

FROM: Andrew Moss, Director, Finance, Risk Management & Operations
LOCATION: 86/G5
EXTENSION: 6711
DATE: 8 December 2003
REFERENCE: Y3206
SUBJECT: 2004 MARKET CHARGES
SUBJECT AREA(S):
ATTACHMENTS:
ACTION POINTS: **Market Charges will be effective from 1 January 2004**
DEADLINE: **Not applicable**

The purpose of this bulletin is to summarise Lloyd's 2004 Market Charges.

1 Premium Levy / New Central Fund Contributions / Members' subscriptions

1.1 Market Bulletin Y3134 dated 4 September 2003 set out the principal central charges for 2004 which showed a significant overall reduction from 2003 as set out below:

	2003	2004
Premium levy *	2.00%	-
New Central Fund contributions	1.00%	1.25%
Members' subscriptions	0.25%	0.50%
	<u>3.25%</u>	<u>1.75%</u>
Callable Central Fund contributions	3.00%	3.00%

* 1% for UK motor & life business in 2003

1.2 The premium levy will cease at the end of 2003 having achieved its objective of increasing central assets. The last collection will therefore be in January 2004 based on December 2003 signed premiums with the exception of motor and all other business not processed by XIS, where the last collection will be in April 2004 in

respect of 2003 signed premiums. This is due to the fact that the motor market pays the levy one quarter plus one month in arrears.

- 1.3 As in previous years, there will be a refund of premium charges after the end of the year relating to return premiums for which credit has not already been granted by set-off against subsequent premium charges. For the avoidance of doubt, such return premiums need to have been processed by XIS in 2003.
- 1.4 The first instalment (50%) of the members' subscription for 2004 is will be collected through Central Accounting on 5 January 2004. Further details are provided in MB Y3207 dated 8 December 2003.
- 1.5 The New Central Fund annual contribution, including any increased annual contribution for new corporate members underwriting in 2004 that meet the definitions set out in MB Y3134, together with any further contributions payable where syndicates have entered into qualifying quota share arrangements outside the Lloyd's market, are payable on 1 April 2004. Details regarding payment arrangements will be advised at the beginning of March 2004. A further contribution of up to 3% remains callable at the discretion of Council.

2 2004 Franchise Performance & Risk Management Charge

- 2.1 The Franchise Performance & Risk Management Charge replaces the Regulatory Levy for 2004 but is charged on a similar basis. MB Y3134 dated 4 September 2003 indicated that the total income from this charge will be approximately £12m in 2004, compared to £9m received through the Regulatory Levy in 2003. Details of the basis of this charge are set out in Appendix 1 to this bulletin. The charge is payable in two instalments, the first instalment being due on 5 January 2004. Payment arrangements are set out in MB Y3207 dated 8 December 2003.

3 Charge in respect of syndicates in run-off

- 3.1 The basis of the charge on run-off syndicates is unchanged in 2004. Details are set out in Appendix 2.

4 Compliance

- 4.1 Capacity Markets charges in 2004 will be the same as for 2003.
- 4.2 The charging scheme for complaints in 2004 will remain unchanged from 2003.
- 4.3 As in 2003, the operating costs of the Financial Ombudsman Service (FOS) are recovered from personal lines syndicates based on premium income figures.
- 4.4 General queries should be addressed to Jonathan Rees, ext. 6225 (email <mailto:jonathan.rees@lloyds.com>).
- 4.5 A complete schedule of charges is attached at Appendix 3.

5 Finance Directorate

- 5.1 The foreign exchange dealing fees charged by Treasury Services, and charges to corporate groups seeking to consolidate and make their individual corporate members' FAL inter-available by the Market Reporting Department, as well as the fees payable in respect of the provision of schedule 9a syndicate data, have been maintained at 2003 levels.
- 5.2 A number of projects undertaken by the Treasury Services Department are performed for the benefit of the whole market. The projects involve compliance work, dealing with Trustees on all market Trust Funds and work focussed on improvements in the area of market liquidity, banking and investment returns. Also the recovery charge covers FSA and Capital Project involvement. Aggregated costs on these projects are apportioned to each Trust Fund and allocated to all syndicates based on premium income. As it is not possible to forecast the range of projects that will be required during 2004, the charges are as budgeted, and are estimated on the comparative costs for 2003.
- 5.3 The Taxation department administers the collection and payment of UK insurance premium tax and various foreign premium taxes and makes a charge to cover the administration costs of this activity. The charge is levied on a flat basis for all syndicates, arrived at by dividing total costs by the number of relevant syndicates (excluding life syndicates and those motor syndicates that file their own IPT returns and have limited exposure to foreign taxes). On this basis the charge for 2003 is £5,417 per syndicate. The collection of this charge will take place in January 2004.
- 5.4 Due to the increase in the number of taxes handled through the Central Taxes System which have increased the total running costs, and the reduction in the number of syndicates, the charge for 2004 is expected to increase to approximately £6,700 per syndicate.
- 5.5 A complete schedule of charges is attached at Appendix 4.
- 5.6 General queries regarding these charges should be addressed to Rob Geater, ext. 5346 (email <mailto:robert.j.geater@lloyds.com>)

6 Information Technology Group

- 6.1 Lloyd's Information Technology Group will shortly begin the annual billing process by asking market firms to confirm their continuing requirement for managed infrastructure services. These services cover data communications, voice / telephone communications, associated cabling and Black Box Park usage. Following agreement of the requirements, invoices will be issued in early 2004.
- 6.2 The 2004 charges are in general at a level of 3% above the 2003 charges. A schedule setting out details of these charges can be found attached at Appendix 5.

6.3 Contact Names for queries:

Barrie Winwood, Senior Manager, Information Technology Group, Extn 6501
e-mail: Barrie.Winwood@lloyds.com
ITG Account Management Team, Extn. 5558
e-mail: martin.simmonds@lloyds.com

7 Members Services Unit

- 7.1 Charges made to members for 2004 have been separately advised following consultation. A new charging structure will apply for 2004 based on the ability to calculate underlying costs of each of the activities undertaken on behalf of members and to allocate these costs based on members' individual circumstances. Charges to agents for 2004 are unchanged from 2003. All charges can be found at: <http://info.lloyds/msuapps/msucharges/charges.asp>.

8 Property Services Unit

- 8.1 Room rental charges for 2004 have increased by 3% from 2003 levels. A letter has been sent to all Room occupants confirming the rates payable for 2004, and invoices will be issued in January 2004. Please contact Darren Cox, Estates Services on ext. 6636 (e-mail Darren.C.Cox@lloyds.com) if you have any queries.
- 8.2 The charges for security passes will not change from 2003 levels, however the charges to tenants for insurance and services have increased. Tenant services charges for 2004 have increased by 3% from 2003 levels while the insurance charge has risen to £2.45 per sq ft per annum (2003 £1.96 per sq ft per annum) to account for the increase in terrorism insurance. Please contact Simon Harper, Property Services Business Unit Accountant on ext. 6719 (e-mail Simon.C.Harper@lloyds.com) if you have any queries.
- 8.3 A complete schedule of charges is attached at Appendix 6.

9 Risk Management: admissions and individual registration charges

- 9.1 Risk Management direct charges for 2004 are in accordance with the schedule published in September (MB Y3134), with the addition of the following charges: Interavailable fee £150, approval of syndicate mergers (per transaction) £5,000 and new accredited broker £5,000. All 2004 charges, with the exception of the charge for syndicate pre-emptions which is no longer applicable, remain unchanged from 2003.
- 9.2 General queries should be addressed to Nikki Gregory, ext. 6162 (e-mail Nicola.A.Gregory@lloyds.com). Queries in respect of specific charges should be directed, as appropriate, to staff in the Risk Management Department.
- 9.3 A complete schedule of charges is attached at Appendix 7.

10 Worldwide Markets

- 10.1 The core operating charges as a percentage of gross international premiums will remain unchanged from those set for 2003: 0.30% for direct business, binding authority supplement 0.15%, reinsurance 0.11%.
- 10.2 User pays charges remain in Italy and France at unchanged rates. In addition to these charges, Worldwide Markets will seek to recover costs from specific syndicates on a user pays basis where those syndicates have requested additional work from an office, (eg the production of non-standard reports), and that additional work has resulted in significant additional cost. If this situation applies, then the cost implications will be made clear to the syndicate before proceeding with the work.
- 10.3 All queries on Worldwide Markets' charges should be referred to either Helen French (ext 6355) or e mail helen.french@lloyds.com or David Pettitt (ext 5338) e mail: David.J.Pettitt@lloyds.com .
- 10.4 A complete schedule of charges is attached at Appendix 8.

11 Further Information

- 11.1 The charges set out in the appendices to this bulletin, where applicable, have been reviewed and approved by the Franchise Board. The notes to each schedule of charges include details of assumptions and relevant key issues together with contact names and numbers for enquiries. The appendices are cross referenced as follows:

	Appendix	Pages
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- 11.2 If you have any queries regarding this bulletin please contact Andrea Lofts, ext. 5544 (e-mail andrea.x.lofts@lloyds.com).
- 11.3 This bulletin has been sent to managing and members' agents, direct corporate members, Lloyd's brokers, market associations and recognised accountants for information

Andrew Moss
Director, Finance, Risk Management & Operations

Franchise Performance and Risk Management Charge

- 1.1 The Franchise Performance and Risk Management charge has been calculated to recover approximately £12m from the Market, an increase of 33% from the Regulatory Levy which was collected in 2003 (£9m) as notified to the Market within Market Bulletin Y3134 issued in September 2003. The charge will be approximately split on the following basis:
- 96% paid by managing agents; and
 - 4% paid by members' agents
- 1.2 The principles of the charge remain the same as for the Regulatory Levy and has been drawn up as follows:
- there should be a minimum fee for all agents;
 - the amount of resource required for an agent rises as the size of the agent increases. However, an agent with, for example, £500m capacity does not require five times the amount of resource as an agent with £100m capacity. The charging structure reflects this; and
 - the amount of resources needed increases with every syndicate an agent manages.
- 1.3 For 2004, managing agents will pay:
- A flat fee of £11,000 per syndicate managed;
 - a minimum fee of £15,500 for a managing agent and £20,700 for a members' agent;
 - various levies on bands of capacity, which decrease as the amount of capacity rises
- 1.4 The charge will only be charged on active capacity for 2004. Agents which only manage syndicates in run-off will not attract a Franchise Performance & Risk Management charge but will attach a special charge as outlined in Appendix 2. An agent that commences or increases operations mid-year will attract a pro rata charge.
- 1.5 The charge will be collected in two equal instalments due by 5 January and 1 June 2004. Any payment not made by the due date will attract an interest charge at 5% over National Westminster Bank plc base rate.

1.6 The Charges will be made as follows:

Managing Agents:

The charge on managing agents shall be calculated as follows. The flat fee of £11,000 per syndicate should be added to the figures set out in the table below for managing agents.

Capacity of Agent	£ (minimum fee)	For each £ of capacity above the minimum capacity stated in the left hand column
£0 - £50m	15,500 plus	0.1591%
£50m - £150m	95,050 plus	0.0956%
£150m - £250m	190,650 plus	0.0796%
£250m - £500m	270,250 plus	0.0221%
Above £500m	325,500 plus	0.0201%

Members' Agents

The levy on members' agents (including corporate advisers) shall be calculated as follows:

Capacity of Agent	£ (minimum fee)	For each £ of capacity above the minimum capacity stated in the left hand column
£0 - £50m	20,700 plus	0.0246%
£50m - £150m	33,000 plus	0.0246%
£150m - £250m	57,600 plus	0.0123%
Above £250m	69,900 plus	0.0074%

Syndicate Expenses

- 1.7 As the activities underlying the Franchise Performance and Risk Management Charge relate predominantly to the day to day transaction of underwriting business at Lloyd's, it may be treated as a syndicate expense. Managing agents should ensure, however, that it is apportioned between syndicates and years of account in accordance with the Code of Practice for Underwriting Agents – Syndicate Expenses (see Regulatory Bulletin 069/2000, issued 13 September 2000). Moreover, specific disclosure should be made in the syndicate annual report and accounts of the apportionment policy adopted and a breakdown of the figures provided by reference to each year of account. Run-off charges paid in accordance with Appendix 2 should be treated in a similar fashion.
- 1.8 The foregoing approach applies to all aspects of user pays charging currently in place through the Corporation, i.e. if the charge can be determined as relating directly to the business of the syndicate itself it may be charged as a syndicate expense, subject to the disclosure requirements outlined above.

2004 Charges in respect of syndicates in run-off

- 1.1 The Franchise Performance and Risk Management Charge will not be applicable to agents with run-off syndicates. Instead they will pay an annual charge at a flat rate of £1 per £1,000 of reported net insurance liabilities, assessed by reference to the most recent audited accounts of the syndicate for each year of account in run-off. For this purpose a run-off syndicate means a syndicate which no longer accepts new or renewal insurance business (other than the variation or extension of risk previously underwritten or reinsured to close as earlier year of account of that syndicate.) This charge is unchanged from 2003.
- 1.2 In this context, net insurance liabilities means the amounts retained by each syndicate in run-off, in respect of each year of account in run-off, to meet all known and outstanding liabilities carried forward as at 31 December 2003. If the relevant audited financial statements are unavailable and their production appears likely to be significantly delayed, an interim charge (to be adjusted if necessary on subsequent publication of the relevant audited accounts) may be assessed by reference to the most recently submitted syndicate quarterly return (SQR) made by the run-off managers to Lloyd's for the syndicate for the relevant years of account. Any payment of this charge not made by the due date will attract an interest charge at 5% over National Westminster Bank plc base rate.

Compliance Department
2004 Market Charges

Capacity Markets

Capacity Markets charges in 2004 will be the same as for 2003, as set out below.

Type of charge	Charge £
Approval of capacity offer by means of announced auction offer	1,900
Approval of formal capacity offer (cash only)	5,000
Approval of formal capacity offer (with shares or a share alternative)	6,200
Approval of conversion scheme (with interavailability)	9,600
Approval of conversion scheme (with reverse interavailability or transition)	10,600

Lloyd's reserves the right to levy an additional fee on promoters to cover, for example:

- additional costs incurred in processing particularly complex schemes, especially where features not directly necessary to the scheme are included; and
- the reimbursement of any external legal (or other professional) fees incurred by Lloyd's in developing a particular scheme. An example of this is where bespoke trust deeds are prepared for reverse interavailability schemes.

Every effort will be made to make promoters/sponsors aware of the possibility of an additional charge at an early stage in the process.

Complaints Department

The charging scheme for complaints in 2004 will remain unchanged from 2003. A £60 administration charge is made for any complaint that the department refers to a managing agent. In the event that a complainant remains dissatisfied and an investigation is required, there is an additional charge of £300.

Levy in respect of the Financial Ombudsman Service

Lloyd's works within the mandatory complaints handling scheme established by the Financial Services Authority. The operating costs of the Financial Ombudsman Service (FOS) are borne by the insurance industry as a whole through a combination of case fees and a general levy on member firms. The FOS's general levy charged to Lloyd's is recovered from personal lines syndicates based on premium income figures.

Contact Names for Queries

Jonathan Rees (ext. 6225)

Finance Directorate - 2004 Market Charges

Foreign Exchange Dealing Fees

The Treasury Department makes a charge for undertaking foreign exchange activity on behalf of Lloyd's market participants.

Foreign exchange dealing instructions may be received directly from managing agents or indirectly in connection with other activities, including the Lloyd's Currency Conversion Service.

Charges vary between 0.03% and 0.05% of the sterling value of transactions, although the minimum charge is £10. Charges are levied by adjusting the exchange rate at which deals are transacted, by reference to the relevant market rate. No separate charge is made.

As a result of the large volumes of foreign exchange business transacted by the Treasury Department, it is able to obtain very competitive dealing rates from its counterparties. This means that the exchange rates achieved remain advantageous when compared to retail rates, despite the charge made by the Department.

Provision of Schedule 9a Information to Corporate Members

Introduction

Corporate members of Lloyd's are required to prepare their accounts in accordance with Schedule 9a of the Companies Act 1985. Market Reporting Department (MRD) offers a "central facility" to provide corporate members with the data that they need in order to be able to prepare their accounts in accordance with Schedule 9a. MRD is able to provide this facility by advising on the data requirements, collecting the syndicate data in the relevant format from managing agents, processing it and providing outputs in the Schedule 9a format for each subscribing member. If the central facility was not available, it would be necessary for individual corporate members to contact the managing agent of each syndicate on which they participate in order to negotiate arrangements to obtain this information, which would not be otherwise provided by managing agents. It is likely that the cost to a corporate member of having to obtain the data this way would be greater than the fees charged for the Lloyd's facility.

Fees

Each corporate member that wishes to subscribe to this service is required to pay a fee as prescribed under the Syndicate Accounting Byelaw (No. 18 of 1994) as amended. This fee is calculated by reference to the highest overall premium limit (OPL) of the corporate member and number of syndicates (disregarding syndicate years of account for this purpose) in which the corporate member participates.

The fees for the 2003 facility are set out below and vary with respect to the size (in terms of OPL) of the corporate member. They are unchanged from those applying for the 2002 facility:

OPL for member*	Fee per syndicate participation*	Maximum fee**
£15,000,001 or greater	£125	£3,750
£10,000,001 to £15,000,000	£100	£3,000
£5,000,001 to £10,000,000	£70	£2,100
£2,000,001 to £5,000,000	£35	£1,050
£2,000,000 or less	£35	£700
Members participating on 2000 or prior run-off years only	£35	£700

- OPL is defined as the highest OPL written for any year of account within the last three years of account (i.e. 2001 to 2003 years of account).
- Fees are calculated per syndicate (not syndicate year) participation and are exclusive of VAT at 17.5%

Key assumptions

The fee structure for 31 December 2003 Schedule 9a reporting has been prepared on the assumption that the level of subscription to the central facility and MR's costs incurred in providing this facility, do not change materially from those relating to the 2002 exercise.

Other significant matters

No established alternative source in order for corporate members to obtain this data currently exists. As noted above, however, the cost incurred by corporate members making their own arrangements to obtain the information directly from managing agents is likely to be somewhat higher.

Corporate Inter-available FAL

Corporate groups may wish to rationalise their Lloyd's operations and reduce the number of underwriting subsidiaries. Lloyd's has developed a mechanism and the documentation to deal with the provision of Funds at Lloyd's to support both the business being run off by the ceasing corporate members and the increased level of underwriting by the continuing corporate member.

A fee is payable by those corporate groups seeking to consolidate and make their individual corporate members' FAL inter-available. This charge seeks to recover principally legal costs incurred by Lloyd's in respect of such consolidations. The fee is £1,000 (excluding VAT) per ceasing member subject to a maximum of £10,000 per corporate group consolidation.

Projects Relating to all Syndicates

A number of projects undertaken by the Treasury Services Department are performed for the benefit of the whole market. The projects involve compliance work, dealing with Trustees on all market Trust Funds and work focussed on improvements in the area of market liquidity, banking and investment returns. Also the recovery charge covers FSA and Capital Project involvement. Aggregated costs on these projects are apportioned to each Trust Fund and allocated to all syndicates based on premium income. As it is not possible to forecast the range of projects that will be required during 2004, the charges are as budgeted, and are estimated on the comparative costs for 2003.

Premium Tax Administration

The Taxation department administers the collection and payment of UK insurance premium tax and various foreign premium taxes and makes a charge to cover the administration costs of this activity. The charge is levied on a flat basis for all syndicates, arrived at by dividing total costs by the number of relevant syndicates (excluding life syndicates and those motor syndicates that file their own IPT returns and have limited exposure to foreign taxes). On this basis it is expected that the charge for 2003 will be £5,417 per syndicate, payable at the beginning of 2004, whilst the cost for 2004 is projected to be £6,700 per syndicate. This increase in cost reflects the decrease in number of syndicates coupled with higher overheads as a result of additional countries and taxes covered by the system.

Finance Directorate Contacts:-

Foreign Exchange Dealing Fees - Gary White Extn.5340.

Schedule 9a Fees - Paul Appleton Extn.6433.

Corporate Inter-available FAL - Kevin Nethersell Extn.6253

Projects Relating to all Syndicates – Keith Coutinho Extn.5762.

Premium Tax Administration - Maureen McLeod Extn.6860

FINANCE DIRECTORATE - 2004 MARKET CHARGES

Ref	Chargeable Item	Customer	Unit of Charge	2004 Price per Unit (excl. VAT)	Benchmark Prices	2003 Price per Unit (excl. VAT)	Fixed / Variable
1	Foreign Exchange Dealing fees	Managing Agents / Syndicates	Transaction value	0.03% to 0.05% dependant on transaction size. Minimum charge £10	0.25%	0.03% to 0.05% dependant on transaction size. Minimum charge £10	v
	Foreign exchange and currency translation services provided by the Treasury department, including operation of the Lloyd's Currency Conversion Service						
2	Provision of Schedule 9a data to corporate members	Corporate Members	Per syndicate participation	£125 (discount of up to 72% for low OPL)	No comparison	£125 (discount of up to 72% for low OPL)	v
	Charges to corporate members for completion of Schedule 9a as required by the Companies Act 1985. Service provided by Market Reporting						

FINANCE DIRECTORATE - 2004 MARKET CHARGES

Ref	Chargeable Item	Customer	Unit of Charge	2004 Price per Unit (excl. VAT)	Benchmark Prices	2003 Price per Unit (excl. VAT)	Fixed / Variable
3	Corporate Inter-Available FAL Charges to corporate members seeking to consolidate and making their individual corporate members' FAL inter-available.	Corporate Members	Per corporate member	£1,000 (subject to £10,000 max.)	No comparison	£1,000 (subject to £10,000 max.)	v
4	Projects relating to all Syndicates Various projects for the benefit of the whole market. These projects incur a charge per working day. The aggregated charges are then apportioned to each Trust Fund and across all syndicates according to premium income.	All Syndicates	Per £1,000 of sterling premium income	£0.052	No comparison	£0.074	v
5	Premium Tax Administration Charges Charge levied in arrears to all syndicates (other than those motor syndicates that file their own IPT returns directly and have limited exposure to foreign premium taxes) to recover the costs of administration of insurance premium tax and foreign taxes. Collected from interest earned on IPT prior to payment to Customs & Excise	All Syndicates	per syndicate	£6,700	No comparison	£5,417	f

Information Technology Group – 2004 Market Charges

Introduction

Information Technology Group bill direct to the market to recover the costs of providing managed infrastructure services covering data communications, voice/telephone communications, associated cabling and Black Box Park usage. The other service billed direct to the market by the IT Group is for Trusted Trading Plus services (e-mail and directory components only).

Charges for 2004

The 2004 charges are generally the same as the 2003 charges plus an increase of 3%.

Contact Names for queries

Barrie Winwood, Senior Manager, Information Technology Group, Extn 6501
e-mail: Barrie.Winwood@lloyds.com

Information Technology Group Account Management Team, Extn. 5558
e-mail: martin.simmonds@lloyds.com

IT GROUP - 2004 MARKET CHARGES

Chargeable Item	Customer	Unit of Charge	2004 Price per Unit	2003 Price per Unit	Fixed / Variable
e-market LIN Administration Fee - Support	Market	Per Organisation	£948	£920	F
Cost of the set-up and management of the communications link with BT for e-mail					
LIN Network Annual Fee - Ethernet	Market	Per Connection	£8,276	£8,035	F
Covers the cost of management of Ethernet connection to the LIN					
LIN Network Annual Fee - Serial Port	Market	Per Connection	£8,276	£8,035	F
Covers the cost of management of Serial connection to the LIN					
LIN Network Annual Fee - 100Base-T	Market	Per Connection	£12,687	£12,317	F
Covers the cost of management of 100 Base-T connection to the LIN					
LIN Net Work Annual Fee - Entry level Serial	Market	Per Connection	Various	Various	V
Covers the cost of management of Entry Level Serial connection to the LIN					
LIN Network Annual Fee - Additional for Service Providers	Market	Per customer	£1,103	£1,071	F
Additional £1,020 per customer from 2nd up to 10th customer - Maximum £9,180					
LIN Network set-up - Ethernet	Market	Per Connection	£3,785	£3,675	F
set-up costs of Ethernet connection to the LIN					
LIN Network set-up - Serial Port	Market	Per Connection	£3,785	£3,675	F
set-up costs of Serial connection to the LIN					
LIN Network set-up - 100Base-T	Market	Per Connection	£3,785	£3,675	F
set-up costs of 100Base-T connection to the LIN					
LIN Network set-up - Entry Level Serial	Market	Per Connection	Various	Various	V
set-up costs of Entry Level Serial connection to the LIN					
LIN ISP 64k	Market	Per Connection	£2,758	£2,678	F
Rental of an Internet browsing facility at 64k bps					
LIN ISP 128k	Market	Per Connection	£4,038	£3,920	F
Rental of an Internet browsing facility at 128k bps					
LIN ISP 256k	Market	Per Connection	£4,765	£4,626	F
Rental of an Internet browsing facility at 256k bps					
LIN ISP 512k	Market	Per Connection	£6,222	£6,041	F
Rental of an Internet browsing facility at 512k bps					
LIN ISP 1M	Market	Per Connection	£9,136	£8,870	F
Rental of an Internet browsing facility at 1M bps					
LIN ISP - shared	Market	Per Connection	£2,596	£2,520	F
Rental of an Internet browsing facility shared with other users @ 2M bps					
LIN ISP set-up - All bands	Market	Per Connection	£541	£525	F
set-up cost of the provision of an Internet browsing facility for all dedicated bps.					
LIN DR Back Office Service	Market	Per Connection	Various	Various	F
Rental of service provider connection to LIN DR					

IT GROUP - 2004 MARKET CHARGES

Chargeable Item	Customer	Unit of Charge	2004 Price per Unit	2003 Price per Unit	Fixed / Variable
LIN DR Back Office Service set-up	Market	Per Connection	Various	Various	F
Set-up of service provider connection to LIN DR					
LIN ISDN Remote Access - Support	Market	Per Connection	£1,380	£1,340	F
LIN ISDN Remote Access - Provide	Market	Per Connection	£2,064	£2,004	F
LIN Workstation Dial Service -Support	Market	Per Device	£397	£385	F
LIN Workstation Dial Service -Provide	Market	Per Device	£103	£100	F
Vertical Copper - Support	Market	Per Cable	£552	£536	F
Cost of point-to-point cable links					
Fibre Optic Cable - Support	Market	Per Cable	£1,324	£1,285	F
Cost of point-to-point fibre links					
Fibre Optic Cable - Provide	Market	Per Cable	£1,324	£1,285	F
Cost of provision of point-to-point fibre links					
BBP Rack Space	Market	Per Unit	£230	£223	F
Rental of rack space in Black Box Parks					
Low Speed Data	Market	Per Grapevine	£805	£782	F
Rental of low-speed communications links within Lloyd's buildings					
Mid Speed Data Link	Market	Per Link	£805	£782	F
Rental of mid-speed communications links within Lloyd's buildings					
Virtual Private Network (via a workstation) Set-up fee	Market	Per connection	£103	£100	F
Set-up of a secure,data encrypted tunnel through to the LIN.					
Virtual Private Network (via a workstation only)	Market	Per connection	£441	£428	F
Rental of a secure,data encrypted tunnel through to the LIN.					
Virtual Private Network (via LAN) set-up fee	Market	Per connection	£811	£787	F
Set-up of a secure,data encrypted tunnel through to the LIN.					
Virtual Private Network (via LAN)	Market	Per connection	£1,298	£1,260	F
Rental of a secure,data encrypted tunnel through to the LIN.					
LIN DR Set-up fee optional connection - Token Ring	Market	Per Connection	£3,785	£3,675	F
Alternative route to LIN in the event of a disaster					
LIN DR Set-up fee optional connection - Serial or Ethernet	Market	Per Connection	£3,785	£3,675	F
Alternative route to LIN in the event of a disaster					

IT GROUP - 2004 MARKET CHARGES

Chargeable Item	Customer	Unit of Charge	2004 Price per Unit	2003 Price per Unit	Fixed / Variable
LIN DR Set-up fee optional connection - 100Base-T Alternative route to LIN in the event of a disaster	Market	Per Connection	£3,785	£3,675	F
LIN DR Set-up fee optional connection - ISDN LAN Alternative route to LIN in the event of a disaster	Market	Per Connection	£2,064	£2,004	F
LIN end to end set-up fee The provision of an end to end LIN connection	Market	Per Connection	Various	Various	F
LIN DR Annual Fee optional connection - Token Ring	Market	Per Connection	£3,750	£3,641	F
LIN DR Annual Fee optional connection - Serial or Ethernet	Market	Per Connection	£2,539	£2,465	F
LIN DR Annual Fee optional connection - 100Base-T	Market	Per Connection	£6,509	£6,319	F
LIN DR Annual Fee optional connection - ISDN LAN	Market	Per Connection	£1,380	£1,340	F
LIN end to end Rental and management of an end to end LIN connection	Market	Per Connection	Various	Various	F
Block Wiring Charge for use of BT block wiring to support private PBX's	Market	Negotiated	Various	Various	V
Standard Extension (7940) Rental for Lloyd's extension number and a Lloyd's supplied analogue or IP telephone.	Market	Per Extension	£444	£431	F
Telephone Handset (7960) Rent for a handset which visually displays additional lines	Market	Per Handset	£98	£95	F
Lloyd's 8000 Extensions Rental for Lloyd's 8000 range of extension numbers	Market	Per Extension	£444	£431	F
VoIP Add-on Unit Rent for a VoIP Add-on Unit, which supplies extra programmable keys	Market	Per Unit	£119	£116	F
Additional Telephone Socket Support for an additional analogue telephone on an existing analogue extension	Market	Per Socket	£60	£58	F
Fax / Modem Line Supply of a fax/modem link on a Lloyd's extension number	Market	Per Line	£208	£202	F
Voicemail Supply of a Featurenet voice mailbox	Market	Per Unit	£84	£82	F
IP Conference Unit	Market	Per Unit	£180	£175	F

Property Services Unit - 2004 Market Charges

Market Services

Introduction

2004 Room Rental charges increase by 3% on the 2003 levels.

Key Assumptions

Property Services reserves the right to review its decision should it transpire that the demand for Underwriting space in 2004 is significantly less than that for 2003.

Security Passes

Introduction

Property Services intends to maintain the cost of security passes at its 2003 level.

Key Assumptions

There is a continued need for a security pass system for entry into Lloyd's buildings.

Tenants' Service Charge

Introduction

The office accommodation on Galleries 7-10 attracts a service charge for the provision of all day-to-day services. Apart from telephone and data charges, tenants have a fully inclusive service charge covering their needs. Service charges will increase by 3% increase on the 2003 level.

Key Assumptions

Property Services has outsourced the running of the services of the 1986 Building. The costs will be reviewed throughout 2004 and any savings that can be achieved will be passed on to the tenants.

Tenants' Insurance Charge

Introduction

Recent insurance events have caused the costs to rise significantly, and the 2003 charge is currently at £1.96 p.s.f. p.a. A 2004 insurance charge is proposed of £2.45 p.s.f. p.a., which is required to cover the additional costs of terrorism insurance.

Key Assumptions

It has been assumed that there will be no additional increase to the projected rate from July 2004, but Property Services reserves the right to pass on any increases in costs.

Contact Name for Queries

Simon Harper (Extn. 6719), John Mitchell (Extn. 6548).

PROPERTY SERVICES UNIT - 2004 MARKET CHARGES

Ref	Chargeable Item	Customer	Means of Collection		Unit of Charge	2004 Price per Unit (excl. VAT)	Benchmark Prices	2003 Price per Unit (excl. VAT)	Fixed / Variable
1	Room Rent Charges for underwriting space on the Ground Floor to Gallery 2. This is charged on a net footprint area of the space occupied by underwriting boxes.	G1&2 Ground Hybrids Underwriters	Invoice Annually in Advance		per sq. ft.	£357 £536 £714	Prior years	£346 £519 £692	V
2	Security Passes The charge for security passes where applicable. In some instances this is a direct charge; in others it is credited from the annual subscription.	Market wide Non-u/w working members	Invoice Part of annual subscription		per pass	£20 £25	N/A N/A	£20 £25	V
3	Tenant Service Charge Tenants on Galleries 7-10 of the 1986 building have a fully inclusive service charge based on square footage occupied	Tenants 1986 Building	Invoice Quarterly in advance		per sq. ft.	£16.52	No comparable benchmark. Costs reviewed by DTZ.	£16.06	V
4	Tenant Insurance Charge Tenants on Galleries 7-10 of the 1986 building pay this on the square footage occupied.	Tenants 1986 Building	Invoice Quarterly in advance		per sq. ft.	£2.45	N/A	£1.96	V

NB: Excluded from the above are tenant's rental charges for Galleries 7-10 which are reviewed every five years and agreed on an individual basis.

Risk Management
Market Charges for 2004

Admissions

With the exception of the charge for syndicate pre-emptions, which is no longer applicable, the current charges will continue unchanged in 2004 and are set out below.

Type of Charge	Notes	Charges for 2004 £
New agent		100,000
New syndicate		50,000
Change in controller (underwriting agent)		5,000
New corporate member	1	25,000
New money nameco	1	4,700
Initial application (conversion schemes)	1	1,850
Additional subscriber namecos (conversion schemes)	1	420
Private successor vehicles	1	1,850
Interavailable fee	2	150
Change in controller (corporate member)		150
Change in director (corporate member)		150
Approval of syndicate mergers (per transaction)		5,000
New accredited broker		5,000

Notes

1. Income from this source is split between Admissions (25%) and MSU Members' Funds Department (75%).
2. All income from this source is allocated to MSU.

Lloyd's will continue its admission function, to vet the fitness, propriety and competence of those entering the market, working closely with the FSA to harmonise the processes and documents involved.

Individual Registration

Agents will continue to be charged in respect of the individuals they sponsor on the following basis:

- application for registration - £200 per application (unchanged from 2003);
- an annual charge to agents for the department to maintain the register - £40 per registration (unchanged from 2003). Invoices will be sent out on an annual basis in respect of all registrations at 1 January in that year.

The costs of individual registration in the case of applications to establish an agent or syndicate will be covered by the appropriate application charge(s).

For the avoidance of doubt, any addition to the register of a sponsor, whether by way of a new application or transfer of a registration, requires the prepayment of £200.

VAT

The charges listed above exclude VAT.

Contact Names for Queries

General Queries: Nikki Gregory (ext. 6162)

Worldwide Markets – 2004 Market Charges

1.1 Core operating charges

The core operating charges for 2004 will remain unchanged when compared with those set for 2003:

Charges applicable to gross international premiums	Direct	Binding authority supplement *	Reinsurance
	0.30%	0.15%	0.11%

* in total, gross binding authority premiums will be charged at 0.45%

1.2 Cost base

The core operating charges fund aggregate Worldwide Markets costs, net of local and user pays income. For 2004 the net costs are budgeted to be £30m. Details of the charges for 2004 which will be made on a user pays basis are provided at 1.5 below.

1.3 Premium assumptions

Gross international (ie excluding UK and Channel Islands) premiums will continue to be used as the basis for the core operating charges. For the purposes of calculating the 2004 operating charges set out above, it has been assumed that gross international premium income remains unchanged compared with 2003:

Estimated gross international P I 2004:

Direct*	Reinsurance	Total
£5.8bn	£6.7bn	£12.5bn

* includes binding authority component estimated at £2.3bn

- 1.4 The core operating charges will continue to be collected from syndicates on a quarterly basis and in the quarter following the year end, adjustments will be made to ensure in the aggregate, the amounts collected from syndicates are equal to the costs for the year and that at individual syndicate level, the amounts collected in respect of direct and reinsurance business are equal to that syndicate's proportionate share of the aggregate premiums. This might result in amounts being repaid to individual syndicates or further collections being made. In making any adjustments, the coverholder supplement will remain at 50% of the overseas operating charge on direct business.

1.5 2004 user pays charges

The following user pays charges will apply in 2004:

		2004 charge	2003 comparison
Italy	A premium and claims processing fee based on gross premiums flowing through the Italian office	0.75% of gross premium income	No change
	A public tender fee dependent on premium generated	Euro 500/1,000/1,500	No change
France	A local administrative charge for the Paris Bourse work on co-insurance premiums	1.2% of net premiums	No change
	Fee on co-insurance claims not dealt with via the Paris Bourse	Euro 15.2	No change

In addition to these charges, Worldwide Markets will seek to recover costs from specific syndicates on a user pays basis where those syndicates have requested additional work from an office, and that additional work has resulted in significant additional cost. If this situation applies, then the cost implications will be made clear to the syndicate before proceeding with the work. Such charges are likely to be on a time and materials basis and could include the following in respect of Canadian operations:

- the production of non-standard reports
- significant charges incurred by Lloyd's in the event of late payments by coverholders of Scheme Canada settlements
- costs of data entry by Lloyd's after full transition to Lineage
- costs of reconciliation of Scheme Canada statistics and records with underwriter, Lloyd's broker or coverholder records.

1.6 Further information

All queries on Worldwide Markets' charges should be referred to either Helen French (ext 6355) or e mail helen.french@lloyds.com or David Pettitt (ext 5338) e mail: David.J.Pettitt@lloyds.com .