

Market Bulletin

LLOYD'S

One Lime Street London EC3M 7HA

FROM: Head of Admissions & Coverholders
LOCATION: 86/G5
EXTENSION: 5743
DATE: 8 September 2003
REFERENCE: Y3140
SUBJECT: Reduced reporting requirements for non-active corporate members.
SUBJECT AREA: Corporate members.
ATTACHMENTS: Yes
ACTION POINTS: Members' Agents and direct Corporate members to review applicability
DEADLINE:

This bulletin explains how certain non-active corporate members may apply to Lloyd's to reduce their annual reporting requirements.

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

Matthew Chandler
Head of Admissions and Coverholders
Risk Management

Submission of Accounts and Declarations of Compliance

The Membership Byelaw, under Paragraph 16, requires that within 6 months of the year end date all Lloyd's corporate members, must submit to Lloyd's their audited Report & Accounts ("Accounts") and Declaration of Compliance ("DoC"), irrespective of whether they are active or not. However, the Companies Act 1985 permits dormant limited liability companies to produce unaudited accounts. Lloyd's has undertaken a review of its requirements and has concluded that for certain categories of non-active corporate member its reporting requirements can be similarly reduced.

To take advantage of the reduced reporting requirements, prior approval for each corporate member ("Member") must be obtained from Lloyd's. Where approved, the revised reporting requirements will be effective from reporting deadlines falling on or after 1 January 2004.

The Members who may apply for this dispensation are:

- Non-active corporate Members incorporated in the UK (defined below); *or*
- Scottish Limited Partnerships ("SLPs") that have purchased an Exeat policy from Centrewrite; *or*
- Members benefiting from a New Central Fund Undertaking with Lloyd's.

Non-active members

For the purposes of these reporting arrangements only, a non-active Limited Liability Member is one that:

- 1) has ceased to underwrite business at Lloyd's and has all underwriting years of account closed; *and*
- 2) has had its Funds at Lloyd's released (except for any retention for potential future tax liabilities); *and*
- 3) is exempt from the requirement to prepare audited accounts pursuant to the Companies Act.

Where a non-active Member satisfies all the above criteria and where approved by Lloyd's, it is sufficient for such Members to submit the following:

- *with the application:*

- 1) Satisfactory evidence that the Member is exempt from the requirement to prepare audited accounts;

- *and on an annual basis:*

- 2) A copy of the unaudited accounts, and/or such reporting as required by the relevant section(s) of Companies Act 1985, and filed with Companies House; *and*
- 3) A completed and signed DoC *or*, a copy of the most recently submitted DoC with a covering letter confirming there have been no changes; *and*
- 4) A statement signed by a director of the Member in the format attached at Appendix 1.

SLPs that have purchased an Exeat policy

Some SLPs may purchase an “Exeat” policy from Centrewrite (which provides unlimited reinsurance protection covering the SLPs current and future underwriting liabilities). The purchase of the Exeat policy permits a release of the SLPs Funds at Lloyd’s as provided by each limited partner. Lloyd's may then agree that the general partner can substitute the limited partners in each SLP with a second corporate body limited partner. The general partner must still be in place throughout.

In such circumstances these SLPs, once they obtain Lloyd’s approval, will not have to provide Accounts. It will be sufficient for the SLP to provide on an annual basis a signed DoC *or* a copy of the most recently submitted DoC with a covering letter confirming there have been no changes.

Members that benefit from a New Central Fund undertaking with Lloyd’s

Members that benefit from such an undertaking must continue to provide annual Accounts to Lloyd’s. They must also provide a signed DoC *or*, a copy of the most recently completed DoC with a covering letter confirming that there have been no changes.

Please note that Members that have failed Lloyd’s Solvency Test or believe they may become insolvent must continue to provide audited Accounts as required by Lloyd’s together with a signed DoC but should approach Lloyd’s to discuss their solvency position. The DoC may be amended to delete the statement confirming the company has sufficient working capital to continue underwriting at Lloyd’s for a further 12 months. Such amendment must be clearly highlighted in a covering letter.

Application to provide reduced level of documentation

Members qualifying in one of the above categories must apply in writing to the Admissions Department for prior approval to provide the reduced level of documentation.

Lloyd’s approval for a reduced annual reporting requirement is perpetual, but conditional on the Member undertaking to notify Lloyd’s if there is a material change in circumstances¹. If there is any doubt over what is ‘material’, the Member must advise the Admissions Department of the change(s) and receive written confirmation that they may continue to provide reduced reporting.

Approval will be given in writing and conditional on there being no significant changes in circumstances; ‘significant’ would include, but not be limited to, the Member recommencing underwriting or a material change in circumstances (se above). Lloyd’s may withdraw this dispensation at any time by giving written notice no less than two months before the Member’s reporting date. This will result in the Member being required to revert to the applicable level of reporting.

¹ ‘Material’ changes in circumstances would include re-opening of a closed underwriting year of account or changes in accounting estimates provided to the member.

Your attention is drawn to the fact that these reduced reporting requirements do not in any way permit any relaxation in the requirement not to wind up or de-register a Lloyd's Member.

If you have any queries arising out of this bulletin, please contact:

- Nigel Williamson, Admissions Department, on 0207 327 6415
(e-mail: nigel.williamson@lloyds.com)

or

- Beverly Stracey, Members Services Unit, on 01634 392824
(e-mail: beverly.stracey@lloyds.com)

Appendix 1

“We, the directors of *[insert Member name]*, do confirm that a search made on *[insert date of search]* at the Companies Registry revealed no order or resolution for the winding-up of the Member and no notice of appointment of a receiver. It should be noted that such a search is not capable of revealing whether or not a winding-up petition has been presented. Notice of a winding-up order made or resolution passed or a receiver appointed may not be filed at the Companies Registry immediately. However, the Secretary of the Member has certified to us to the effect that to his knowledge no such event had occurred at *[insert date of search]*.”

Signed: Date:
(Director, on behalf of the board of [insert Member name])

Name:
(Please print)