

FROM: Head of Market Reporting
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SUBJECT: UNDERWRITING AGENTS FINANCIAL
RESOURCE REQUIREMENTS
SUBJECT AREA(S): Solvency requirements for Underwriting Agents
ATTACHMENTS: Yes
ACTION POINTS: For information
DEADLINE: 1 July 2003

The Capital and Solvency Requirements 2001 have been revised to take account of the Underwriting Byelaw (No. 2 of 2003) and the Definitions Byelaw (No. 3 of 2003). Copies of the revised Capital and Solvency Requirements together with pro forma annual and quarterly financial returns are attached to this bulletin at Appendices 1, 2 and 3 respectively.

The new Capital and Solvency Requirements come into effect on 1 July 2003 and apply to all managing agents and members' agents on the register of underwriting agents and approved run-off companies. They do not differ materially from the Capital and Solvency Requirements 2001. Agents are reminded that they must submit their annual and quarterly financial returns electronically via the MSU market returns website. In addition, they must submit hard copies of their annual financial returns to Market Reporting as this department has now assumed responsibility for agents' returns.

Any queries concerning this bulletin should be addressed to Robert Smith on extension 5459.

This bulletin has been sent to all underwriting agents and recognised accountants, and for information to all market associations including the ALM.

John Parry
Head of Market Reporting

These Requirements are made under Part F of the Underwriting Byelaw (No. 2 of 2003).

1 Citation and Interpretation

1.1 These Requirements may be cited as the Capital and Solvency Requirements 2003.

1.2 Except where otherwise provided the words and expressions used in these requirements shall have the meaning given to them in the Definitions Byelaw (No. 3 of 2003).

1.3 For the purpose of these Requirements:

- (a) save where the context otherwise requires all references to an underwriting agent shall include a company applying for entry in the register of underwriting agents and approved run-off companies as an underwriting agent.
- (b) 'accounting year end' means the accounting reference date of the underwriting agent or, in the case of a company applying for registration as an underwriting agent, the applicant company;
- (c) 'relevant accounts' means the underwriting agent's accounts for the period ending at the latest accounting year end save that if the relevant accounts have been prepared in respect of a period of more or less than twelve months then the amount of all items shall be adjusted proportionately to an annual equivalent where appropriate; and
- (d) a 'regulated entity' means a bank or insurance company which is authorised by the Financial Services Authority ("FSA") or supervised by any other regulatory authority of a member state of the Organisation for Economic Cooperation and Development in which the entity is incorporated.

1.3 In the case of:

- (a) a company applying for entry in the register of underwriting agents and approved run-off companies as an underwriting agent;
- (b) an underwriting agent applying to be registered in another capacity; or
- (c) an underwriting agent applying to manage an additional syndicate,

the provisions of paragraphs 3.1 ('minimum net assets requirement') and 4.1 ('net current assets margin') of these Requirements may be met, in so far as they require the production of accounts or information concerning the capacity of a previous year of account, by the production of:

- (i) a draft balance sheet and profit and loss account containing estimated figures;

- (ii) where applicable, estimated figures for proposed capacity; and
- (iii) such other information as the Franchise Board may from time to time determine.

2 Minimum Fixed Capital Requirement

The requirement

- 2.1 Subject to section 5 below, every underwriting agent shall at all times possess and maintain qualifying capital of not less than £400,000.

Definitions

- 2.2 An underwriting agent's qualifying capital shall be calculated by deducting the sum of any deductible liabilities from the sum of its allowable capital.
- 2.3 For the purpose of these Requirements:
- (a) the following are 'allowable capital':
 - (i) total paid up capital;
 - (ii) subordinated loans made to the underwriting agent approved by or under the authority of the Franchise Board; and
 - (iii) loan stock approved by or under the authority of the Franchise Board;
 - (b) 'deductible liabilities' comprise any part of the paid up share capital which consists of redeemable shares, save to the extent that any such redeemable shares have been approved by or under the authority of the Franchise Board for inclusion in paid up share capital for the purposes of these Requirements; and
 - (c) 'total paid up capital' means the amount represented by items K(I) and K (II) in balance sheet format 1 of Schedule 4 to the Companies Act 1985.
- 2.4 The amount of each item referred to in this section of these Requirements shall be that shown in the underwriting agent's relevant accounts.

3 Minimum Net Asset Requirement

The requirement

- 3.1 In addition to satisfying the requirements of section 2 above ('minimum fixed capital requirement') every underwriting agent shall at all times possess and maintain adjusted net assets of an amount equal to or greater than its minimum net assets level.

Definitions

3.2 For the purposes of these Requirements:

- (a) 'adjusted net assets' shall be calculated by deducting from the underwriting agent's net assets any disallowed net assets after taking into account any necessary adjustment in respect of any relevant listed investments;
- (b) 'net assets' means a sum equivalent in amount to the capital and reserves of the underwriting agent plus loans to the underwriting agent which are subordinated loans;
- (c) 'capital and reserves' means the amount represented by item K in balance sheet format 1 to the Companies Act 1985;
- (d) 'disallowed net assets' comprise the following asset types (any asset which falls within more than one category shall be discounted once only, in the category which gives rise to the greatest deduction):
 - (i) subordinated loans made by the underwriting agent;
 - (ii) the amount of any investment in the shares of an underwriting agent unless such shares are listed on a recognised stock exchange and do not exceed 5% of the issued share capital of their class;
 - (iii) the amount of any investment in the shares of a Lloyd's broker unless such shares are listed on a recognised stock exchange and do not exceed 5% of the issued share capital of their class;
 - (iv) assets deposited by the underwriting agent as security in respect of underwriting commitments of members of Lloyd's;
 - (v) the amount of any qualifying guarantee given by the underwriting agent (as guarantor to another group company which is an underwriting agent) in support of the other agent's net current assets margin or minimum net assets requirement;
 - (vi) the amount of any guarantee, other than a qualifying guarantee, given by the underwriting agent;
 - (vii) one hundred percent of any debt which is due from any entity which is a member of the same group as the underwriting agent where:
 - (a) the debt has been unpaid for more than seven days after the due repayment date; and for debts repayable on demand, amounts which remain unpaid after seven days of any call for its repayment; or
 - (b) the debt is not incurred and settled in the normal course of business of an underwriting agent. Debts arising as a result of a centralised treasury function would be deemed to be in the normal course of business; or

- (c) the part of a debt which is greater than the borrower's unencumbered net current assets, excluding any intra-group debt; or
 - (d) the Franchise Board considers such a deduction to be appropriate.
- (viii) one hundred percent of an investment in a corporate member which underwrites on one or more syndicates managed by the underwriting agent;
 - (ix) the amount of any interim profits that have not been independently verified by a firm of auditors in a form agreed by the Franchise Board;
 - (x) one hundred percent of the amount of an intangible asset;
 - (xi) fifty percent of the amount of an unlisted investment;
 - (xii) thirty three percent of the amount of an asset over which there is a fixed charge; and
 - (xiii) the amount, if any, of the total of all net liabilities from the latest audited accounts of those subsidiaries which show a net liability.
- (e) 'relevant listed investments' are those listed investments which have been taken into account in arriving at net assets (liabilities), such investments being valued at market value less a provision for taxation on any unrealised chargeable gain and the resulting figure then being reduced by 25%; and
 - (f) 'interim profits' means those profits arising since the last balance sheet date for which audited financial statements have been produced to the extent that those profits exceed any dividends paid from those profits since the last balance sheet date and not accrued at the last balance sheet date. No adjustment is required where current dividends exceed interim profits or for any interim losses.

3.3 An underwriting agent's minimum net assets level shall be the higher of:

- (a) its minimum qualifying capital; and
- (b) its derived net assets level.

3.4 An underwriting agent's derived net assets level shall be calculated in accordance with the following formulae:

- (a) in the case of a managing agent:

$$\frac{3.00}{1000} \quad \times \quad \frac{ASAC}{1.00}$$

- (b) in the case of a members' agent:

$$\frac{3.00}{1000} \quad \times \quad \frac{\text{AOPL}}{1.00}$$

- (c) in the case of an underwriting agent which acts as both a managing agent and a members' agent:

$$\frac{3.00}{1000} \quad \times \quad \frac{\text{ASAC} + \text{AOPL}}{1.00}$$

where ASAC is the aggregate syndicate allocated capacity of the managing agent, and AOPL is the aggregate overall premium limit of the members' agent. Provided that no underwriting agent shall be required to possess or maintain a derived net assets level in excess of £2 million.

3.5 For the purposes of these Requirements:

- (a) 'aggregate syndicate allocated capacity' means the sum of the relevant syndicate allocated capacity of each syndicate managed by the underwriting agent;
- (b) 'relevant syndicate allocated capacity' means the syndicate allocated capacity of a syndicate managed by the underwriting agent in the reference year of account;
- (c) 'reference year of account' means:
- (i) the year of account which commenced during the period expiring at the underwriting agent's latest accounting year end; or
 - (ii) in relation to a run-off account, the latest open year;
- (d) 'aggregate overall premium limit' means the sum of the allocated relevant overall premium limits of all the underwriting members for whom the members' agent acts;
- (e) 'allocated relevant overall premium limit' means that part of the relevant overall premium limit of an underwriting member for whom the underwriting agent acts which is set out in the syndicate list agreed between them;
- (f) 'relevant overall premium limit' means the overall premium limit of an underwriting member for whom the underwriting agent acts in respect of the year of account which commenced during the period expiring at the underwriting agent's latest accounting year end;
- (g) 'overall premium limit' has the meaning given in the Membership Byelaw (No. 17 of 1993); and
- (h) 'syndicate list' has the meaning given in the Agency Agreements Byelaw (No. 8 of 1988).

- 3.6 Save where the context otherwise requires, the amount of each item referred to in this section of these Requirements shall be the amount of the item shown in the balance sheet or profit and loss account in the underwriting agent's relevant accounts.

Guarantees to Support Net Adjusted Assets

- 3.7 An underwriting agent which fails to meet the requirements of paragraph 3.1 above may nonetheless be deemed to have met those requirements to the extent that the amount by which its net adjusted assets fall short of its minimum net assets level is the subject of a qualifying guarantee for not less than the amount of such shortfall.
- 3.8 A 'qualifying guarantee' is an instrument which meets the following requirements:
- (a) it is in favour of the Society; and
 - (b) it is given by a regulated entity.

4 Net Current Assets Margin

The requirement

- 4.1 In addition to satisfying the requirements of section 2 ('minimum fixed capital requirement') and section 3 ('minimum net asset requirement') above, every underwriting agent shall at all times possess and maintain a positive net current assets margin.

Definitions

- 4.2 For the purpose of these Requirements:
- (a) an underwriting agent's 'net current assets margin' shall be calculated by deducting one quarter of the underwriting agent's annual relevant recurring expenditure from its adjusted net current assets;
 - (b) 'adjusted net current assets' shall be calculated by deducting from the underwriting agent's net current assets (liabilities) any disallowed net current assets after taking into account any necessary adjustment in respect of any relevant listed investments;
 - (c) 'net current assets (liabilities)' means the amount so described in the balance sheet in the underwriting agent's relevant accounts (being the amount represented by item F in balance sheet format 1 of Schedule 4 to the Companies Act 1985);
 - (d) 'disallowed net current assets' comprise the following asset types (any asset that falls within more than one category shall be discounted once only, in the category which gives rise to the greatest deduction):
 - (i) assets deposited as security in respect of underwriting commitments of members of Lloyd's included in net current assets (liabilities);

- (ii) debtors included in net current assets (liabilities) falling due after more than twelve months (to the extent that they are not included in (i) above);
- (iii) one hundred percent of any debt included in net current assets which is due from any entity which is a member of the same group as the underwriting agent where:
 - (1) the debt has a repayment date of more than 90 days. For debts repayable on demand, the repayment date is deemed to be less than 90 days; or
 - (2) the debt has been unpaid for more than seven days after the due repayment date; and for debts repayable on demand, amounts which remain unpaid after seven days of any call for its repayment; or
 - (3) the debt is not incurred and settled in the normal course of business of an underwriting agent. Debts arising as a result of a centralised treasury function would be deemed to be in the normal course of business; or
 - (4) the part of a debt which is greater than the borrower's unencumbered net current assets, excluding any intra-group debt; or
 - (5) the Franchise Board considers such a deduction to be appropriate.
- (iv) one hundred percent of an investment included in net current assets in a corporate member which underwrites on one or more syndicates managed by the underwriting agent;
- (v) one hundred percent of the amount of any intangible asset which is included in net current assets;
- (vi) fifty percent of the amount of an unlisted investment which is included in net current assets;
- (vii) thirty three percent of the amount of an asset which is included in net current assets and over which there is a fixed charge; and
- (viii) accruals and deferred income falling due within twelve months but not taken into account in arriving at net current assets (liabilities).
- (e) 'relevant listed investments' are those listed investments which have been taken into account in arriving at net current assets (liabilities) such investments being valued at market value less a provision for taxation on any unrealised chargeable gain and the resulting figure then being reduced by 25%.
- (f) 'relevant recurring expenditure' shall be calculated by deducting from the underwriting agent's expenditure any disallowed expenses where -
 - (i) 'expenditure' means the aggregate of all expenses shown in the profit and loss account of the underwriting agent's relevant accounts (which for the avoidance of doubt shall include tax where it is a charge only, but exclude dividends); and

(ii) 'disallowed expenses' comprises the following items:

- (1) depreciation and written off goodwill;
- (2) profit commission related expenses;
- (3) syndicate expenses retained in return for a fee charged to members (up to the amount of the fee charged); and
- (4) non-recurring items.

(iii) For any period less than a year, an annualised expenditure figure must be used.

4.3 Save where the context otherwise requires the amount of each item referred to in this section of these Requirements shall be the amount of the item shown in the underwriting agent's relevant accounts.

Guarantees to Support Net Current Assets Margins

4.4 An underwriting agent which fails to meet the requirements of paragraph 4.1 above may nonetheless be deemed to have met those requirements to the extent that the amount of any shortfall between its adjusted net current assets and one quarter of its annual recurring expenditure is the subject of a qualifying guarantee for not less than the amount of such shortfall.

4.5 A 'qualifying guarantee' is an instrument which meets the following requirements:

- (a) it is in favour of the Society; and
- (b) it is given by a regulated entity.

5 Other Provisions

5.1 The Franchise Board may, upon application by an underwriting agent and subject to the prior written approval of the FSA, modify as it thinks fit the provisions of sections 2, 3 and 4 in respect of that underwriting agent by:

- a) extending the period for compliance by that agent with any of those provisions (and permitting different periods in respect of different requirements);
- b) imposing lesser requirements as to the maintenance of qualifying capital, adjusted net assets or net current assets margin.

5.2 The Franchise Board may, upon application by a dormant agent and subject to the prior written approval of the FSA, modify as it thinks fit the provisions of paragraphs 2, 3 and 4 in respect of that dormant agent by:

- a) waiving any of those provisions; or

- b) imposing lesser requirements as to the maintenance of qualifying capital, adjusted net assets or net current assets margin.

Definitions

5.3 A 'dormant agent' means:

- a) a managing agent which no longer manages any syndicates with open years of account whether by reason of a substitute agent appointment or otherwise; or
- b) a members' agent which, by reason of novation of a members' agent's agreement or a substitute agent appointment, no longer acts as such for any members;

5.4 An 'open year of account' shall have the meaning given to it in paragraph 2 of Schedule 1 of the Syndicate Accounting Byelaw (No. 18 of 1994).

6. Reporting

The requirements

6.1 Each underwriting agent must submit to the Market Reporting Department within five months of its accounting reference date (or such other period as the Franchise Board may from time to time prescribe) an Annual Financial Return (Form AF1) in the attached form together with a copy of its audited accounts for that accounting period. Those accounts must include a detailed profit and loss account which discloses the agent's profit commission related expenses. In addition, each underwriting agent must submit to the Members Services Unit an electronic copy of its form AF1 without attachments within five months of its accounting reference date.

6.2 Where an underwriting agent is a subsidiary of another company, it must submit to the Market Reporting Department audited consolidated accounts for its ultimate holding company within six months of the holding company's accounting reference date (or such other period as the Franchise Board may from time to time prescribe).

6.3 Each underwriting agent must submit within one calendar month of its accounting reference date and each subsequent quarter-end a Quarterly Financial Return (Form QFI) in the attached form together with a copy of its balance sheet as at that date and a detailed profit and loss account for the twelve months ended at that date. The detailed profit and loss account must disclose the agent's profit commission related expenses.

Definitions

6.4 'Profit commission related expenses' means those expenses which would not have been incurred had no profit commission been received.

7 Additional requirements and guidance

The calculation of expenditure

- 7.1 In normal circumstances a 12 month rolling up to the date figure should be used to calculate an agent's expenditure for the purpose of determining its net current asset margin. However, the current year budgeted figure may be more appropriate where a significant increase in expenditure is expected.

Qualifying guarantees

- 7.2 A standard form of wording for a qualifying guarantee is available from the Market Reporting Department on request.

Intra-group debtors

- 7.3 All amounts due from a company (or companies) in the same group as the agent must have a due date for repayment or be repayable on demand. Any intra-group debt which does not meet this criterion is 100% disallowable.
- 7.4 Any steps taken to alter the ageing of intra-group debt is strictly prohibited. This includes the deliberate revision / extension of repayment dates or the cancellation and replacement of intra-group debts.
- 7.5 The Franchise Board may disallow a debt due from a company in the same group as the agent at its discretion. For example, it may do so if it is of the view that there is no realistic prospect of the outstanding amount being repaid or if it considers that an agent is not properly applying the Requirements.
- 7.6 Underwriting agents are required to have available for review, at each quarter end, reconciliations and supporting documentation for all intra-group balances.

Interim profits

- 7.7 'Interim profits' means those profits arising since the last balance sheet date for which audited financial statements have been produced to the extent that those profits exceed any dividends paid from those profits since the last balance sheet date and are not accrued at the last balance sheet date. No adjustment is required where current dividends exceed interim profit or for any interim losses.
- 7.8 Interim profits shall not be eligible for inclusion in the minimum net asset requirement calculation unless they have first been verified as being "fairly stated" by an external auditor. In order to provide such verification the external auditor should normally as a minimum:
- (a) satisfy himself that the figures forming the basis of the interim profits have been properly extracted from the underlying accounting records;
 - (b) review the accounting policies used in calculating the interim profits so as to obtain comfort that they are consistent with those normally adopted by the underwriting agent in drawing up its annual financial statements;

- (c) perform analytical procedures on the result to date, including comparisons of actual performance to date with budget and with the results of prior period(s);
- (d) discuss with management the overall performance and financial position of the underwriting agent;
- (e) obtain adequate comfort that the implications of current and prospective litigation, all known claims and commitments, changes in business activities and provisioning for bad and doubtful debts have been properly taken into account in the calculation of the interim profits; and
- (f) review any problem areas of which the auditor is already aware as a result of auditing the underwriting agent's financial statements.

7.9 Before an underwriting agent may include interim profits for the purpose of its minimum net asset requirement calculation, the agent must submit to the Market Reporting Department a verification report signed by its external auditor which states whether the interim its scope than a full audit, and his report may take the form of a 'negative assurance' that nothing came to his attention which causes him to believe that the interim profits are not fairly stated. However the Franchise Board reserves the right to require a full audit and a 'positive assurance' in the auditor's verification report where it has significant prudential concerns (e.g. about a firm's capital adequacy or about its internal controls).

7.10 A standard form of negative assurance is available from the Market Reporting Department on request.

8 Revocation

8.1 The Capital & Solvency Requirements 2001 are hereby revoked.

9 Commencement

9.1 These Requirements shall come into force on 1 July 2003.

Annual Financial Return (AF1)

Underwriting Byelaw (No 2 of 2003)

Underwriting Agent

Accounting Reference Date

Return Status

Validated

Signed Off By

Approval Date

Submission Date

Capacity

Premium Limit

- (a) Audited accounts for the agent
- (b) Detailed profit and loss account
- (c) A forecast profit and loss account for the current financial year
- (d) A forecast balance sheet prepared as at the end of the current financial year
- (e) Service company accounts

NB: THIS RETURN APPLIES IN RESPECT OF ACCOUNTING PERIODS ENDING ON OR AFTER 30 JUNE 2003

Annual Financial Return (AF1)

PROFIT AND LOSS ACCOUNT

TURNOVER		0
Operating expenses	0	
OPERATING PROFIT		0
Interest receivable and similar income	0	
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		0
Taxation on profit on ordinary activities	0	
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		0
Dividends paid and proposed	0	
RETAINED PROFIT/(LOSS)		0
Annualised expenditure	0	

Annual Financial Return (AF1)

BALANCE SHEET

FIXED ASSETS

Intangible fixed assets	0	
Tangible assets	0	
Investments	0	
		0

CURRENT ASSETS

Debtors	0	
Prepayments and accrued income	0	
Investments	0	
Cash at bank and in hand	0	
		0

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR 0

NET CURRENT ASSETS 0

TOTAL ASSETS LESS CURRENT LIABILITIES 0

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR 0

NET ASSETS 0

CAPITAL AND RESERVES

Called up share capital 0

Underwriting Agent
Accounting Reference Date

LLOYD'S

One Lime Street London EC3M 7HA

Share premium	0	
Profit and loss account	0	
Other reserves	0	
TOTAL SHAREHOLDERS' FUNDS		0

Annual Financial Return (AF1)

BREAKDOWN SHEET TO THE FINANCIAL STATEMENT

TURNOVER BREAKDOWN

Lloyd's underwriting agency fees	0
Lloyd's underwriting profit commission	0

OTHER DEBTORS

Amounts due within one year

Profit commission due from managed syndicates 0

Amounts owed by subsidiary undertakings 0

Comments:

Amounts owed by parent company 0

Comments:

Amounts owed by associated undertakings 0

Comments:

Amounts owed by managed syndicates 0

Advance corporation taxation 0

Other debtors 0

Amounts due after one year

Amounts owed by subsidiary undertakings 0

Comments:

Underwriting Agent

Accounting Reference Date

Amounts owed by parent company	0	
Comments:		
Amounts owed by associated undertakings	0	
Comments:		
Other debtors	0	
		0
		0

CREDITORS: Amounts falling due within one year

Other creditors

Bank loans and overdrafts	0	
Amounts owed to subsidiary undertakings	0	
Amounts owed to parent company	0	
Amounts owed to associated undertakings	0	
Finance leases	0	
Amounts owed to managed syndicates	0	
UK corporation tax	0	
Taxation and social security	0	
Other creditors	0	
Deferred income	0	
Provision for liabilities and charges	0	
		0

CREDITORS: Amounts falling due after more than one year

Subordinated loans	0	
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Underwriting Agent

Accounting Reference date

Other loans from group companies	0	
Other creditors	0	
Deferred income	0	
Provision for liabilities and charges	0	
		0

Underwriting Agent

Accounting Reference Date

Annual Financial Return (AF1)

PART I - MINIMUM FIXED CAPITAL

(i) Total paid up share capital	0	
(ii) Subordinated loan	0	
(iii) Loan stock approved by the Franchise Board	0	
		0
Less		
(iv) Any part of paid up share capital which consists of redeemable shares, except those which have been approved by the Franchise Board for inclusion in paid up share capital	0	
Qualifying capital		0
Requirement		400,000
Surplus / (shortfall)		0

Annual Financial Return (AF1)

PART II - NET CURRENT ASSETS MARGIN

Net current assets / (liabilities) 0

Less

- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| (i) Assets deposited as security in respect of underwriting commitments of members of Lloyd's included in net current assets/(liabilities) | 0 |
| (ii) Debtors included in net current assets/(liabilities) falling due after more than 12 months (to the extent that they are not included in (i) above) | 0 |
| (iii) One hundred percent of a debt included in net current assets which is due from a company in the same group as the agent where either: | 0 |
| (a) the debt has a repayment date of more than 90 days. (For debts repayable on demand, the repayment date is deemed to be less than 90 days); or | 0 |
| (b) the debt has been unpaid for more than seven days after the due repayment date; and for debts repayable on demand, amounts which remain unpaid after seven days of any call for their repayment; or | 0 |
| (c) the debt is not incurred and settled in the normal course of business of an underwriting agent. (Debts arising as a result of a centralised treasury function are deemed to be in the normal course of business); or | 0 |
| (d) the part of a debt which is greater than the borrower's unencumbered net current assets, excluding any intra-group debt; or | 0 |
| (e) the Franchise Board considers such a deduction to be appropriate. | 0 |

Underwriting Agent

Accounting Reference Date

(iv)	One hundred percent of an investment included in net current assets in a corporate member which underwrites on one or more syndicates managed by the agent	0
(v)	One hundred percent of the amount of any intangible asset which is included in net current assets	0
(vi)	Fifty percent of the amount of an unlisted investment which is included in net current assets	0
(vii)	Thirty three percent of the amount of an asset which is included in net current assets over which there is a fixed charge	0
(viii)	Accruals and deferred income falling due within 12 months not taken into account in arriving at net current assets/(liabilities)	0

0

0

Plus / minus

(ix)	In respect of each and every listed investment included in net current assets, add or subtract the amount required to:	
(a)	bring the valuation into line with the investment's market value, less any provision for taxation on any unrealised chargeable gain; and then	0
(b)	enter 25% of the market value less any provision for deferred taxation	0

0

0

Net current assets / (liabilities), as adjusted:

Less

Expenditure:	0	
(i) Depreciation	0	
(ii) Profit commission related expenses	0	
Comments:		
(iii) Syndicate expenses retained in return for a fee charged to members (up to the amount of the fee charged)	0	
(iv) Non-recurring items	0	
Comments:		
Relevant recurring expenditure	0	
	x25%	0
Surplus / (shortfall)		0
Qualifying guarantee		0

Underwriting Agent

Accounting Reference Date

Annual Financial Return (AF1)

PART III - MINIMUM NET ASSETS REQUIREMENT

Net assets / (liabilities)	0
Less	
(i) Loans made by the underwriting agent which are subordinated loans	0
(ii) An amount to reduce to nil any investment in shares of a Lloyd's underwriting agent	0
(iii) An amount to reduce to nil any investment in shares of a Lloyd's broker	0
(iv) Assets deposited by the underwriting agent as security in respect of underwriting commitments of members of Lloyd's included in net assets	0
(v) Qualifying guarantees given by the underwriting agent (as guarantor to another group company which is an underwriting agent) in support of the other agent's net current assets margin or minimum net assets	0
(vi) Any guarantee given by the underwriting agent other than a qualifying guarantee	0
(vii) One hundred percent of a debt due from an entity in the same group as the agent where:	0
(a) the debt has been unpaid for more than seven days after the due repayment date; and for debts repayable on demand, amounts which remain unpaid after seven days of any call for their repayment; or	0
(b) the debt is not incurred and settled in the normal course of business of an underwriting agent. (Debts arising as a result of a centralised treasury function are deemed to be in the normal course of business); or	0

Underwriting Agent

Accounting Reference Date

(c) the part of a debt which is greater than the borrower's unencumbered net current assets, excluding any intra-group debt; or	0	
(d) the Franchise Board considers such a deduction to be appropriate	0	
(viii) One hundred percent of an investment in a corporate member which underwrites on one or more syndicates managed by the agent	0	
(ix) The amount of any interim profits that have not been independently verified by a firm of auditors	0	
(x) One hundred percent of the amount of an intangible asset	0	
(xi) Fifty percent of the amount of an unlisted investment	0	
(xii) Thirty three percent of the amount of an asset over which there is a fixed charge	0	
(xiii) The amount, if any, of the total of all net liabilities from the latest audited accounts of those subsidiaries which show a net liability	0	0

0

Plus / minus

(xiv) In respect of each and every listed investment, add or subtract the amount required to:		
(a) bring the valuation into line with the investment's market value, less any provision for taxation on any unrealised chargeable gain; and then	0	
(b) enter 25% of the market value less any provision for deferred taxation	0	0

0

Net assets, as adjusted

Underwriting Agent

Accounting Reference Date

Less the higher of:

(a) minimum qualifying capital; and	400,000
(b) derived net assets	0

Surplus / (shortfall) 0

Qualifying guarantee to support net adjusted assets 0

Underwriting Agent

Accounting Reference Date

LLOYD'S

One Lime Street London EC3M 7HA

Annual Financial Return (AF1)

PART IV - ADDITIONAL INFORMATION

- | | | |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| (i) | Indemnities given by the agent and the guarantors to the nominee company, its directors, its secretary and the Society against all claims arising from the management of the Deposit Trust Deeds and the Security Trust Deeds | 0 |
| (ii) | Charges on the underwriting agent's assets (please quantify where possible and provide details of type of charge, the identity of the party the charge was given to, and the reasons for it) | |
| (iii) | Other contingent liabilities (please quantify so far as possible, and provide a description) | |

Annual Financial Return (AF1)

PART V - DIRECTORS' DECLARATION

To the Franchise Board

I hereby declare that in respect of the Statement of Financial Position as at

- (a) the Statement has been completed in accordance with the Capital and Solvency Requirements 2003;
- (b) no change has occurred since the date to which the Statement has been produced which would cause a surplus shown in the Statement to be materially reduced (or converted to a shortfall), or shortfall shown to be materially increased;
- (c) adequate funds and facilities exist to enable the agent to carry on business as a going concern for a period of not less than 12 months from the date of this declaration;
- (d) the agent has complied with paragraph 48 of the Underwriting Byelaw (No 2 of 2003) throughout the period covered by the Statement; and
- (e) the agent has complied with the Capital and Solvency Requirements 2003 throughout the period covered by this Statement

Signature

Director

Date

Underwriting Agent

Accounting Reference Date

Annual Financial Return (AF1)

PART VI – AUDITORS’ REPORT

To the Franchise Board

Agent:

We have examined the Statement of Financial Position set out on pages 2 to 15 and the Directors' Declaration set out on page 16 in respect of the above-named agent as at

In our opinion:

- (i) the Statement has been properly prepared in accordance with the Capital and Solvency Requirements 2003; and
- (ii) it was reasonable for the director to make the statements contained in the report set out on page 16.

Signature

Name of firm (Capitals)

Date

Quarterly Financial Return (QF1)

Underwriting Byelaw (No 2 of 2003)

Underwriting Agent

Quarter End

Return Status

Validated

Signed Off By

Approval Date

Submission Date

Capacity

Premium Limit

NB: THIS RETURN APPLIES IN RESPECT OF ACCOUNTING PERIODS ENDING ON OR AFTER 30 JUNE 2003

Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Quarterly Financial Return (QF1)

PROFIT AND LOSS ACCOUNT

TURNOVER		0
Operating expenses	0	
OPERATING PROFIT		0
Interest receivable and similar income	0	
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		0
Taxation on profit on ordinary activities	0	
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		0
Dividends paid and proposed	0	
RETAINED PROFIT/(LOSS)		0
Annualised expenditure	0	

Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Quarterly Financial Return (QF1)

BALANCE SHEET

FIXED ASSETS

Intangible fixed assets	0	
Tangible assets	0	
Investments	0	
		0

CURRENT ASSETS

Debtors	0	
Prepayments and accrued income	0	
Investments	0	
Cash at bank and in hand	0	
		0

CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR		0
-------------------------------------------------------	--	---

NET CURRENT ASSETS		0
---------------------------	--	---

TOTAL ASSETS LESS CURRENT LIABILITIES		0
----------------------------------------------	--	---

CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR		0
----------------------------------------------------------------	--	---

NET ASSETS		0
-------------------	--	---

CAPITAL AND RESERVES

Called up share capital	0	
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Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Share premium	0	
Profit and loss account	0	
Other reserves	0	0
TOTAL SHAREHOLDERS' FUNDS		

Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Quarterly Financial Return (QF1)

BREAKDOWN SHEET TO THE FINANCIAL STATEMENT

TURNOVER BREAKDOWN

Lloyd's underwriting agency fees	0	
Lloyd's underwriting profit commission	0	
		0

OTHER DEBTORS

Amounts due within one year

Profit commission due from managed syndicates	0	
Amounts owed by subsidiary undertakings	0	
Comments:		
Amounts owed by parent company	0	
Comments:		
Amounts owed by associated undertakings	0	
Comments:		
Amounts owed by managed syndicates	0	
Advance corporation taxation	0	
Other debtors	0	
		0

Amounts due after one year

Amounts owed by subsidiary undertakings	0	
Comments:		

Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Amounts owed by parent company	0	
Comments:		
Amounts owed by associated undertakings	0	
Comments:		
Other debtors	0	
		0
		0

CREDITORS: Amounts falling due within one year

Other creditors

Bank loans and overdrafts	0	
Amounts owed to subsidiary undertakings	0	
Amounts owed to parent company	0	
Amounts owed to associated undertakings	0	
Finance leases	0	
Amounts owed to managed syndicates	0	
UK corporation tax	0	
Taxation and social security	0	
Other creditors	0	
Deferred income	0	
Provision for liabilities and charges	0	
		0

CREDITORS: Amounts falling due after more than one year

Subordinated loans	0	
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Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Other loans from group companies	0	
Other creditors	0	
Deferred income	0	
Provision for liabilities and charges	0	0

Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Quarterly Financial Return (QF1)

PART I - MINIMUM FIXED CAPITAL

(i) Total paid up share capital	0	
(ii) Subordinated loan	0	
(iii) Loan stock approved by the Franchise Board	0	0
Less		
(iv) Any part of paid up share capital which consists of redeemable shares, except those which have been approved by the Franchise Board for inclusion in paid up share capital	0	
Qualifying capital		0
Requirement		400,000
Surplus / (shortfall)		0

Quarterly Financial Return (QF1)**PART II - NET CURRENT ASSETS MARGIN**

Net current assets / (liabilities)	0
Less	
(i) Assets deposited as security in respect of underwriting commitments of members of Lloyd's included in net current assets/(liabilities)	0
(ii) Debtors included in net current assets/(liabilities) falling due after more than 12 months (to the extent that they are not included in (i) above)	0
(iii) One hundred percent of a debt included in net current assets which is due from a company in the same group as the agent where either:	
(a) the debt has a repayment date of more than 90 days. (For debts repayable on demand, the repayment date is deemed to be less than 90 days); or	0
(b) the debt has been unpaid for more than seven days after the due repayment date; and for debts repayable on demand, amounts which remain unpaid after seven days of any call for their repayment; or	0
(c) the debt is not incurred and settled in the normal course of business of an underwriting agent. (Debts arising as a result of a centralised treasury function are deemed to be in the normal course of business); or	0
(d) the part of a debt which is greater than the borrower's unencumbered net current assets, excluding any intra-group debt; or	0
(e) the Franchise Board considers such a deduction to be appropriate	0

(iv) One hundred percent of an investment included in net current assets in a corporate member which underwrites on one or more syndicates managed by the agent	0	
(v) One hundred percent of the amount of any intangible asset which is included in net current assets	0	
(vi) Fifty percent of the amount of an unlisted investment which is included in net current assets	0	
(vii) Thirty three percent of the amount of an asset which is included in net current assets over which there is a fixed charge	0	
(viii) Accruals and deferred income falling due within 12 months not taken into account in arriving at net current assets/(liabilities)	0	
		0
		0
Plus / minus		
(ix) In respect of each and every listed investment included in net current assets, add or subtract the amount required to:		
(a) bring the valuation into line with the investment's market value, less any provision for taxation on any unrealised chargeable gain; and then	0	
(b) enter 25% of the market value less any provision for deferred taxation	0	
		0
Net current assets / (liabilities), as adjusted:		0

Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Less

Expenditure:	0	
(i) Depreciation	0	
(ii) Profit commission related expenses	0	
Comments:		
(iii) Syndicate expenses retained in return for a fee charged to members (up to the amount of the fee charged)	0	
(iv) Non-recurring items	0	
Comments:		
Relevant recurring expenditure	0	
	x25%	0
Surplus / (shortfall)		0
Qualifying guarantee		0

Quarterly Financial Return (QF1)**PART III - MINIMUM NET ASSETS REQUIREMENT**

Net assets / (liabilities)	0
Less	
(i) Loans made by the underwriting agent which are subordinated loans	0
(ii) An amount to reduce to nil any investment in shares of a Lloyd's underwriting agent	0
(iii) An amount to reduce to nil any investment in shares of a Lloyd's broker	0
(iv) Assets deposited by the underwriting agent as security in respect of underwriting commitments of members of Lloyd's included in net assets	0
(v) Qualifying guarantees given by the underwriting agent (as guarantor to another group company which is an underwriting agent) in support of the other agent's net current assets margin or minimum net assets	0
(vi) Any guarantee given by the underwriting agent other than a qualifying guarantee	0
(vii) One hundred percent of a debt due from an entity in the same group as the agent where:	
(a) the debt has been unpaid for more than seven days after the due repayment date; and for debts repayable on demand, amounts which remain unpaid after seven days of any call for their repayment; or	0
(b) the debt is not incurred and settled in the normal course of business of an underwriting agent. (Debts arising as a result of a centralised treasury function are deemed to be in the normal course of business); or	0

(c) the part of a debt which is greater than the borrower's unencumbered net current assets, excluding any intra-group debt; or	0	
(d) the Franchise Board considers such a deduction to be appropriate	0	
(viii) One hundred percent of an investment in a corporate member which underwrites on one or more syndicates managed by the agent	0	
(ix) The amount of any interim profits that have not been independently verified by a firm of auditors	0	
(x) One hundred percent of the amount of an intangible asset	0	
(xi) Fifty percent of the amount of an unlisted investment	0	
(xii) Thirty three percent of the amount of an asset over which there is a fixed charge	0	
(xiii) The amount, if any, of the total of all net liabilities from the latest audited accounts of those subsidiaries which show a net liability	0	
		0
		0

Plus / minus

(xiv) In respect of each and every listed investment, add or subtract the amount required to:		
(a) bring the valuation into line with the investment's market value, less any provision for taxation on any unrealised chargeable gain; and then	0	
(b) enter 25% of the market value less any provision for deferred taxation	0	
		0

Net assets, as adjusted

Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Less the higher of:

(a) minimum qualifying capital; and	400,000
(b) derived net assets	0

Surplus / (shortfall)	0
Qualifying guarantee to support net adjusted assets	0

Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Quarterly Financial Return (QF1)

PART IV - ADDITIONAL INFORMATION

- | | | |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|
| (i) | Indemnities given by the agent and the guarantors to the nominee company, its directors, its secretary and the Society against all claims arising from the management of the Deposit Trust Deeds and the Security Trust Deeds | 0 |
| (ii) | Charges on the underwriting agent's assets (please quantify where possible and provide details of type of charge, the identity of the party the charge was given to, and the reasons for it) | |
| (iii) | Other contingent liabilities (please quantify so far as possible and provide a description) | |

Underwriting Agent

Quarter End

LLOYD'S

One Lime Street London EC3M 7HA

Quarterly Financial Return (QF1)

PART V - DIRECTORS' DECLARATION

To the Franchise Board

I hereby declare that in respect of the Statement of Financial Position as at

- (a) the Statement has been completed in accordance with the Capital and Solvency Requirements 2003;
- (b) no change has occurred since the date to which the Statement has been produced which would cause a surplus shown in the Statement to be materially reduced (or converted to a shortfall), or shortfall shown to be materially increased;
- (c) adequate funds and facilities exist to enable the agent to carry on business as a going concern for a period of not less than 12 months from the date of this declaration;
- (d) the agent has complied with paragraph 48 of the Underwriting Byelaw (No 2 of 2003) throughout the period covered by the Statement; and
- (e) the agent has complied with the Capital and Solvency Requirements 2003 throughout the period covered by this Statement.

Signature

Director

Date