

FROM: Director, Operations
LOCATION: 86/431
EXTENSION: 6261
DATE: 10 May 2004
REFERENCE: Y3312
SUBJECT: MEMBERSHIP ISSUES
SUBJECT AREA(S):
ATTACHMENTS:
ACTION POINTS: **Members' Agents and Direct Corporate Members to Note**
DEADLINE:

The purpose of this Bulletin is to assist members' agents and direct corporate members with planning the forthcoming distribution cycle by updating a number of areas where changes to existing rules are being considered.

Release Test

2005 Release Test

The current procedures to determine the release of funds at Lloyd's and distribution surpluses have largely remained unaltered since 1999. It is intended towards the end of this year to review the operation of Release Test in light of the Enhanced Capital Requirements to be introduced by the FSA and the new Solvency 1 regime which was explained in the Market Bulletin Solvency 1 – Revised Member's Margin of Solvency (ref: Y3219) issued on 18 December 2003.

2004 Release Test

For the 30 April 2004 Release Test available in late May there will **not** be any amendments made to the underlying calculations. However, for the 30 June 2004 Release Test, available in late July, it is intended to review and consider reducing the multiplier applied to run-off participations within the RBC figures utilised within the calculations. This follows a number of representations made by members who have questioned the rationale behind the operation of the Release Test and in particular the application of the multiplier to the RBC requirement in respect of run-off syndicates. Members' agents and direct corporate members will be aware that the multiplier applied to the RBC requirement in respect of run-offs is 5 times the RBC figure at present.

Other Personal Wealth (OPW)

The ongoing inclusion of OPW as an asset at Lloyd's was granted as a concession in the light of the September 2001 terrorist attacks in the US. It is appropriate now to end this concession. In addition, under the new FSA ECR rules, OPW is not an eligible asset. Thus, OPW will be reduced to 10% for this year's CIL exercise for the 2005 year of account. OPW will be removed completely for the CIL exercise for the 2006 year of account.

Membership and Underwriting Requirements (M&URs)

The 2005 M&URs will be issued by 2 August 2004. At this stage no material changes are planned to the M&URs other than changes to reflect the points made in this Bulletin.

Auctions and Coming Into Line

Following the introduction of the new Franchise Business Planning process in 2003, the opportunity is being taken to adjust the annual timetable to streamline the interaction between business planning and auctions. A separate Bulletin has been issued regarding business planning.

The main auction season will consist of three auctions during September, ie, after issue of second quarter QMRs but before syndicate business plans are reviewed. A fourth auction will be held in November to include:-

- transactions previously admitted to the Deceased Names Auction;
- disposals of capacity in cases where the approved capacity of a syndicate for 2005 exceeds the amount indicated in the syndicate's SBF (such disposals being limited to the difference between the two amounts);
- transactions in capacity on syndicates where, in certain agreed circumstances, there has been a material change to the syndicate's business plan in the period starting 48-hours before the commencement of Auction 3 and ending with the approval of the syndicate's business plan.

The existing post-DNA process (as set out in Market Bulletin Y070/2000 – 14 September 2000) will apply for deaths after this Auction. RBC software will be issued as in previous years (ie, 11 June, 23 July and 20 August). However, there will be a new issue on 13 October (post Auctions 1-3 and plan submissions) and a potential further issue on 22 September which will reflect any material business plan changes that have occurred since 20 August issue. RBC based on plan approvals will be produced by 8 November (if there are technical or data problems this date may slip).

In summary, the key dates for 2004 auctions and coming into line are:-

Event	Timetable
Auction 1 – Day 1	7 September
Auction 2 – Day 1	15 September
Auction 3 – Day 1	28 September
Auction 4 – Day 1	18 November
Coming Into Line	26 November

The business timetable is available through L-Net at:-

- 1 Infobase
- Business codings and procedures

Lloyd's Business Timetable

and has been updated to reflect these dates and all other associated dates.

Any queries on this Bulletin should be referred to Kevin Nethersell (kevin.nethersell@lloyds.com) extension 6253 or Clive Wormald (clive.r.wormald@lloyds.com) extension 2410.

This Bulletin has been sent to members' agents, direct corporate members and, for information, to all Market Associations.

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