capacity. All pre-emption offer acceptances must be received by managing agents by 17 October. All of the above dates are in accordance with the Lloyd’s timetable.

4. MSU Returns

4.1 The following forms must be used when making returns to the members' services unit ("MSU") so that they are fully informed of proposed changes and to enable syndicates' stamps to be prepared for the 2004 account:

- i) pre-emption intentions (PI);
- ii) pre-emption confirmations (PC);
- iii) de-emption intentions (DI); and
- iv) de-emption confirmations (DC)

These forms can be accessed under the Business codings and procedures section of the Lloyd's extranet information service <http://info.lloyds/intranet>.

MSU must receive completed PI and DI forms no later than 20 June and completed PC and DC forms no later than 1 August. Capacity movement files (CM) submitted by members' agents and hard copy schedules from Direct Corporate Members to be submitted to MSU by 17 October.

This bulletin is being sent to all underwriting agents, corporate advisers and direct corporate members and for information to market associations, including the ALM.