

FROM: Head, Market Reporting EXTN: 5129
DATE: 26 October 2004 REF: Y3418
SUBJECT: **THE MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS (FUNDS AT LLOYDS) (M&URS)**

SUBJECT AREA(S):

ATTACHMENTS: (i) M&URs for 2005
(ii) Summary of asset concentration restrictions
(iii) Approved Credit Institution Criteria
(iv) Coming into line timetable
(v) Confirmation of Net Eligible Means Form

ACTION POINTS: **Members' agents and Direct Corporate Members to note**

DEADLINE(S): **Coming into line deadline 26 November 2004**

Further to the market bulletin The Membership & Underwriting Conditions and Requirements (Funds at Lloyd's) (M&URS) (Y3371) issued on 10 August 2004, please find attached at Annex 1 a revised full text of the M&URs, which includes an amended Appendix 5 Part 1 para 1(a)(iii).

If you have any other queries relating to this bulletin, please address them to Kevin Nethersell on Lloyd's extension 6253 or Mike Steer extension 5709. This bulletin is being sent to all members' agents, direct corporate members, licensed advisers, recognised accountants, and market associations for information.

John Parry
Head, Market Reporting

**MADE ON 1 SEPTEMBER 2000
AMENDED 24 JULY 2001
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AMENDED 9 SEPTEMBER 2003
AMENDED 23 JULY 2004**

**MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS
(FUNDS AT LLOYD'S)
(INDIVIDUAL/CORPORATE MEMBER)**

**MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS
(FUNDS AT LLOYD'S)
(INDIVIDUAL/CORPORATE MEMBERS)**

ARRANGEMENT OF PARAGRAPHS

PART A - PRELIMINARY

1. Interpretation

PART B – OVERALL PREMIUM LIMITS AND NET FUNDS AT LLOYD'S

2. Overall premium limits
3. Net funds at Lloyd's and means
4. Valuation of acceptable means assets
5. Verification of net eligible means

PART C - FUNDS AT LLOYD'S

6. Provision and maintenance of funds at Lloyd's
7. Liabilities to be taken into account in calculating net funds at Lloyd's
8. Maintenance of deposit
9. Captive Corporate Member – Security Provision
10. Reduction in value of funds at Lloyd's
11. Funds at Lloyd's - acceptable assets
12. Funds at Lloyd's - calculation and valuation
13. Valuation of Covenant and Charge
14. Restriction on Mortgage – Corporate Member

PART D - ADDITIONAL UNDERWRITING REQUIREMENTS

15. Solvency shortfall
16. Requests for funds
17. Power of Attorney
18. Lloyd's Regulatory Board

PART E - SUPPLEMENTAL AND COMMENCEMENT

19. Exemptions
20. Confirmation Form
21. Accredited Investor – individual members
22. Prescribed Forms
23. Revocation
24. Commencement

APPENDICES

1. Interpretation
2. Net funds at Lloyd's - Members (other than Captive Corporate Members)
3. Net funds at Lloyd's - Captive Corporate Members
4. Net eligible Means - Acceptable Means Assets
5. Funds at Lloyd's – acceptable assets
6. Determination of the market value of funds at Lloyd's
7. Confirmation Form - Members' Agent
8. Confirmation Form - Corporate Member (no members' agent)

**MEMBERSHIP AND UNDERWRITING CONDITIONS AND REQUIREMENTS
(FUNDS AT LLOYD'S)
(INDIVIDUAL/CORPORATE MEMBERS)**

These conditions and requirements are made under paragraphs 3, 20, 21, 51A and 53 of the Membership Byelaw (No. 17 of 1993) and all other powers enabling.

PART A - PRELIMINARY

1. Interpretation

The provisions of Appendix 1 (interpretation) shall have effect.

PART B – OVERALL PREMIUM LIMITS AND NET FUNDS AT LLOYD’S

2. Overall premium limits

- (1) Every member who wishes to commence or to continue underwriting for a year of account shall determine an overall premium limit, and, if that member wishes to underwrite long term business, a general business premium limit and a long term business premium limit, for that year of account.
- (2) Without prejudice to sub-paragraph (1), every captive corporate member who wishes to commence or to continue underwriting for a year of account shall determine a group company insurance business premium limit, and if that member underwrites or intends to underwrite third party insurance business, a third party insurance business limit for that year of account.

3. Net funds at Lloyd’s and means

- (1) Subject to sub-paragraph (2), Appendices 2 and 3 shall have effect as follows for the purpose of determining the amount of net funds at Lloyd’s to be provided by a member for the year of account next following the coming into line date by reference to the overall premium limit determined by him for that year of account –
 - (a) in relation to a member, other than a captive corporate member, Appendix 2; and
 - (b) in relation to a captive corporate member, Appendix 3.
- (2) The amount of net funds at Lloyd’s to be provided by an individual member in accordance with sub-paragraph (1) may be reduced by an amount not exceeding the amount specified in sub-paragraph (3) (“the specified amount”) where the member possesses net eligible means of not less than £350,000.
- (3) For the purposes of sub-paragraph (2), the specified amount is whichever is the lower of –

- (a) 10 per cent of the amount of net funds at Lloyd's specified by Appendix 2; or
 - (b) the amount of net funds at Lloyd's specified by Appendix 2 less 40 per cent of the member's overall premium limit.
- (4) The value to be attributed to an individual member's net eligible means for the purposes of sub-paragraph (2) is the aggregate value of his acceptable means assets less the aggregate value of certain liabilities referred to in sub-paragraph (5)(b).
- (5) Appendix 4 shall have effect -
- (a) for specifying acceptable means assets and the proportions and manner in which they are to be held and for determining their valuation; and
 - (b) for specifying liabilities which are to be deducted from acceptable means assets in calculating a member's net eligible means and for determining the valuation of such liabilities.

4. Valuation of acceptable means assets

- (1) Subject to sub-paragraphs (2) and (3), for the purposes of paragraph 3(2) all acceptable means assets shall be valued as at the same date.
- (2) Interests in real property or in life policies shall be valued not more than three months before the date at which a member's net eligible means are confirmed.
- (3) An authorised signatory may accept a real property valuation made at a date earlier than that specified in sub-paragraph (2) provided he is satisfied that the value of the property has not reduced in value between the valuation date and the date at which all other acceptable means assets of the member were valued.

5. Verification of net eligible means

- (1) An individual member who wishes to provide reduced net funds at Lloyd's pursuant to paragraph 3(2) shall by the coming into line date or within 14 days of receiving a written request to do so, provide his members' agent (or where the member has more than one members' agent, the co-ordinating agent) with a written certificate in the prescribed form complying with this paragraph (a "confirmation of net eligible means") confirming that he possesses net eligible means of not less than the amount required by paragraph 3(2).
- (2) Any certificate provided for the purposes of sub-paragraph (1) shall -
 - (a) be signed by the member and contain a statement signed by an authorised signatory that he has reviewed the confirmation of net eligible means of the member in accordance with the procedures mentioned in sub-paragraph (3); and

- (b) contain a statement by the member's members' agent (or where a member has more than one members' agent, the co-ordinating agent) that it has examined the confirmation of net eligible means and on the basis of its knowledge of the general and financial circumstances of the member it is satisfied that such confirmation has been prepared in accordance with these conditions and requirements.
- (3) An authorised signatory shall not sign such a certificate unless -
- (a) he has verified the existence of the assets concerned by reference to the appropriate title deeds, bank certificates or other appropriate independent evidence and, in the case of tangible assets, has verified that adequate insurance arrangements are in force;
 - (b) he has received independent verification that the assets have been valued in accordance with paragraph 4;
 - (c) he is satisfied (and has received such independent confirmation as is reasonably available) that assets are beneficially owned by the member without any encumbrance;
 - (d) he has received such independent confirmation as is reasonably available of loans to and other liabilities of the candidate or member, including material liabilities associated with taxation or any known litigation; and
 - (e) he has discussed with the member whether all material liabilities have been included in the certificate determining the member's net eligible means.
- (4) Where an authorised signatory has any reservation about matters which may, directly or indirectly, affect the value of a member's net eligible means, he shall bring the matter to the attention of the member's members' agent and then, if appropriate, to the attention of a Manager, Members' Services Unit.
- (5) An individual member who has provided reduced net funds at Lloyd's pursuant to paragraph 3(2) and whose net eligible means are reduced in value below the amount required by that paragraph during the calendar year corresponding to the year of account concerned shall take all reasonable steps to restore them to not less than the required amount not later than the coming into line date next following such reduction.
- (6) An individual member who has provided reduced net funds at Lloyd's pursuant to paragraph 3(2) and becomes aware that his net eligible means have been reduced in value below the amount required by that paragraph during the calendar year corresponding to the year of account concerned shall forthwith inform his members' agent and a Manager, Members' Services Unit, in writing of such reduction.

PART C - FUNDS AT LLOYD'S

6. Provision and maintenance of funds at Lloyd's

- (1) No member shall underwrite insurance business for a year of account unless as at the coming-into-line date for that year of account he maintains funds at Lloyd's of an amount not less than the aggregate of -
 - (a) the amount of net funds at Lloyd's specified by Appendix 2 (or such lesser amount as may be permitted in accordance with paragraph 3(2)) or Appendix 3; and
 - (b) certain liabilities in respect of his underwriting business specified in, and valued in accordance with, paragraph 7.
- (2) No member shall underwrite long term insurance business for a year of account, or, having underwritten long term business as a member of a syndicate for any year of account for the time being remaining open, underwrite general business, unless, at the coming into line date for the new year of account, he maintains separate funds at Lloyd's exclusively for his general business and for his long term business respectively and in each case those funds are of an amount not less than the aggregate of -
 - (a) the amount of net funds at Lloyd's specified by Appendix 2 (or such lesser amount as may be permitted in accordance with paragraph 3(2)) or Appendix 3, as modified by sub-paragraph (3), as a proportion of his general business premium limit or his long term business premium limit (as applicable) for that year of account; and
 - (b) certain liabilities in respect of that general business or long term business specified in, and valued in accordance with, paragraph 7.
- (3) For the purpose of calculating the proportions to be borne by a member's net funds at Lloyd's exclusively maintained for the member's general business or the member's long term business to the member's general business premium limit or to the member's long term business premium limit respectively, Appendix 2 shall apply as if for references to "overall premium limit" there were substituted references to "general business premium limit" or "long term business premium limit" respectively.

7. Liabilities to be taken into account in calculating net funds at Lloyd's

- (1) The liabilities to be deducted from the value of a member's funds at Lloyd's in accordance with paragraph 6(1)(b) for the purpose of calculating his net funds at Lloyd's are -
 - (a) liabilities in respect of any request for funds made by the managing agent of a syndicate;
 - (b) any uncalled run-off deficiencies and uncalled closed year losses;

- (c) open year solvency deficiencies but only to the extent they exceed the aggregate of the value of any open year solvency surpluses; and
- (d) in the case of a corporate member which is a party to a transfer agreement -
 - (i) any uncalled run-off deficiencies and uncalled closed year losses of the transferor; and
 - (ii) any open year solvency deficiencies of the transferor but only to the extent they exceed the aggregate of the value of any open year solvency surpluses;

after taking into account the aggregate value of any anticipated recoveries under personal stop loss contracts which are eligible assets for the purposes of the annual solvency test and any amounts that the member has paid into the relevant premiums trust funds to fund the relevant loss or deficiency by the coming into line date.

- (2) Sub-paragraph (1) shall apply for the purpose of calculating the value of a member's net funds at Lloyd's in relation to the member's general business premium limit and to the member's long term business premium limit respectively as well as the member's overall premium limit; and
 - (a) references to liabilities, run-off deficiencies, closed year losses, open year solvency surpluses and open year solvency deficiencies shall be taken to be references to liabilities, run-off deficiencies, closed year losses and open year solvency surpluses in respect of the member's general business or long term business, as the case may be; and
 - (b) for the purpose of calculating the amount of liabilities to be deducted in accordance with sub-paragraph (1) in respect of the member's general business and long term business respectively, the member or the member's members' agent where relevant, shall apportion any anticipated personal stop loss recoveries between such classes of business.

8. Maintenance of deposit

- (1) No member shall underwrite general business unless he has executed a Lloyd's deposit trust deed or a Lloyd's security and trust deed in the respective form for the time being prescribed and maintains a Lloyd's deposit subject thereto and in accordance with these conditions and requirements.
- (2) No member shall underwrite long term business unless he has executed a Lloyd's deposit trust deed for long term business or a Lloyd's security and trust deed for long term business in the respective form for the time being prescribed.

- (3) Subject to sub-paragraphs (4) and (7), a member's Lloyd's deposit and Lloyd's life deposit (if any) shall comprise –
- (a) any sums and investments held under the terms of a Lloyd's deposit trust deed in the prescribed form;
 - (b) any guarantee or letter of credit, in each case in the prescribed form, provided to the Society and held under the terms of the Lloyd's security and trust deed in the prescribed form; or
 - (c) partly such sums and investments and partly such guarantees and letters of credit.
- (4) A corporate member which is a subsidiary of an investment company may, wholly or partly in lieu of the forms of Lloyd's deposit referred to in sub-paragraph (3), provide a Lloyd's deposit in one or both of the following forms set out in sub-paragraphs (a) and (b) and may provide a Lloyd's life deposit in the form set out in (b) -
- (a) an approved covenant by the investment company secured by an approved charge over a property by the investment company and subject, if so agreed between the investment company and an authorised person, to a master agreement in the prescribed form, such approved covenant and approved charge being entered into together with such custody agreements, investment management agreements and other supporting agreements as may be requested by an authorised person;
 - (b) any sums and investments provided by the investment company and held under the terms of a Lloyd's Deposit Trust Deed (Third Party) in the prescribed form.
- (5) With the prior written consent of an authorised person, the funds at Lloyd's of a corporate member (whether or not a subsidiary of an investment company) may be provided by a third party in the manner described in sub-paragraph (4)(a) or (b) in which case references in sub-paragraphs (4)(a) and (b) to "an investment company" shall be construed as references to that permitted third party.
- (6) Where an authorised person gives his consent under sub-paragraph (5), he may require any one or more of the following to be given:
- (a) a FAL Provider Declaration and Undertaking in the prescribed form;
 - (b) a Lloyd's Act Legal Opinion in the prescribed form; and/or
 - (c) a Significant FAL Provider Undertaking in the prescribed form.
- (7) With the prior written consent of an authorised person, the Lloyd's deposit of a corporate member which is not a subsidiary of an investment company may be

provided in the manner described in sub-paragraph (4)(a) by the corporate member itself in which case references in that sub-paragraph to "an investment company" shall be construed as references to that corporate member.

- (8) Every corporate member shall pay, transfer or provide to the Society or, subject to the necessary approvals referred to in Part D of the Membership and Underwriting Requirements (Corporate Member), an approved custodian, any sums or investments forming part of its Lloyd's deposit and, where appropriate, Lloyd's life deposit to be held by or on behalf of the Society (or such other person as the Council may prescribe) as trustee upon and subject to the trusts constituted by the relevant trust deed and, subject to receiving the necessary approvals referred to in Part D of the Membership and Underwriting Requirements (Corporate Member) enter into (or only where another person is to provide its Lloyd's deposit or its Lloyd's life deposit, procure such other person to enter into), as appropriate -
- (a) a Lloyd's deposit investment management agreement in whichever of the forms set out at Appendix 27 of the Membership and Underwriting Requirements (Corporate Member) is applicable in the circumstances with such variations or additions as an authorised person may approve or in such other form as he may approve; and/or
 - (b) a Lloyd's deposit custody agreement in which ever of the forms set out at Appendix 28 of the Membership and Underwriting Requirements (Corporate Member) is applicable in the circumstances with such variations or additions as an authorised person may approve or in such other form as he may approve.

9. Captive corporate member – security provision

- (1) No captive corporate member shall underwrite insurance business for a year of account unless by the coming-into-line date for that year of account it provides security in such amount as an authorised person may determine in relation to the aggregate risk exposure (as determined by the Society) of the captive syndicate or syndicates through which the corporate member underwrites group company insurance business.
- (2) Subject to sub-paragraph (3), the security referred to in sub-paragraph (1) shall be provided in the form of a Lloyd's deposit.
- (3) A captive corporate member may, with the prior written consent of an authorised person, wholly or partly in lieu of a Lloyd's deposit referred to in sub-paragraph (2), provide all or part of such proportion of the required security provision as exceeds the amount to be provided as funds at Lloyd's determined in accordance with paragraph B of the schedule to Appendix 3, in the form of a covenant to provide further funds in the prescribed form (a "Captive Corporate Member's Covenant to Pay") which covenant shall be guaranteed by one or more group companies of the captive corporate member acceptable to Lloyd's by means of a guarantee to the Society (a "Captive Corporate Member's Group Company") in the prescribed form.

10. Reduction in value of funds at Lloyds

- (1) A member shall not by any voluntary act or omission effect or permit any reduction in the value of that member's Lloyd's deposit or Lloyd's life deposit or in his other funds at Lloyd's below the amount which that member was required under any membership or underwriting conditions or requirements at any time in force to maintain in relation to his overall premium limit for any year of account which for the time being remains open, save for the purpose of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held.
- (2) Where at any time during the course of a year the value of a member's Lloyd's deposit or Lloyd's life deposit or other funds at Lloyd's has reduced below the value used to calculate the member's overall premium limit for the year of account corresponding to that year (the "required value") whether by virtue of-
 - (a) a withdrawal for the purposes of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held; or
 - (b) a diminution in value of any assets or monies comprised in the member's funds at Lloyd's by more than 10 per cent of the required value;

the individual member by his member's agent or the corporate member (by its member's agent if it has one) shall notify the Relevant Person and shall, unless otherwise permitted by the Relevant Person, make good the deficiency within 28 days of the deficiency arising.

- (3) Where a member is a non-underwriting member and the value of that member's Lloyd's deposit or other funds at Lloyd's has reduced below the value which that member was required under any membership or underwriting conditions or requirements at any time in force to maintain in relation to that member's overall premium limit for any year of account which for the time being remains open by virtue of a withdrawal for the purpose of meeting any Lloyd's obligations in accordance with the terms of the trust deed under which the funds concerned are held, that member (by its members' agent if it has one) shall notify the Relevant Person and shall, unless permitted by the Relevant Person, make good the deficiency within 28 days of the deficiency arising.

11. Funds at Lloyd's –acceptable assets

A member's funds at Lloyd's shall consist only of assets listed in Part 1 of Appendix 5 ("acceptable assets") and, subject to paragraphs 12 and 13, may be included in the valuation of a member's funds at Lloyd's provided, with regard to each category of asset, that the conditions set out in Part 1 of, and the general principles in the introductory paragraphs 1 to 3 (inclusive), of Appendix 5 are complied with.

12. Funds at Lloyd's: calculation and valuation

- (1) Subject to sub-paragraphs (2), (3) and (4), the assets and monies comprised in a member's funds at Lloyd's shall be taken into account for the purposes of these conditions and requirements at their respective market values as at the relevant valuation date.
- (2) In respect of the proportion of the amount of a member's net funds at Lloyd's specified by Appendix 2 which is equal in amount to 30 per cent of the member's overall premium limit, no credit shall be taken for the value of any special reserve fund held by the member (but for all other purposes of these conditions and requirements a member's special reserve fund (if any) shall be taken into account in determining the value of his funds at Lloyd's).
- (3) In the case of a successor member –
 - (a) the value of any funds at Lloyd's that have been made interavailable by a participant to the successor member under an interavailability arrangement shall be included in the calculation of the value of the successor member's funds at Lloyd's save to the extent that such interavailable funds are earmarked to cover any relevant liabilities or RBC requirement of the participant or are taken into account in determining the net funds at Lloyd's of the participant in accordance with Appendix 2; and
 - (b) until such time as the last open year of account of the participant has been closed by reinsurance to close, the funds at Lloyd's made interavailable by the participant to the successor member shall be taken into account for the purposes of these conditions and requirements at the value which would have been attributed to those funds at Lloyd's under the requirements applicable to individual members had the participant not entered into the interavailability arrangement and subject to such deductions as would have been required under those conditions and requirements.
- (4) In the case of a continuing member, the value of any funds at Lloyd's that have been made interavailable by a ceasing member to the continuing member under an approved corporate interavailability arrangement shall be included in the calculation of the value of the continuing member's funds at Lloyd's save to the extent that such interavailable funds are earmarked to cover any relevant liabilities of the ceasing member.
- (5) Except where otherwise provided in these conditions and requirements, the market value of assets and monies comprised in a member's funds at Lloyd's shall be determined for the purposes of these conditions and requirements in accordance with Appendix 6.

13. Valuation of Covenant and Charge

- (1) For the purposes of these conditions and requirements the value at any time of a Lloyd's deposit provided in the form of an approved covenant and an approved charge shall be taken to be whichever is the lesser of -
 - (a) the maximum sum which may at that time be demanded under the approved covenant given in respect of or by the relevant member (after taking account of any sums already paid under that approved covenant); and
 - (b) the value at that time attributable to the relevant member of the acceptable assets which are subject to the fixed charges granted to the Society under the approved charge by way of security for the performance of the approved covenant referred to in (a) above and of any other approved covenants secured by the approved charge.

- (2) The value of the acceptable assets which are subject to the fixed charges granted to the Society under an approved charge ("the mortgaged assets") shall be attributed to the corporate members in respect of which the approved covenants secured by that approved charge are provided ("the relevant members") as follows -
 - (a) when the approved covenants are first provided, such value shall be attributed to the relevant members in proportion to the respective nominal values of the approved covenants provided in respect of each of them;
 - (b) any increase or decrease in the value of the mortgaged assets between the time referred to in (a) above and the first adjustment event (as defined in sub-paragraph (3)) shall be attributed to the relevant members in the proportions referred to in (a) above;
 - (c) where a payment is made to the Society under any approved covenant, the amount (if any) by which the value of the mortgaged assets is reduced by reason of that payment (whether as a result of the exercise of the powers of sale of the Society under the relevant approved charge or as a result of a release granted by the Society to enable the relevant payment to be made) shall be deducted from the value of the mortgaged assets attributed to the relevant member in respect of which the relevant approved covenant was provided;
 - (d) where the nominal amount of any approved covenant is altered with the agreement of the Society, the value of the mortgaged assets immediately following the relevant valuation date or other date by reference to which the alteration was agreed shall be attributed, and shall be deemed to have been attributed, to the relevant members in such proportions as shall, before or at the time the alteration takes effect, be agreed by the relevant members and approved by an authorised person;

- (e) any increase or decrease in the value of the mortgaged assets occurring between one adjustment event and the next shall be attributed to the relevant members in the proportions in which the value of the mortgaged assets was attributed to them immediately after the former such adjustment event.
- (3) For the purposes of this paragraph an "adjustment event" occurs whenever -
- (a) a payment is made to the Society under any approved covenant provided in respect of a relevant member and the value of the mortgaged assets is reduced by reason of that payment; or
 - (b) the nominal amount of any approved covenant is altered with the agreement of the Society (but so that for this purpose the adjustment event shall be deemed to occur on the relevant valuation date or other date by reference to which the alteration is agreed).
- (4) In relation to a relevant member, the reference in the definition of "relevant valuation date" to the provision of further assets and monies shall be treated as a reference to the procuring of an increase in the value of the mortgaged assets attributable to that relevant member or in the nominal value of the approved covenant provided in respect of that relevant member, or in both, to the extent that such increase reverses any diminution in the value of the funds at Lloyd's provided in respect of that relevant member.
- (5) In this paragraph 13 references to the Society shall be deemed to include references to any other person who is for the time being the trustee of any Lloyd's security and trust deed under which the benefit of the approved covenant concerned is held.

14. Restriction on Mortgage – corporate member

No corporate member shall, except with the prior written consent of the Council, create or permit to exist over all or part of the monies and assets comprising its funds at Lloyd's or any other fund established by it as security for the payment of its underwriting liabilities (or, in either case, any interest therein) any mortgage, charge, pledge, lien, assignment, encumbrance, right of set-off, title transfer or retention arrangement or agreement, or any security interest whatsoever (other than in favour of the Society or as permitted or required under these conditions and requirements).

PART D – ADDITIONAL UNDERWRITING REQUIREMENTS

15. Solvency shortfall

No member shall underwrite insurance business for the year of account next following the coming into line date if he has failed to extinguish not later than the coming into line date any solvency shortfall shown in the most recent solvency statement or additional solvency statement issued by the Society in relation to him.

16. Requests for funds

- (1) Subject to sub-paragraphs (2) and (3), no member shall underwrite insurance business for the year of account next following the coming into line date if that member has failed to meet in full by the coming into line date any request for funds made by a managing agent where such request was due to be met by such date.
- (2) In determining for the purposes of sub-paragraph (1) whether a member has failed to meet in full a request for funds no account shall be taken of any interest for which he is liable under clause 7.1(c) of any agreement in the form of the standard managing agent's agreement (general) or the standard managing agent's agreement (corporate member) (as the case may be).
- (3) Sub-paragraph (1) shall not apply if no later than the coming into line date the member has duly authorised the application of such amount of funds at Lloyd's as is sufficient to meet his liabilities in respect of all requests for funds referred to in sub-paragraph (1).

17. Power of Attorney

No member shall underwrite insurance business at Lloyd's unless he has executed a power of attorney in the form for the time being prescribed by the Council relating to the carrying on of insurance business of all classes and matters incidental thereto in jurisdictions outside the United Kingdom.

18. Franchise Board

Nothing in these conditions and requirements shall prevent the Franchise Board or any person or body of persons authorised by the Franchise Board from prescribing other categories of assets at some future date which are acceptable for funds at Lloyd's.

PART E - SUPPLEMENTAL AND COMMENCEMENT

19. Exemptions

The Director, Finance, Risk and Operations, the Managing Director, Operations or the Head of Market Reporting may grant any member exemption from such provisions of these conditions and requirements and on such terms and conditions as they see fit.

20. Confirmation Form

- (1) A members' agent (or where the member has more than one members' agent, the co-ordinating agent) shall, in the case of each member for whom it acts as such, lodge with the Member's Services Unit by such date as may be prescribed in each year a statement in the form set out in Appendix 7 confirming that that member has either complied with these conditions and requirements or has been excused compliance with these conditions and requirements by the Council of Lloyd's.

- (2) A corporate member which has not retained the services of a members' agent for the next following year of account shall lodge with the Members' Services Unit by such date as may be prescribed in each year a statement in the form set out in Appendix 8 confirming that the corporate member has either complied with all these conditions and requirements or has been excused compliance with these conditions and requirements by the Council of Lloyd's.
- (3) A members' agent, or as the case may be, a co-ordinating agent, or a corporate member which has not retained the services of a members' agent shall, upon being required to do so by a Relevant Person, have the statement referred to in sub-paragraph (1) or (2) (as appropriate), or any calculation made in confirming the member's required funds at Lloyd's, audited by a recognised accountant.

21. Accredited Investor – individual members

An individual member who is domiciled or resident in the US shall not underwrite insurance business for any year of account unless he has provided confirmation (in the required format) to his members' agent between 31 March and 30 June in the previous year that he is an accredited investor.

22. Prescribed Forms

A form or other document is in the prescribed form if it is in the form referred to in the Membership and Underwriting Requirements (Corporate Member) or in such other form as an authorised person may prescribe from time to time for the purposes of these conditions and requirements.

24. Revocation

Any conditions or requirements of membership or of underwriting made by or on behalf of the Council before 31 August 2000 are revoked to the extent that they are inconsistent with these conditions and requirements.

25. Commencement

These conditions and requirements shall come into force on 1 September 2000.

APPENDIX 1

INTERPRETATION

1. Except where otherwise provided or where the context otherwise requires, the words and expressions used in these conditions and requirements shall have the meanings given to them in the Membership Byelaw (No. 17 of 1993) or in the Syndicate Accounting Byelaw (No. 18 of 1994).
2. In these conditions and requirements, except where the context otherwise requires -
 - acceptable assets** means the assets listed in Appendix 5;
 - accredited investor** means -
 - (a) an individual who has attested that his net worth, or joint net worth with his spouse, exceeds \$1,000,000; or
 - (b) an individual who in each of the two most recent years, has individual income in excess of \$200,000, and has a reasonable expectation that his individual income in the current year will be in excess of \$200,000; or
 - (c) an individual who in each of the two most recent years, has joint income with his spouse in excess of \$300,000, and has an expectation that his joint income with his spouse in the current year will be in excess of \$300,000.
 - additional solvency statement** has the meaning given in Schedule 1 to the Solvency and Reporting Byelaw (No. 13 of 1990);
 - approved building society** means a building society authorised under the Building Societies Act 1986 which has a general reserve (as shown in its most recent audited accounts) of at least £100m, excluding revaluation reserve;
 - approved charge** means a fixed and floating charge in whichever of the forms set out at Appendices 37 and 38 to the Membership and Underwriting Requirements (Corporate Member) is applicable

in the circumstances with such variations or additions as may be approved by an authorised person, provided by way of Lloyd's deposit, or Lloyd's life deposit, in respect of a corporate member or corporate candidate under paragraph 9(4), (5) or (7);

approved corporate interavailability arrangement

means an arrangement approved by an authorised person whereby –

- (a) a corporate member ceases to underwrite insurance business at Lloyd's; and
- (b) its Lloyd's deposit or its Lloyd's life deposit is held so as to provide security both for its past underwriting business at Lloyd's and the future underwriting business of an associated corporate member whether by way of variation or modification to the trusts, powers, terms, conditions and other arrangements under which its Lloyd's deposit or its Lloyd's life deposit is held;

approved counterparty

means any of the following –

- (a) an approved credit institution;
- (b) a person who is an exempt person within the meaning of section 417(1) of the Financial Services and Markets Act 2002;
- (c) a person permitted under the Financial Services and Markets Act 2000 to conduct investment business of a kind which includes entering into unlisted derivative contracts as principal; or
- (d) in respect of a transaction involving a new issue of securities which are to be listed, the issuer or an approved investment firm acting on behalf of the issuer;

approved covenant

means a deed of covenant in whichever of the

forms set out at Appendices 35 and 36 to the Membership and Underwriting Requirements (Corporate Member) is applicable in the circumstances with such variations or additions as may be approved by an authorised person, provided by way of Lloyd's deposit, or Lloyd's life deposit, in respect of a corporate member or corporate candidate under paragraph 9(4), (5) or (7);

approved currency

means Australian dollars, Canadian dollars, Euros, Hong Kong dollars, New Zealand dollars, Singapore dollars, United States dollars, Japanese yen, Norwegian krone, South African rand, Swiss francs or the currency of any member state for the time being of the European Union;

approved depository

means the Depository Trust Company (DTC), the Canadian Depository for Securities (CDS), CHESSE, fedwire, Euroclear, Clearstream, any depository system mentioned in the definition of "approved stock exchange" and any depository system approved by an authorised person for the purpose of acting as a depository through which securities may be traded;

approved investment firm

means an investment firm as defined in the Investment Services Directive;

approved life assurance company

means an insurance company which -

- (a) (i) has permission given by the Financial Services Authority under Part IV of the Financial Services and Markets Act 2000 to carry on long term business in the UK;
- (ii) is authorised under the European Communities (Life Assurance) Regulations 1984 (S.I. No. 57 of 1984) of the Republic of Ireland to carry on life assurance business (as defined therein) in the Republic of Ireland; or
- (iii) is authorised under the Insurance Act 1986 of the Isle of Man to carry on long term business (as

defined therein) in the Isle of Man;

- (b) has a life fund (as shown in its most recent audited accounts) under management:
 - (i) of more than £250m or the equivalent in Euros and which has been in existence for 10 years or more; or
 - (ii) of more than £500m or the equivalent in Euros; and
- (c) has a financial strength rating for the time being ascribed to it by any one or more of Standard and Poor, Moody's, AM Best or Fitch IBCA of not less than "A";

approved stock exchange

means the Montreal Stock Exchange, NASDAQ/Amex, the London Stock Exchange, the New York Stock Exchange and the Toronto Stock Exchange and the principal stock exchange established in each of the following countries if and for so long as there are no exchange controls on the export of capital from that country (and the depository systems through which securities traded on such exchanges may be held are, in each case, specified in brackets after the name of the country concerned) -

Austria (WSB), Australia (CHESS), Belgium (CIK), Denmark (VPC), Finland, France (SICOVAM), Germany (Kassenverein), Greece (Apothetirio Titlon A.E.), Hong Kong (CCASS), Italy (Monte Titoli), Ireland (IFOX), Japan (JASDEC), Luxembourg, Malaysia (MCD), the Netherlands (NECIGEF), New Zealand (CHESS), Norway (VPC), Portugal (Interbolsa), Singapore (CDP), South Africa, Spain (SCLV), Sweden (VPC) and Switzerland (SEGA); or such other country which may from time to time be added to this list by an authorised person;

associated corporate member

means in relation to a corporate member any body corporate which is –

- (a) a subsidiary (within the meaning of section 736 Companies Act 1985) of the same holding company; or
- (b) otherwise associated with that corporate member;

authorised person

means, in relation to any provision in these requirements and the Membership and Underwriting Requirements (Corporate Member), the Franchise Board or any sub-committee or officer or employee of the Society authorised by the Council or Franchise Board to discharge the duties and functions or to exercise the powers and discretions specified in that provision;

authorised signatory

means in relation to the confirmation of the net eligible means of an individual member, one of the following persons: -

- (a) a partner in a firm of UK chartered or certified accountants or their associated (including overseas) firms of accountants, or a UK chartered or certified accountant in sole practice in the UK or a partner or sole practitioner holding one of the equivalent qualifications in any jurisdiction as set out below -

EU MEMBER STATES	
Austria	Wirtschaftsprüfer und Steuerberater Buchprüfer and Steuerberater Steuerberater
Belgium	Reviseur d'Enterprises/Bedrijfsrevisor Expert Comptable/Accountant
Denmark	Statsautoriserede Revisorer
Finland	KHT auditor
France	Expert Comptable Commissaire aux Comptes
Germany	Wirtschaftsprüfer
Greece	Certified Accountant and Auditor (SELE)
Ireland	Certified Public Accountant
Italy	Dottore Commercialista Ragioniere Revisore Contabile
Luxemburg	Expert Comptable Reviseur d'Enterprises
Netherlands	Registeraccountant (RA)

Portugal	Revisor Oficial de Contas (ROC)
Spain	Auditor de Cuentas (ROAC) Auditor-Censor Jurado de Cuentas (IACJC) Economista Auditor (REA)
Sweden	Auktoriserad Revisor (AR)

Other non-EU countries	
Norway	Statsautorisert Revisor (SR)
Switzerland	Wirtschaftspufer
Australia	Chartered Accountant Certified Practising Accountants
Canada	Chartered Accountant
New Zealand	Chartered Accountant
Japan	Certified Public Accountants Certified Public Tax Accountants
South Africa	Chartered Accountants
USA	Certified Public Accountant

- (b) a representative of a Lloyd's approved credit institution;
- (c) a partner in a firm of UK solicitors or their associated (including overseas) firms; or
- (d) a tax specialist who is either an associate member or fellow at the Chartered Institute of Taxation;

excluding in each case -

- (i) any person unable to satisfy himself that he is competent to give an independent opinion on the valuation of the net eligible assets of the member, and
- (ii) anyone who is -
 - (aa) the spouse, mother, father, child, brother or sister of the member, or
 - (bb) a business partner, fellow director or employee of the member of any of the persons referred to in sub paragraph (aa) above; or
- (e) any other person from time to time

authorised unit trust scheme	<p>authorised by the Head of Market Reporting to give such confirmation;</p> <p>means a unit trust scheme which is authorised for the purposes of the Financial Services and Markets Act 2000 by an authorisation order in force under section 243 of that Act;</p>
ceasing member	means, in relation to an approved corporate interavailability arrangement, a corporate member which has ceased to underwrite or is to cease underwriting at the end of the current year of account and which has made its Lloyd's deposit or its Lloyd's life deposit interavailable to a continuing member;
close relative	means a person's spouse, his children and step-children, his parents and step-parents, his brothers and sisters and his step-brothers and step-sisters;
closed year account	means a year of account for which the financial outcome has been determined following reinsurance to close;
closed year loss	means, in relation to a member, such proportion of the amount shown (as a loss) in the annual report of any syndicate in which that member participated in respect of a year of account closed at 31st December preceding the coming-into-line date concerned as is allocable to the member and which the member has not paid by that coming-into-line date, together with any interest payable by the member in respect thereof;
collective investment scheme	has the meaning given in section 235 of the Financial Services and Markets Act 2000;
coming into line date	means, in relation to a year of account, ("Year B") the date or such other date as the Council may from time to time prescribe in the year of account immediately preceding Year B by which a member of the Society or a candidate must have provided its funds at Lloyd's if it is to be eligible to underwrite in Year B;
connected company	means, in relation to a company, any subsidiary and any holding company of that company and any subsidiary of such holding

company and "subsidiary", "holding company" and "company" have the meanings given to them by the Companies Act 1985;

connected individuals

means persons each of whom is or is to be –

- (a) a director of the successor member;
- (b) a director of the holding company of the successor member;
- (c) in the case of an SLP, a director of the operator of the SLP; or
- (d) a close relative of any person falling within sub-paragraphs (a) to (c) above;

connected person

in relation to a participant, means -

- (a) a participant's spouse, his children and step-children, his parents and step-parents, his brothers and sisters, his step-brothers and step-sisters; or
- (b) the trustee or trustees of a trust set up wholly for the benefit of the participant and/or one or more persons falling within (a) above; or
- (c) a body corporate of which the entire issued share capital is wholly-owned by the participant and/or one or more persons falling within (a) or (b) above;

continuing member

means, in relation to an approved corporate interavailability arrangement, a corporate member which will continue to underwrite for the next following year of account and to which the Lloyd's deposit or Lloyd's life deposit of one or more ceasing members is made interavailable;

conversion arrangement

has the meaning given in the Conversion and Related Arrangements Byelaw (No. 22 of 1996);

Conversion Official

has the meaning given in the Conversion Rules;

Conversion Rules

means the rules so called and made under the Conversion and Related Arrangements Byelaw (No. 22 of 1996) and for the time being in force;

conversion scheme

has the meaning given in the Conversion Rules;

co-ordinating agent	means, in relation to a member, the members' agent appointed by the member to co-ordinate the administration of that member's affairs at Lloyd's in circumstances where more than one members' agent is obliged to provide services as a members' agent to that member;
corporate candidate	means a candidate for membership of the Society as a corporate member;
credit institution	means a credit institution within the meaning of the First Council Directive on the co-ordination of laws, regulations and administrative provisions relating to the taking up and pursuit of the business of credit institutions (No.77/780/EEC);
employee group	means two or more individual members who are connected with an underwriting agent by reason of their employment;
existing member	means a person who is either an individual member or corporate member of the Society when these requirements come into force;
interavailability arrangement	has the meaning given in the Conversion and Related Arrangements Byelaw (No. 22 of 1996);
investment company	means a company whose shares are listed, or are the subject of an application for listing, on the London Stock Exchange under part IV of the Financial Services Act 1986 and which is or has applied to be classified as an investment company under the listing rules made by the London Stock Exchange under that Part and shall be deemed to include any third party which is not otherwise an investment company and which has obtained the consent of an authorised person under paragraph 6(4) to provide the funds at Lloyd's of a corporate candidate or corporate member;
Investment Services Directive	means the European Council Directive of 10 May 1993 on investment services in the securities field (No.93/22/EEC);
limited partner	means an individual or company which is registered as a limited partner of an SLP pursuant to the Limited Partnerships Act 1907;

Lloyd's obligations

means, in relation to any member, all underwriting obligations incurred by the member as an underwriting member, including obligations to the Society and to the trustees of any trust deed under which any part of the member's funds at Lloyd's are held and obligations arising under:

- (a) any byelaw, regulation, rule, direction or other requirement of the Society; and
- (b) any deed, contract, instrument or other arrangement of any kind approved by the Society;

but does not include obligations arising in respect of any letter of credit, guarantee or other security given to secure the performance of any of the member's underwriting obligations in favour of the person giving such guarantee or other security;

managing agent's trustees

means those trustees of the premiums trust funds appointed by a managing agent in its capacity as a member's managing agent pursuant to the premiums trust deeds;

MAPA

means a member's agent pooling arrangement within paragraph 10(2) of the Agency Agreements Byelaw (No. 8 of 1988);

MAPA participation

has the meaning given in the Schedule to the Members' Agent Pooling Arrangements Byelaw (No. 30 of 1993);

member's captive syndicate premium limit

means in relation to a captive corporate member the limit for the time being prescribed on the amount of group company insurance business allocable to a particular year of account which is to be underwritten on the member's behalf through a captive syndicate, such limit being expressed as the maximum permissible amount of the member's captive syndicate premium limit allocable to that year of account;

Membership and Underwriting Requirements (Corporate Member)

means the conditions and requirements so-called and made under the Membership Byelaw (No.17 1993) and for the time being in force;

net funds at Lloyd's

means -

- (a) in relation to any member's overall premium limit the amount of the member's funds at Lloyd's valued in accordance with paragraph 12 less the value of certain liabilities specified in and valued in accordance with paragraph 7; and
- (b) in relation to his general business premium limit or to the member's long term business premium limit, the amount of the member's funds at Lloyd's valued in accordance with paragraph 12 maintained exclusively as security for the member's general business or long term business respectively less the value of certain liabilities specified in and valued in accordance with paragraph 7;

OPL

means overall premium limit;

open year solvency deficiency

means in relation to coming into line date the aggregate figure (if negative) shown on the most recent solvency statements or additional solvency statements in respect of any year of account (other than a run-off account) not closed at the 31st December next before the coming into line date;

open year solvency surplus

means in relation to the coming into line date the aggregate figure (if positive) shown on the most recent solvency statements or additional solvency statements in respect of any year of account (other than a run-off account) not closed as at the 31st December next before the coming into line date;

Overall Value of a Member's Fund

means, in relation to a member, the aggregate value of –

- (a) that member's required funds at Lloyd's; and
- (b) those parts of the premiums trust funds which are held at syndicate level by or under the control of the managing agent's trustees of that member's managing agents;

participant	has the meaning given in the Conversion and Related Arrangements Byelaw (No. 22 of 1996);
partner	means a general partner or limited partner as the case may be;
private successor member	<p>means a qualifying successor member under a conversion arrangement in which there is only one participant or two or more participants who are connected individuals or an employee group and where the participant or participants (as the case may be) and/or any connected person, either:</p> <p>(a) in relation to a qualifying successor member which is a body corporate, hold shares in that body corporate which represent:</p> <ul style="list-style-type: none"> (i) not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at a general meeting of the body corporate on all matters; and (ii) the right to receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the amount distributable by way of dividend or on a winding up of the body corporate; or <p>(b) in relation to a qualifying successor member which is an SLP, are entitled to:</p> <ul style="list-style-type: none"> (i) exercise not less than 85 per cent. (or such other percentage as the Council may prescribe) of the voting rights exercisable at any meeting of the partners of the SLP; and (ii) receive not less than 85 per cent. (or such other percentage as the Council may prescribe) of the distributable income of the SLP or of the SLP's assets available for distribution on a winding up

of the SLP;

qualifying successor member

means a successor member under an interavailability arrangement or a transition arrangement under which, in either case, not less than 75 per cent of the successor member's funds at Lloyd's are provided directly or indirectly by the participants;

recognised accountant

means a person whose name is on the list maintained pursuant to paragraph 4 of the Audit Arrangements Byelaw (No. 7 of 1998);

recognised scheme

means a scheme recognised under –

- (a) section 264 (schemes constituted in other EEA States); or
- (b) section 270 (schemes authorised in designated countries or territories); or
- (c) section 272 (individually recognised overseas schemes) of the Financial Services and Markets Act 2000;

relevant liabilities

means -

- (a) in the case of long term business liabilities referred to by an actuary pursuant to section 83(5)(a) of the Insurance Companies Act 1982; and
- (c) in any other case either (i) liabilities calculated in accordance with instructions approved by the Secretary of State for the purposes of section 83(5)(b) of the Insurance Companies Act 1982 or (ii) liabilities calculated in accordance with the conditions and requirements prescribed by the Council under paragraph 9(1) of the Solvency and Reporting Byelaw (No.13 of 1990) as the case may be;

Relevant Person

means for the purposes of paragraphs 10 and 20, the Head of Market Reporting or the Managing

Director, Operations;

relevant valuation date

- (i) in the case of a corporate member which wishes to commence underwriting insurance business at Lloyd's on a date prior to 1 January next following its admission to membership of the Society, the date on which that member provides funds at Lloyd's;
- (ii) in any other case -
 - (aa) 30 June or such later date as may be prescribed next before the coming into line date; or
 - (bb) where further assets forming additional funds at Lloyd's are provided between 30 June and the coming into line date, the date on which those funds at Lloyd's are provided;

request for funds

means a request for funds made by the managing agent of a syndicate under any standard managing agent's agreement (general) or any standard managing agent's agreement (corporate member);

required funds at Lloyd's

means, in relation to a member and any given year of account, the funds at Lloyd's that a member is required to provide if that member is to be eligible to underwrite insurance business at Lloyd's with a particular overall premium limit for that year;

risk assessment framework

means the risk assessment framework as set out in the document entitled "Strengthening Lloyd's Chain of Security - A Review" issued by Lloyd's in April 1997, as from time to time varied or supplemented;

RBC requirement

means in relation to a participant, the amount determined in accordance with the risk assessment framework to meet any outstanding underwriting liabilities of the participant;

run-off deficiency

means in relation to a member, the amount shown (as a deficiency) in the annual report of any syndicate in which that member participated

	in respect of a year of account more than 36 months old but not closed at 31 st December next before the coming into line date concerned which the member has not met in full by the coming into line date concerned;
SLP	means a Scottish limited partnership
Society	means the Society incorporated by Lloyd's Act 1871 by the name of Lloyd's;
solvency statement	has the meaning given in Schedule 1 to the Solvency and Reporting Byelaw (No. 13 of 1990);
successor member	has the meaning given in the Conversion and Related Arrangements Byelaw (No. 22 of 1996);
third party syndicate premium limit	means in relation to a captive corporate member the limit for the time being prescribed in respect of the amount of third party insurance business allocable to a particular year of account which is to be underwritten on the member's behalf through a specified syndicate, such limit being expressed as the maximum permissible amount of the member's third party syndicate premium limit allocable to that year of account;
transfer agreement	has the meaning given in paragraph 4(1) of the Conversion and related party Arrangements Byelaw (No. 22 of 1996);
transferor	has the meaning given in the Conversion and related party Arrangements Byelaw (No. 22 of 1996);
transition arrangement	has the meaning given in the Conversion and related party Arrangements Byelaw (No. 22 of 1996);
uncalled	means in relation to any closed year loss, open year deficiency or run-off deficiency, the extent to which such loss or deficiency has not been made the subject of a request for funds and "called" shall be construed accordingly;
underwriting agent	means a managing agent or a members' agent;
year of account	means an accounting year at Lloyd's currently the calendar year;

3. For the purposes of the conditions and requirements, a year of account of a syndicate shall be treated as being closed at the time as from which reinsurance to close that year of account takes effect, and a year of account shall be treated as open until it is closed.
4. In these conditions and requirements:
 - (1) Words and expressions importing the masculine gender include the feminine and neuter and words and expressions importing the feminine gender include the masculine and neuter; and
 - (2) Words in the singular include the plural and vice versa.
5. The headings in these conditions and requirements shall not affect the interpretation of these conditions and requirements.

APPENDIX 2

MEMBERS OTHER THAN CAPTIVE CORPORATE MEMBERS

MEMBER	REQUIRED NET FUNDS AT LLOYD'S
Existing member other than a corporate member incorporated in any state of the United States of America	<p>The higher of:</p> <ul style="list-style-type: none"> (a) (i) 40% of OPL; or (ii) where 85% or more of the member's OPL is allocated to a syndicate or syndicates underwriting direct UK motor business, 35% of OPL; or (b) the percentage determined in respect of the member in accordance with the risk assessment framework or as set by the Council, in either case multiplied by the member's OPL.
Existing corporate member incorporated in any state of the United States of America	<p>The highest of:</p> <ul style="list-style-type: none"> (a) (i) 40% of OPL; or (ii) where 85% or more of the member's OPL is allocated to a syndicate or syndicates underwriting direct UK motor business, 35% of OPL; (b) the percentage determined in respect of the member in accordance with the risk assessment framework or as set by the Council, in either case multiplied by the member's OPL; or (c) £1.5 million.

MEMBER	REQUIRED NET FUNDS AT LLOYD'S
<p>Member (whether an individual member or a corporate member) admitted to membership of the Society on or after 1 January 2001</p>	<p>The highest of:</p> <ul style="list-style-type: none"> (a) (i) 40% of OPL; or (ii) where 85% or more of the member's OPL is allocated to a syndicate or syndicates underwriting direct UK motor business, 35% of OPL; or (b) the percentage of OPL as may be set for the member in accordance with the RBC formula or as set by the Council; or (c) (i) in the case of a corporate member incorporated in any state of the United States of America, £1.5 million; (ii) in the case of a private successor member, but only in respect of the first year of account in which the member underwrites insurance business at Lloyd's, whichever is the lowest of - <ul style="list-style-type: none"> (aa) £100,000 multiplied by the number of participants in the relevant arrangement; (bb) £300,000; or (cc) such amount as the Conversion Official may specify; (iii) in any other case, but only in respect of the first year of account in which the member underwrites insurance business at Lloyd's, £300,000.

MEMBER	REQUIRED NET FUNDS AT LLOYD'S
<p>Member (whether an individual member or a corporate member) admitted to membership of the Society on or after 1 January 2002</p>	<p>The highest of:</p> <ul style="list-style-type: none"> (a) (i) 40% of OPL; or (ii) where 85% or more of the member's OPL is allocated to a syndicate or syndicates underwriting direct UK motor business, 35% of OPL; (b) the percentage of OPL as may be set for the member in accordance with the RBC formula or as set by the Council; or (c) (i) in the case of a corporate member incorporated in any state of the United States of America, £1.5 million; (ii) in the case of a private successor member, but only in respect of the first year of account in which the member underwrites insurance business at Lloyd's, whichever is the lowest of - <ul style="list-style-type: none"> (aa) £100,000 multiplied by the number of participants in the relevant arrangement; (bb) £350,000; or (cc) such amount as the Conversion Official may specify; (iii) in any other case, but only in respect of the first year of account in which the member underwrites insurance business at Lloyd's, £350,000.

APPENDIX 3

CAPTIVE CORPORATE MEMBERS

MEMBER	REQUIRED NET FUNDS AT LLOYD'S
Captive corporate member	<p>The higher of:</p> <p>(a) the aggregate of the amounts determined under parts A and B of the schedule to this appendix; or</p> <p>(b) £1.5 million in the case of a captive corporate member incorporated in any state of the United States.</p>

SCHEDULE	
A	<p>Required net funds at Lloyd's in relation to third party business</p> <p>40% of the aggregate of the captive corporate member's third party syndicate premium limit for the next following year of account or such other amount as may be set by an authorised person.</p>
B	<p>Required minimum amount of security provision in relation to group company insurance business to be provided as net funds at Lloyd's</p> <p>The higher of-</p> <p>(a) 40% of the captive corporate member's group company insurance business premium limit for the next following year of account or such higher amount as may be set by an authorised person; or</p> <p>(b) the amount of the margin of solvency that the captive corporate member would be required to maintain in respect of its aggregate group company insurance business in accordance with regulations made under section 32 of the Insurance Companies Act 1982 if that member was an insurance company to which Part II of that Act applied.</p>

APPENDIX 4

NET ELIGIBLE MEANS

ACCEPTABLE MEANS ASSETS

1. General Conditions

An asset shall only be an acceptable means asset for the purposes of Part B of these requirements where it meets each of the following conditions:

- (a) it is beneficially owned by the member;
- (b) it is not encumbered or otherwise charged for any purpose;
- (c) it is not used or otherwise dealt with by the member in such a way that might restrict its availability to meet any underwriting liabilities which the member may incur in the course of his underwriting business at Lloyd's; and
- (d) it is not a securities holding in a Lloyd's corporate vehicle or an underwriting agent registered to act as an underwriting agent by Lloyd's.

2. Assets which must constitute at least 60 per cent of required means level

At least 60 per cent of the means taken into account in calculating a member's net eligible means shall consist of any of the following assets, each of which must satisfy any requirements regarding tenure or valuation set out in relation thereto, namely -

2.1 Approved UK investments - The following assets are acceptable means assets provided that they are solely owned by the member (whether or not held on his behalf by a nominee) and that no single holding of such assets, other than of those listed at (a), (b), (e), (f) or (g) may be relied upon as providing more than 30 per cent of the assets taken into account in calculating the member's net eligible means -

- (a) British Government Stock with a fixed redemption date;
- (b) local authority bonds;
- (c) securities listed on the Stock Exchange (valued at mid-market price);
- (d) units in authorised UK unit trusts (valued at bid price);
- (e) British saving bonds (valued at face value);
- (f) national savings certificates (valued at nominal value plus accrued interest); and
- (g) premium bonds (valued at face value).

2.2 approved non-UK investments - shares quoted on an approved foreign stock exchange

(valued, in sterling, having prudent regard to their likely realisable value) are acceptable means assets provided that -

- (a) they are solely owned by the member, and
- (b) they are subject to no restriction upon their sale or upon the remitting of the proceeds of such sale to the UK, whether imposed by the general law applicable thereto or otherwise; and
- (c) no single holding of any such asset may be relied upon as constituting more than 30 per cent of the assets taken into account in calculating the member's net eligible means;

2.3 cash - cash held in an approved credit institution or building society is an acceptable means asset provided that:

- (a) the value of any such cash deposit is expressed in sterling, with foreign currency balances being converted using an exchange rate obtained from a source acceptable to the Society, as at the date to which means have been confirmed,
- (b) the member has identified the bank or building society, the account number and the precise location of the account in which the cash deposit is held; and
- (c) the cash is held solely in the name of the member;

2.4 bank or building society guarantees - guarantees in a form approved by an authorised person, issued by a UK branch of an approved credit institution or issued by an approved building society and encashable in London, are acceptable means assets provided that -

- (a) the guarantee is issued in favour of the Society, as trustee,
- (b) the value of any guarantee, including US or Canadian dollar guarantees, is expressed in sterling, being converted using an exchange rate obtained from a source acceptable to an authorised person, as at the date to which means have been confirmed,
- (c) the guarantee is continuous and is not capable of cancellation upon less than 4 years notice;
- (d) the guarantee is not a Personal Reserve Fund guarantee held pursuant to the Premiums Trust Deed; and
- (e) if issued after 31 December 1994, the guarantee has not been issued on the basis that the collateral (if any) securing repayment of any amounts payable under it comprise directly or indirectly a security interest over the member's principal private residence;

- 2.5 letters of credit - a letter of credit, in a form approved by an authorised person, issued or confirmed by a UK branch of an approved credit institution and encashable in London, is an acceptable means asset provided that -
- (a) it is issued in favour of the Society, as trustee;
 - (b) its value is expressed in sterling, such value, where the letter of credit is denominated in US or Canadian dollars, being converted using an exchange rate, obtained from a source acceptable to an authorised person, as at the date to which means have been confirmed;
 - (c) it is irrevocable and valid initially for at least 5 years, with provision for automatic extension for a further year, without written amendment (to the effect that the letter of credit shall always be valid for an unexpired period of 4 years); and
 - (d) if issued or confirmed after 31 December 1994, it has not been issued or confirmed on the basis that the collateral (if any) securing repayment of any amounts payable under it comprise directly or indirectly a security interest over the member's principal private residence;
- 2.6 insurance company guarantees - guarantees issued by approved life assurance companies in favour of the Society as trustee are acceptable means assets provided - that such guarantees are encashable in London, are in a form approved by an authorised person and if issued after 31 December 1994, have not been issued or confirmed on the basis that the collateral (if any) securing repayment of any amounts payable under them comprise directly or indirectly a security interest over the member's principal private residence;
- 2.7 life policies - life policies issued by an approved life assurance company are acceptable means assets provided that the member is the sole beneficial owner of any such policy and provided also that the member has paid, and shall pay, all premiums due under that policy from his own resources;
- 2.8 other assets - such other assets as the Society shall, in its absolute discretion, accept may be included as acceptable means assets.

3. Assets which may not exceed 40 per cent of the required means level

The following assets are acceptable means assets save that such assets may not in aggregate be relied upon as providing more than 40 per cent of the means taken into account in calculating a members' net eligible means, and provided also that such assets satisfy any requirements regarding tenure or valuation set out in relation thereto, namely -

- 3.1 real property - members may include as acceptable means assets any
- (a) freehold interest in land; or
 - (b) leasehold interests where the unexpired residue of the lease is not less than 50

years and the sum of that unexpired residue and the member's age is greater than 100 years;

provided that the property in question is not the member's principal private residence, and provided also that -

- (a) amounts in respect of any mortgages or other outstanding loans secured upon the property shall be deducted from its value as shown in the member's means confirmation,
- (b) where the member's interest is jointly owned with any other person, the property in question shall be held on a tenancy in common,
- (c) the authorised signatory shall confirm whether or not there are any restrictions on realising the property, or whether or not is subject to the community property laws of any state of the United States of America, and
- (d) the member shall use his best endeavours to insure the property to its full reinstatement value.

4. Overseas members

4.1 If any of the assets listed in paragraphs 2 and 3 above which an overseas individual member is relying on for means purposes are subject to the community property laws in force in any US state listed in sub-paragraph 4.2 below, the value of such assets for means purposes shall be reduced by 50 per cent unless the member produces a community property commitment agreement in such form as is acceptable to the Council and duly executed by the member's spouse.

4.2 For the purposes of sub-paragraph 4.1 above, the relevant US states are the following-

Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington and Wisconsin.

4.3 Where the exchange control regulations in force in the country in which an overseas member is resident restrict or prohibit the transfer of assets of the member to the United Kingdom to discharge any underwriting liabilities he may have incurred in the course of his underwriting business at Lloyd's, the member must either -

- (a) produce to Lloyd's confirmation that any necessary exchange permission to transfer the relevant assets to the UK has been or will be granted;
- (b) show means in a country which does not have such exchange control regulations; or
- (c) provide the Society with a letter of credit or guarantee which is capable of encashment in the United Kingdom.

LIABILITIES

5. Liabilities to be taken into account when calculating the value of net eligible means

In calculating the amount of an individual member's net eligible means, the following liabilities of the member shall be deducted from the aggregate value of his acceptable means assets, in accordance with the following provisions -

5.1 taxation liabilities -

- (a) all taxation liabilities, whether in respect of income or capital taxation, not capable of being met by income or by assets (other than the member's principal private residence) not taken into account in calculating the member's net eligible means, and
- (b) in the case of lifetime transfers giving rise to actual or potential inheritance tax, or its equivalent, any estimated tax liabilities;

5.2 other loans and liabilities - any other liabilities which the member cannot meet from assets other than those taken into account in calculating the net eligible means;

5.3 contingent liabilities -

- (a) all contingent liabilities which are likely to arise in the foreseeable future and which may materially reduce the net eligible means of the member;
- (b) liabilities which will arise between the date of completion of the means confirmation and the date on which it is submitted and which may materially reduce the net eligible means of the member; and
- (c) partnership tax liabilities, unless the partnership agreement in question provides that the partners shall bear tax liabilities arising from the partnership severally.

APPENDIX 5

FUNDS AT LLOYD'S

General principles for the determination of acceptable assets

1. Assets must be diversified and spread in such a way as to ensure that there is no excessive reliance on any particular category of asset, investment market or investment.
2. Investments in particular types of asset which show high levels of risk, whether because of the nature of the asset or the quality of the issuer, must be restricted to prudent levels.
3. Assets must be readily realisable, capable of objective and verifiable valuation and must not give rise to unacceptable custody risk or onerous holding duties.

Part 1

Categories of assets which are acceptable for funds at Lloyd's

1. Debt securities, bonds and other money and capital market instruments

- (a) Debt securities, bonds and other money and capital market instruments (other than those falling within sub-paragraphs (b), (c), (d) and (e)) which -
 - (i) are denominated in an approved currency; and
 - (ii) are of a class quoted or listed on an approved stock exchange;
- (b) Loan notes which -
 - (i) are denominated in an approved currency; and
 - (ii) are of a class quoted or listed on an approved stock exchange or are issued by a company incorporated in England, Wales or Scotland, all or some of the securities of which company are quoted or listed on an approved stock; or
 - (iii) are issued or guaranteed by an approved credit institution;
- (c) US municipal bonds which -
 - (i) are denominated in an approved currency; and
 - (ii) have a Standard and Poor's rating and a Moody's rating of at least AA in each case, and, if only having one such rating, of AA or better;

- (d) Certificates of deposit which -
 - (i) are denominated in an approved currency; and
 - (ii) are issued by an approved building society or approved credit institution;
- (e) Commercial paper which –
 - (i) is denominated in an approved currency;
 - (ii) has one or more of the following ratings:
 - (aa) Moody’s rating of at least Prime 1;
 - (bb) Standard and Poor’s rating of at least A1;
 - (cc) Fitch IBCA rating of at least F1; and
 - (iii) has a maturity of not more than 30 days.

(“Paragraph 1 Assets”)

2. Shares and other variable yield participations

- (a) Shares and other variable yield participations which -
 - (i) are of a class quoted or listed on an approved stock exchange;
 - (ii) are denominated in an approved currency;
 - (iii) are held either in an approved depository or by Members' Services Unit;
 - (iv) are neither in, nor have been issued by, a corporate member;
 - (v) are neither in, nor have been issued by, any company in the same group as a corporate member unless the turnover of the corporate member is equal to 5 per cent. or less of the turnover of the group of which the corporate member is a member;
 - (vi) are neither in, nor have been issued by, an underwriting agent registered to act as an underwriting agent by the Society; and
 - (vii) are neither in, nor have been issued by, any company in the same group as an underwriting agent registered to act as an underwriting agent by the Society unless the turnover of the underwriting agent is equal to 5 per cent. or less of the turnover of the group of which the underwriting agent is a member.

("Paragraph 2 Assets")

- (b) The figures to be used for the purposes of sub-paragraphs (a)(v) and (vii) shall be those shown in -
 - (i) the then latest published audited accounts of the corporate member or underwriting agent, as the case may be; and
 - (ii) the then latest published audited consolidated accounts of the group of which the corporate member or underwriting agent, as the case may be, is a member.

2A. Concentration limits in respect of Paragraph 1 Assets and Paragraph 2 Assets

- (a) No more than 5 per cent of the value of a member's funds at Lloyd's or, in the alternative, the Overall Value of a Member's Fund may be held in bonds and securities issued by any governments state and regional and local authorities outside the following countries:

Australia, Austria, Belgium, Canada, Czech Republic, Denmark, England, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, New Zealand, Northern Ireland, Norway, Poland, Portugal, Scotland, Slovak Republic, South Korea, Spain, Sweden, Switzerland, Turkey, United States and Wales.

- (b) In the case of a corporate member, no more than 2.5 per cent of the Overall Value of a Member's Fund may be held in Paragraph 2 Assets issued by one company (and any of its connected companies).
- (c) Subject to sub-paragraphs (b), (d), (f) and (g) no more than 5 per cent of the value of a member's funds at Lloyd's or, in the alternative, the Overall Value of a Member's Fund may be held in Paragraph 1 Assets or Paragraph 2 Assets, taken together, issued by any one company (and any of its connected companies).
- (d) Subject to sub-paragraphs (f) and (g), more than 5 per cent (but no more than 10 per cent) of the value of a member's funds at Lloyd's or, in the alternative, the Overall Value of a Member's Fund may be held in Paragraph 1 Assets and Paragraph 2 Assets, taken together, issued by any one company which is an approved counterparty (and any of its connected companies) provided Exceptions do not amount to more than 40 per cent of the value of a member's funds at Lloyd's or, as the case may be, the Overall Value of a Member's Fund.
- (e) For the purpose of sub-paragraph (d), an investment of more than 5 per cent (but no more than 10 per cent) of the value of a member's funds at Lloyd's or, as the case may be, the Overall Value of a Member's Fund in Paragraph 1 Assets or Paragraph 2 Assets, taken together, issued by any one company which is an approved counterparty (and any of its connected companies) is an "Exception".

- (f) In the case of an individual member, no more than 10 per cent of the value of that member's funds at Lloyd's may be held in Paragraph 1 assets issued by any one company (and any of its connected companies).
- (g) In the case of an individual member, no more than 10 per cent of the value of that member's funds at Lloyd's may be held in Paragraph 2 assets issued by any one company (and any of its connected companies).

3. Holdings in collective investment schemes

- (a) Holdings in collective investment schemes which -
 - (i) do not have investments in (and do not invest in) shares or other variable yield participations in, or issued by:
 - (aa) a corporate member;
 - (ab) any company in the same group as a corporate member unless the turnover of the corporate member is equal to 5 per cent. or less of the turnover of the group of which the corporate member is a member;
 - (ac) an underwriting agent registered to act as an underwriting agent by the Society; or
 - (ad) any company in the same group as an underwriting agent registered to act as an underwriting agent by the Society unless the turnover of the underwriting agent is equal to 5 per cent. or less of the turnover of the group of which the underwriting agent is a member; and
 - (ii) either are authorised or recognised by the Financial Services Authority; or
 - (iii) in the case of US mutual funds are authorised and regulated by the Securities and Exchange Commission.
- ("Paragraph 3 Assets")
- (b) The figures to be used for the purposes of sub-paragraphs (a)(i)(ab) and (ad) shall be those shown in -
 - (i) the then latest published audited accounts of the corporate member or underwriting agent, as the case may be; and
 - (ii) the then latest published audited consolidated accounts of the group of which the corporate member or underwriting agent, as the case may be, is a member.

3A. Concentration limits in respect of Paragraph 3 Assets

- (a) Subject to sub-paragraph (b), no more than 25 per cent of value of a member's funds at Lloyd's or, in the alternative, the Overall Value of a Member's Fund may be held in any one authorised unit trust schemes, recognised schemes and investment funds (other than Undertakings for Collective Investments in Transferable Securities (UCITS) co-ordinated within the meaning of EC Council Directive 85/611/EEC of 20 December 1985).
- (b) Subject to sub-paragraph (c), in the case of individual members only, no more than 50 per cent of the value of that member's funds at Lloyd's may be held in authorised unit trust schemes, recognised schemes and investment funds (other than Undertakings for Collective Investments in Transferable Securities (UCITS) co-ordinated within the meaning of EC Council Directive 85/611/EEC of 20 December 1985).

4. Cash at bank, in hand and in deposits with credit institutions and building societies

- (a) Cash which -
 - (i) is in an approved currency; and
 - (ii) is held by an approved credit institution or approved building society.
- (b) Cash in hand, namely cash which is in an approved currency and held by Members' Services Unit.
- (c) National Saving Certificates.

("Paragraph 4 Assets")

4A. Concentration limits in respect of Paragraph 4 Assets

No more than 20% of the value of a member's funds at Lloyd's or, in the alternative, the Overall Value of a member's Fund may be held in cash held by any one approved credit institution (or any of its connected companies).

5. Letters of credit

Letters of credit which –

- (a) in the case of letters of credit issued on behalf of an individual member, contain the terms set out in Lloyd's standard form MEM 380 without any material additions to such terms and have been completed in strict compliance with the notes for completion set out therein;
- (b) in the case of letters of credit issued on behalf of a corporate member, contain the terms set out at Appendix 29 to the Membership and Underwriting Requirements (Corporate Member) without any material addition to such

terms and have been completed in strict compliance with the notes for completion set out on the reverse side of that Appendix 29;

- (c) have been issued or confirmed by an approved credit institution, an approved building society or an approved life assurance company;
- (d) have been issued on the headed notepaper of the issuer or confirmer or sent by an authenticated teletransmission system such as SWIFT;
- (e) are encashable in London;
- (f) are denominated in an approved currency;
- (g) unless an authorised person otherwise agrees, are effective as of 1st January of the year in relation to which they are given;
- (h) are clean and irrevocable;
- (i) are subject to not less than 4 years' notice of cancellation;
- (j) are governed by English law and subject to the exclusive jurisdiction of the English courts;
- (k) if issued or confirmed after 31 December 1994 have not been issued or confirmed on the basis that the collateral (if any) securing the repayment of any amounts payable under them comprise directly or indirectly a security interest over a principal private residence unless the members' agent of the member on whose behalf such a letter of credit has been issued has satisfied itself that the person who has provided such collateral security has readily realisable assets outside Lloyd's at least equal in value to the face value of the letter of credit. This limitation shall not apply in relation to a letter of credit issued in connection with an interavailability arrangement in substitution of a letter of credit issued on or before 31 December 1994; and
- (l) if under notice of cancellation must not be due to expire on or before 30th September in the fourth year following the then last coming-into-line date so that, for example, if it is due to expire on or before 30th September 2007 it will not be an authorised asset for the 2004 and any subsequent year of account.

6. Guarantees

Guarantees which -

- (a) in the case of guarantees issued on behalf of an individual member, are -
 - (i) if given (or to be given) by joint guarantors, in Lloyd's standard form MEM 171 or MEM 199 and have been completed and executed in strict compliance with the relevant notes for completion;

- (ii) if given (or to be given) by an approved credit institution, in Lloyd's standard form MEM 170 or MEM 178 and have been completed and executed in strict compliance with the relevant notes for completion;
 - (iii) if given (or to be given) by an insurance company, in Lloyd's standard form MEM 174 or MEM 179 and have been completed and executed in strict compliance with the relevant notes for completion;
- (b) in the case of guarantees issued on behalf of a corporate member, are -
- (i) if given (or to be given) by joint guarantors, in the form set out at Appendix 30 to the Membership and Underwriting Requirements (Corporate Member) and have been completed and executed in strict compliance with the guidance notes set out at Appendix 32 to the Membership and Underwriting Requirements (Corporate Member);
 - (ii) in the case of any other guarantee, in the form set out at Appendix 31 to the Membership and Underwriting Requirements (Corporate Member) and has been completed and executed in strict compliance with the guidance notes set out at Appendix 33 to the Membership and Underwriting Requirements (Corporate Member);
- (c) have been provided by an approved credit institution, an approved building society or an approved life assurance company;
- (d) are encashable in London;
- (e) are denominated in an approved currency;
- (f) unless an authorised person otherwise agrees, are effective as of 1st January of the year in relation to which they are given;
- (g) are subject to not less than 4 years' notice of cancellation;
- (h) are governed by English law and subject to the exclusive jurisdiction of the English courts;
- (i) if provided after 31 December 1994 have not been provided on the basis that the collateral (if any) securing the repayment of any amounts payable under them comprise directly or indirectly a security interest over a principal private residence unless the members' agent of the member on whose behalf such a guarantee has been issued has satisfied itself that the person who has provided such collateral security has readily realisable assets outside Lloyd's at least equal in value to the face value of the guarantee. This limitation shall not apply in relation to a guarantee issued in connection with an interavailability arrangement in substitution of a guarantee issued on or before 31 December 1994; and
- (j) if under notice of cancellation must not be due to expire on or before 30th September in the fourth year following the then last coming-into-line date so

that, for example, if it is due to expire on or before 30th September 2007 it will not be an authorised asset for the 2004 and any subsequent year of account.

7. Capital redemption bonds and life assurance policies

Capital redemption bonds and, in the case of individual members only, life assurance policies, provided the following conditions are met –

- (a) contracts of life assurance must be underwritten and capital redemption bonds must be issued by an approved life assurance company;
- (b) the member must be the sole beneficial owner and bonds must not be encumbered by mortgages, loans or other charges of any kind, or be the subject of prior trusts;
- (c) the contracts must be duly assigned to Lloyd's using whichever of the prescribed forms of assignment for contracts to be included in a member's funds at Lloyd's is appropriate in the circumstances;
- (d) notice of assignment must be given to the company which has underwritten the policy in a form approved by an authorised person;
- (e) permitted contracts are -
 - (i) fully-paid or partly-paid bonds;
 - (ii) paid-up endowment or whole life policies on which no further premiums are due or payable;
 - (iii) partly paid endowment or whole life policies; or
 - (iv) broker managed bonds;
 - (v) contracts falling within (ii), (iii) or (iv) may only be taken into account if the issuing company undertakes to provide automatic annual valuations;
 - (vi) contracts which consist of two or more interdependent policies may be acceptable provided that any inter-change of value does not involve payments out of, or receipts into, the member's funds at Lloyd's. A bond may be written on a joint life basis;
- (f) the contracts must maintain their value, subject to normal fluctuations in market values of the underlying investments in the life company's funds. In general, any surrender of units, bonuses or sums assured which could reduce the value of policies or bonds below the value at which there were accepted into the member's funds at Lloyd's, is not permitted; however, income may be drawn subject to the following conditions -

- (i) in the case of guaranteed income from bonds, provided that the capital value of the bonds is not reduced;
 - (ii) in the case of income from bonds linked to units on which income is distributed, provided no surrender of units is involved;
 - (iii) in the case of bonds linked to units where income is accumulated, income may be drawn by surrender of units, provided that such surrender does not reduce the value of the bond below 95 per cent of the agreed value at the time of entry to the member's funds at Lloyd's;
 - (iv) withdrawals may not be taken on an automatic basis, unless the life company has agreed to monitor the value of the policy, in order that it shall not fall below 95 per cent of its admitted value.
- (g) the contracts must be readily realisable -
- (i) bonds linked to units must have surrender values which can be determined by multiplying the bid price of the units as published daily in the Financial Times, by the number of units held, without deductions of any kind by the company; or
 - (ii) in the case of paid-up life or endowment policies, they must have a surrender value determined by the company actuary and guaranteed to hold for 30 days; or
 - (iii) for other types of contract they must have a minimum surrender value guaranteed from the time of receipt into funds at Lloyd's for the duration of the policy or bond; and
 - (iv) in any contract where the maturity proceeds are expressed as payable by instalments, there must be an option to take a lump sum in lieu.

In all cases, cash on surrender must be payable within 14 calendar days, on production of the policy document and deed of assignment.

- (h) second-hand life policies which have been solely assigned to a member and which meet the requirement listed above will be acceptable.

APPENDIX 6

DETERMINATION OF THE MARKET VALUE OF FUNDS AT LLOYD'S

1. (1) Subject to paragraph 3, the mid-market closing price, bid price or market price (as the case may be) of securities shall be determined as follows:

(a) in the case of certificates of deposit falling within Part 1 paragraph 1(d) of Appendix 5 by the following calculation:

$$\text{mid-market closing price} = \frac{36,500 + (I \times P)}{36,500 + (C \times D)} \times N$$

Where

I = rate of interest at which the certificate was issued (expressed as a fraction)

P = its period of duration on the date of issue expressed in days

C = Bank of England closing interest rate on the relevant date for deposits of the maturity closest to D for which a closing interest rate is given

D = period of issue of certificate which is unexpired at the relevant date expressed in days

N = aggregate nominal amount of the certificates of deposit concerned

(b) in the case of any security falling within Part 1 paragraph 1(a) of Appendix 5 or issued by a company referred to in Part 1 paragraph 2(a) of Appendix 5, or by an investment trust referred to in paragraph 3(a) of Appendix 5 its mid-market closing price shall be that shown in the London edition of the Financial Times or in the Stock Exchange Daily Official List, in the New York edition of the Wall Street journal, the Globe and Mail (Canada) or in a reputable financial newspaper published in a place where the exchange is situated on the relevant date or in any one of the electronic pricing sources set out in paragraph 3 permitted for the security concerned for the relevant date;

(c) the bid price of a unit in a trust fund referred to in Part 1 paragraph 3(a) (ii) of Appendix 5 shall be the price certified in writing by the manager of the trust fund on the relevant date or in any one of the electronic pricing sources set out in paragraph 4 of this Appendix permitted for the security concerned for the relevant date;

- (d) the bid price of a share in a mutual fund referred to in Part 1 paragraph 3(a)(iii) of Appendix 5 shall be the net asset value per share for that mutual fund on the relevant date quoted by the National Association of Securities Dealers of the US;
 - (e) the market price of the US municipal bonds referred to in Part 1 paragraph 1(c) of Appendix 5 shall be the price certified in writing by any broker or dealer which makes a market in the particular bond on the relevant date;
 - (f) loan notes referred to in Part 1 paragraph 1(b) of Appendix 5 shall be valued at par; and
 - (g) commercial paper referred to in Part 1 paragraph 1(e) of Appendix 5 shall be valued at par.
- (2) In paragraphs 1 and 2, "*the relevant date*" means -
- (a) in the case of any valuation of securities or other assets included in an individual member's or corporate member's funds at Lloyd's as at any relevant valuation date and any currency translation required for the purpose of any such valuation, the first business day after such relevant valuation date save that, where an electronic pricing source is used, the relevant date means the relevant valuation date; and
 - (b) in the case of any other valuation for the purposes of these conditions and requirements, the date on which that valuation is made.
- (3) The following assets shall be valued at par -:
- (a) cash in sterling (falling within Part 1 paragraph 4 of Appendix 5);
 - (b) cash in sterling held in a building society account (falling within Part 1 paragraph 4 of Appendix 5);
 - (c) bank and insurance company guarantees payable in sterling (falling within Part 1 paragraph 6 of Appendix 5);
 - (d) letters of credit payable in sterling (falling within Part 1 paragraph 5 of Appendix 5); and
 - (e) national savings certificates (falling within Part 1 paragraph 4 of Appendix 5).
- (4) The following assets shall be valued by applying the exchange rate prevailing at the relevant time -
- (a) letters of credit and guarantees payable in currencies other than sterling (falling within Part 1 paragraph 5 or 6 of Appendix 5); and

- (b) cash balances held in currencies other than sterling (falling within Part 1 paragraph 4 of Appendix 5).
- (5) Whole life and endowment policies falling within Part 1 paragraph 7 of Appendix 5 shall be valued at their surrender value after taking into account any market value adjustment at the relevant time.

Foreign currencies

2. Amounts denominated in currencies other than sterling shall be translated into sterling using the closing mid-market rate of exchange shown in the London edition of the Financial Times on the relevant date or at the settlement spot rate shown at or about 11am on the relevant date on Reuters Screen SAF5 Page or such other Reuters Screen page as may be prescribed by an authorised person.

Electronic pricing sources

3. (1) The electronic pricing sources permitted for the purpose of paragraph 1 and the securities for which they are permitted are as follows -

Name of pricing source	Securities for which it may be used
Bloomberg	Any security
Bridge	Any equity security and any other security agreed in writing by an authorised person
Datastream	Any security
Extel/Exshare	Any security
Hardwick Stanford White (previously FINSTAT)	Any security falling within sub-paragraph 2.1(g), (h) or (i) and any other security agreed in writing by an authorised person
Interactive Data Company	Any security
International Securities Market Association	Any bond held in Euroclear or Clearstream
Reuters	Any security
Telekeurs	Any security

and any other electronic pricing source which an authorised person agrees in writing may be used for securities specified by him.

- (2) Any closing price shown for the security concerned in the relevant electronic pricing source may be taken as the mid-market closing price or bid price (as the case may be) for the purpose of these conditions and requirements; provided that where bid and invitation closing prices are shown for the same close, the average of those closing prices shall be taken as the mid-market closing price.

General

4. (1) If in this Appendix 6 no mechanism is provided for the valuation of an authorised asset, the value to be put on that authorised asset for the purposes of these requirements will be determined by the Managing Director, Operations.
- (2) Where this Appendix 6 provides that the value of an asset is to be determined by reference to the published mid-market closing price and no mid-market closing price for that asset is published, references to “mid-market closing price” shall be construed as referring to the “closing price”.
- (3) All assets shall be valued net of any debts arising from their acquisition.

APPENDIX 7

MEMBERS' COMPLIANCE WITH UNDERWRITING REQUIREMENTS

Year of Account

Members' Agent's Confirmation Form

Members' Agent:

Date:/...../.....

We confirm (in respect of those members underwriting on the account) that each member for whom we act (either as co-ordinating or sole members' agent) has either complied with the Membership and Underwriting Conditions and Requirements (Funds at Lloyd's) (Individual/Corporate Members) or has been excused compliance with those requirements by the Council of Lloyd's and that each member has signed a syndicate list confirming that member's underwriting participations for the [] year of account.

IMPORTANT NOTICE
The confirmations made in this Form are important and will be relied upon by Lloyd's. Signatories must take care to ensure the accuracy of their confirmations. Any queries relating to this Form should be made in the first place to the Team Leader, Capital Requirements, Members' Services Unit.

Signature of Director/Partner
(or other authorised signatory)

Name (in block capitals)
Title/Position

Please return this form to the Team Leader, Capital Requirements, Members' Services Unit, by such date as may from time to time be prescribed.

APPENDIX 8

PART 1

MEMBER'S COMPLIANCE WITH UNDERWRITING CONDITIONS AND REQUIREMENTS

Year of Account

Corporate Member's Confirmation Form

Corporate Member :	(“the Corporate Member”)
Membership Number:	

Date:/...../.....

I confirm that the Corporate Member has either:

- (a) complied with the Membership and Underwriting Conditions and Requirements (Funds at Lloyd's) (Individual/Corporate Members) and has sufficient funds at Lloyd's to support the following year's underwriting as demonstrated by the calculation in Part 2 of this statement; or
- (b) has been excused compliance with those conditions and requirements by the Council of Lloyd's;

AND that the Corporate Member has signed a syndicate list confirming its underwriting participations for the [] year of account.

IMPORTANT NOTICE
The confirmations and figures stated within both pages of this Form are important and will be relied upon by Lloyd's. Signatories must take care to ensure the accuracy of their confirmations. Any queries relating to this Form should be made in the first place to the Team Leader, Direct Corporates, Members' Services Unit.

Signature of Director/Partner
of the Corporate Member

Name (in block capitals)
Title/Position

Please return this form to the Team Leader, Direct Corporates, Members' Services Unit, by such date as may from time to time be prescribed.

(Cont'd overleaf)

APPENDIX 8

PART 2

MEMBER'S COMPLIANCE WITH UNDERWRITING CONDITIONS AND REQUIREMENTS

Year of Account

Corporate Member's Confirmation Form (Cont'd)

Name of Corporate Member			
A	Level of Underwriting (OPL) for next year	£	
B	Relevant percentage of OPL		%
C	Net FAL Requirement	£	
D	Amount of liabilities specified in paragraph 7 of the M&URS (Funds at Lloyd's)	£	
E	FAL Requirement (C + D)		£
F	FAL Value at [relevant valuation date]	£	
G	Value of FAL assets added since [relevant valuation date]	£	
H	Value of FAL released since [relevant valuation date]	£	
I	Total FAL available to support Underwriting for next year (F + G – H)		£

Asset Concentration Restrictions

Asset type	% of total FAL permitted		
	Corporate Members	Small Corporate members	<i>Individuals underwriting in 2005 & post YOAs</i>
Shares in any one group of companies	5%	10%	15% *
Corporate bonds and debt securities	5%	10%	15% *
Collective investment schemes (except UCITS and ICVCs)	25%	25%	50%
Bonds and securities issued/guaranteed by government of zone A countries	100%	100%	100%
Bonds and securities issued/ guaranteed by government of non-zone A countries	5%	5%	5%
Cash deposited at single bank	20%	20%	20%
Corporate bonds and debt securities from approved counterparties	10% (up to 40% in agg.) then 5%	10%	15% *

Notes

1. The percentages marked '*' will reduce by 2.5% in each subsequent year until 2007 at which point it will level out at 10%.

**CRITERIA TO BE APPLIED IN THE APPROVAL
OF CREDIT INSTITUTIONS**

The criteria for the approval of credit institutions for the purposes indicated are set out below, *subject to the proviso that no institution may be approved or remain approved should it fail to meet the requirements of Article 21 of EC Council Directive 92/49 or any applicable UK requirement:*

- i) For holding Syndicate Premiums Trust Funds and cash in respect of Members' Funds at Lloyd's (i.e. deposit, special reserve fund and personal reserve fund):-
- a) (1) Credit institutions authorised to ***accept deposits in the UK*** by the Financial Services Authority ("authorised institutions") with net tangible assets * of not less than £100 million (or equivalent) ("Lloyd's approved institutions");
 - (2) wholly owned subsidiaries of Lloyd's approved institutions which are themselves authorised institutions; and
 - (3) authorised institutions the whole of the share capital of every class of which is beneficially owned by two or more Lloyd's approved institutions to the exclusion of any other body or person.
- b) Authorised institutions which are wholly owned subsidiaries of the trustees of Lloyd's American or Lloyd's Canadian Trust Funds.
- ii) For the issue or confirmation of Letters of Credit and Bank Guarantees (in Sterling, US Dollars and Canadian Dollars) in respect of members' Lloyd's means and deposits:-
- a) Credit institutions in the categories in i) above that have a long term debt rating with Fitch IBCA, Standard & Poor's or Moody's of 'A' or better¹; or
 - b) Credit institutions with net tangible assets in excess of £500m in the categories in i) above that have a long term debt rating with Fitch IBCA, Standard & Poor's or Moody's of less than 'A', where an authorised person² is satisfied that:
 - i) the said rating is restricted by the status of the government of the institution's domicile; and
 - ii) there is no specific risk that the institution will default on paymentsubject to the condition that the value of any such Letters of Credit or Bank Guarantees shall not exceed £10 million in aggregate.
- iii) For the issue or confirmation of Letters of Credit and Bank Guarantees (in Sterling,

¹ "+" and "-" suffix are ignored as they merely depict relative standing within major rating categories.

² 'authorised person' means the Director, Members' Services Unit

US Dollars and Canadian Dollars) of over £5m in respect of the Lloyd's funds of any one corporate member group:-

Credit institutions in the categories in i) above that satisfy the criteria in (ii)(a) above and have net tangible assets in excess of £500m, or that satisfy the criteria in (ii)(b) above.

Letters of credit and bank guarantees must be issued or confirmed in the UK and be encashable in London.

** Net tangible assets are defined as the aggregate of paid up share capital, consolidated reserves and subordinated loans (with a maturity greater than five years) less the amount of any intangible assets, all as shown by the latest audited accounts if available or the consolidated audited accounts of the group to which the institution belongs. Accounts prepared in foreign currencies are to be translated into sterling at the exchange rate prevailing at the balance sheet date.*

Aggregate Restriction

The aggregate quantum of guarantees and letters of credit that any one institution may issue will be restricted to the lower of:

- i) *the percentage, set out below, of the total net resources of the Society of Lloyd's as reported in the most recent edition of Lloyd's global results, varying according to the long term credit rating of the institution with Fitch IBCA, Standard & Poor's or Moody's:*

*for credit rating of 'A', a restriction of 12.5% of net resources of Society;
and
for credit rating of 'AA' or above, a restriction of 17.5% of net resources of Society;*

and

- ii) *20% of the institution's year end net tangible assets*

When the aggregate limit has been reached the credit institution will not be permitted to issue any further guarantees or letters of credit.

Additional Provisions

- a) The **Council of Lloyd's** will need to satisfy itself that there are no restrictions which might inhibit an institution from meeting its obligations.

- b) The addition and deletion of credit institutions within the agreed criteria will be made on the authority of the Director, Members' Services Unit. In addition the ***Council of Lloyd's*** may exercise its discretion to add or delete credit institutions from the approved list.

Withdrawal of Approval

Where the ***Council of Lloyd's*** (acting by any duly authorised person or body) considers, in its absolute discretion, that any approved credit institution has, without lawful excuse, wrongfully failed to honour any letter of credit or guarantee which it has issued, confirmed or provided to Lloyd's ***within 30 days of being duly requested to do so or at all, the council may determine that such credit institution cease to be an approved credit institution for the purpose of issuing, confirming or providing any letter of credit or guarantee as the case may be pursuant to and within the meaning of the Membership and Underwriting Conditions and Requirements (Means and Funds at Lloyd's) (Individual Members) 1997 and / or the Membership and Underwriting Requirements (Corporate Members) 1993 as amended*** – PROVIDED THAT:

the Council shall first inform any such credit institution that it is minded to remove its name from the list of approved credit institutions and shall take into account any representations received by or on behalf of that credit institution within 35 days of notification, before deciding whether or not to remove it from the said list.

THE COMING INTO LINE TIMETABLE

Members to sign and return syndicate lists to their members' agent.	26/11/2004
The coming into line date by which all members intending to underwrite in 2005 must have complied with the Membership and Underwriting Conditions and Requirements (Funds at Lloyd's) (Corporate/Individual members).	26/11/2004
Members' agents (compliance officer) must confirm that all members were 'in line' and had signed syndicate lists as at 26/11/2004	29/11/2004
Direct corporate participants must confirm that they were in line by 26/11/2004	29/11/2004
Members' agents to provide means data in electronic form for individual members.	29/11/2004
Members' agents and direct corporate members to provide Members' Funds department with list of members taking credit against solvency deficiencies in coming into line for assets disallowed under concentration restrictions, together with asset details	31/12/2004
Members' agents to provide MSU with the funds at Lloyd's requirement of each member expressed in sterling in electronic form..	31/01/2005

IMPORTANT NOTICE

These documents and electronic data submissions are important and must be returned by these prescribed dates. Any queries should be made, in the first instance to Kim Harris, Members' Services Unit.

Underwriting Year

**CONFIRMATION OF NET ELIGIBLE MEANS
(INDIVIDUAL MEMBERSHIP)**

Name

Membership Number

Co-ordinating Agent

This form must be returned to
your co-ordinating agent

CONTENTS

1. General instructions
2. Declaration by member
3. Means verification and declaration by the co-ordinating agent
4. Details of net eligible means

GENERAL INSTRUCTIONS

COMPLETION OF THE DOCUMENT

- 1. The Council of Lloyd's attaches great importance to this confirmation and relies on its contents. Incomplete information and amendment to or deletion of any clause will invalidate the document. Furthermore, the provision of inaccurate information will be viewed seriously and may jeopardise the authorised signatory's position in relation to any other Lloyd's responsibilities. Any correction made to the document will be acceptable only if initialled by the authorised signatory.**
- 2. The document should be completed by the member and his co-ordinating agent with due regard to the Guidance Notes.**
3. The form should be signed by an authorised signatory who should conduct the verification procedures as set out in the Guidance Notes (for definition of authorised signatory refer to the Guidance Notes)
4. Details should be typed or written in black ink and BLOCK CAPITALS should be used.

DEADLINE FOR SUBMISSION

This document must be submitted to the member's co-ordinating agent by the date prescribed by Lloyd's Prudential Supervision Committee.

This document forms part of members' compliance with the Membership and Underwriting Conditions and Requirements (M&URs).

DECLARATION BY THE MEMBER

To the Council of Lloyd's ("the Council")

I, (Name)

(hereinafter "member") in consideration of continuance of such membership hereby confirm that:

- 1 (i) the information contained on pages 6 and 7 is accurate and complete in all respects;
- (ii) the value of my net eligible means is not less than the amount of net Funds at Lloyd's required to be provided in accordance with Appendix 2 of the M&URs or £350,000 whichever is the greater;
- (iii) liabilities not included in the confirmation are adequately covered by assets outside the scope of the confirmation and therefore do not affect my net eligible means as stated.
- 2 I further confirm that:
 - (i) information and explanations required by the authorised signatory have been provided, together with all material facts which might affect the availability of assets and the amount of liabilities included in the confirmation; and
 - (ii) details of any partnerships of joint ventures to which I am a party have been disclosed to my co-ordinating agent and to the authorised signatory and that such partnership or joint ventures are solvent; and
 - (iii) where the collateral supporting an existing guarantee/letter of credit is a principal private residence I accept that the guarantee/letter of credit could be drawn against should I fail to meet my underwriting obligations.
- 3 I undertake and agree with the Council:
 - (i) that I will provide a confirmation of net eligible means in the prescribed form annually as long as I wish to provide reduced net FAL in accordance with the provisions of paragraph 3(2) of the M&URs or whenever required by the Council or any authorised person so to do;
 - (ii) that I will notify the Council or any authorised person immediately if for any reason the stated value of my net eligible means falls below my required means level;
 - (iii) that in the event that it appears to the Council that I have failed to comply with or satisfy any financial qualification, condition or requirement or any other condition or requirement relating to my underwriting insurance business at Lloyd's, I will, if so directed by the Council, reduce the level of my underwriting or cease underwriting for any period specified in the direction; and
 - (iv) that I will maintain my net eligible means at the required means level as specified above, subject to variation in accordance with any future declarations made by me.

Signature of member

Date

If there are any matters relating to the confirmation of net eligible means that the member wishes to draw to the attention of the Council, they should be enclosed on a separate statement. In the absence of a statement, it will be assumed that there are no such matters.

MEANS VERIFICATION

To the Council of Lloyd's

I/We have reviewed the confirmation of net eligible means of the member on pages 6 and 7.
My/our review was carried out in accordance with the verification procedures set out in the Guidance Notes.

Nothing has come to my/our attention to indicate that the member does not have net eligible means of at least

£ as at

Furthermore, nothing has come to my/our attention in the course of carrying out the verification procedures to indicate that it is unreasonable for him/her to have provided the confirmation set out in paragraphs 1 and 2 of the declaration on page 4.

Signature

Name.....

Position.....
on behalf of.....

**Name of
firm/bank/agent**

Date.....

Firm/bank/agent and business address
(if a firm please state if accountants or solicitors)

.....
.....
.....

DECLARATION BY THE CO-ORDINATING AGENT

(not required if Agent has completed the above Means Verification)

To the Council of Lloyd's ("the Council")

We have examined the confirmation of net eligible means on pages 6 and 7 and on the basis of our knowledge of the general and financial circumstances of the member, we are satisfied that it has been prepared in accordance with the requirements currently prescribed by, or issued under the authority of, the Council pursuant to the Membership Byelaw (No.17 of 1993) as amended.

Signature

Name

Title *Director/Partner*

On behalf of *Name of company/partnership*

Date

DETAILS OF NET ELIGIBLE MEANS

Assets comprising the total means required should be identified under the relevant headings below:

<u>Funds at Lloyd's at .../.../...</u> <u>in accordance with the restrictions and valuation</u> <u>methods in Appendices 5 & 6 of the</u> <u>Membership & Underwriting Conditions and</u> <u>Requirements (Funds at Lloyd's)</u> <u>(Individual/Corporate Member)</u>	£	£
Lloyd's deposit (general business)		
Lloyd's deposit (long term business)		
Personal reserve fund (general business)		
Personal reserve fund (long term business)		
Special reserve fund		
Total funds at Lloyd's .....		.....
Less liabilities in respect of underwriting (Para. 7 liabilities) .....		.....
Net funds at Lloyd's		(A)
<u>Other Assets Held at Lloyd's</u>		
Funds at Lloyd's in transit		
Means guarantees/letters of credit		
Total other Assets Held at Lloyd's		(B)
<u>Other Eligible Means Assets</u> <u>in accordance with Appendix 4 of the</u> <u>Membership & Underwriting Conditions &</u> <u>Requirements (Funds at Lloyd's)</u> <u>(Individual/Corporate Member)</u>		
Liquid Assets		
Approved investments – UK		
Approved investments – other than UK		

	Cash	.....	
	Life Policies	.....	
	Total Liquid Assets		(C).....	
Property Assets (NOT TO EXCEED 40% OF THE LEVEL OF MEANS REQUIRED)				
		£	£	£
	Freehold property and/or land	.....	
	Leasehold property and/or land	.....	
	Less: Any secured loans and mortgages	(.....)		
	Total Property Assets		(D).....	
TOTAL ASSETS	(A+B+C+D)			(E).....
<u>LIABILITIES</u>				
	Other secured loans and mortgages	.....	
	Taxation liabilities	.....	
	Other loans and liabilities	.....	
	Contingent liabilities	.....	
TOTAL LIABILITIES				(F)(.....)
TOTAL OF NET ELIGIBLE MEANS (E-F)				£

**GUIDANCE NOTES
CONFIRMATION OF NET ELIGIBLE MEANS
(INDIVIDUAL MEMBERSHIP)**

CONTENTS

1. General Notes
2. The role of the co-ordinating agent
3. Means verification procedures
4. Requirements applicable to all assets
5. Definitions
6. Supporting schedule for assets constituting not more than 40% of the required means level
7. Supporting schedule for inclusion of liabilities

GENERAL NOTES

Members should note that assets need only be included in this document to the extent that they are necessary to establish the member's required means level.

A member should ensure he/she has sufficient assets outside the scope of the confirmation to meet all other liabilities he/she may have.

Any queries relating to net eligible means and completion of the Confirmation of Net Eligible Means Form should be raised with the member's co-ordinating agent.

Note: A member need not complete a Confirmation of Net Eligible Means Form unless he/she is seeking to rely on the reduced net FAL provisions set out in paragraph 3(2) of the M&URs.

THE ROLE OF THE CO-ORDINATING AGENT

- (i) In order to discharge his responsibilities, the co-ordinating agent will need to make himself aware of the financial circumstances of the member.
- (ii) The co-ordinating agent will explain the significance of the confirmation of net eligible means to the member and will ensure that he/she is fully aware of its importance and implications
- (iii) Adequate time should be given for completion of the confirmation by the member and for review by the authorised signatory.
- (iv) The co-ordinating agent will seek to satisfy himself that the information contained in the confirmation of net eligible means is consistent with his knowledge of the member.
- (v) In the case of an existing member, the co-ordinating agent should satisfy himself that all known losses and deficiencies arising from the member's underwriting commitments are properly reflected in the confirmation
- (vi) The co-ordinating agent, after reasonable enquiry, should have no reason to suppose that, where applicable, the authorised signatory is ineligible or is not competent to give an independent opinion on the confirmation.

NOTES:-

If required the co-ordinating agent's declaration should be signed by a director/partner of the agency or a delegated named individual. In such circumstances, written notification (for example, a board minute) of such delegation should be lodged with the Members' Services Unit, at Lloyd's.

All queries relating to the confirmation should be raised by the co-ordinating agent with the Members' Services Unit.

MEANS VERIFICATION PROCEDURES

The Council of Lloyd's places substantial reliance upon the verification procedures carried out by authorised signatories in connection with the confirmation of a member's means. Inaccurate or incomplete information will be viewed seriously and may jeopardise the authorised signatory's position in relation to any other Lloyd's responsibilities.

The report should be dated when signed and the valuation date referred to in the report should not be more than 3 months prior to the date at which means are confirmed.

All authorised signatories are requested to read carefully the wording of the report they are asked to sign, the notes related thereto, and the details of assets that qualify for means test purposes prior to carrying out the appropriate tests and procedures to support their confirmation.

Specific procedures to be adopted in all cases include:

- Verification of the existence of assets by reference to title deeds, bank certificates, or other independent evidence, and, in the case of tangible assets, verification that adequate insurance arrangements are in force.
- Verification that the collateral supporting a means guarantee/letter of credit is NOT the member's principal residence (unless it was in existence at 31 December 1994 or dispensation has been given by Council of Lloyd's).
- Independent verification of the valuation of assets by reference to a recognised source. All other funds at Lloyd's must be valued at 30 June. All other eligible means assets must be valued at a consistent date as far as is practicable and if not practicable within a maximum of 3 months of the date on which means have been confirmed. An authorised signatory may accept a property valuation at an earlier date if he is satisfied the value would not have fallen between the date of the property valuation and the valuation date of all other assets.
- Other eligible means assets must comply with the restrictions in Appendix 4 of the Membership and Underwriting Conditions and Requirements, (Funds at Lloyd's) (Individual/Corporate Members).
- Independent confirmation that assets are beneficially owned without any encumbrance (assets charged to secure floating overdrafts or other similar facilities are not considered to be free and unencumbered and are therefore not eligible for inclusion in the confirmation).
- Independent confirmation, where practicable, of loans and other liabilities.
- Confirmation that material liabilities associated with taxation or any known litigation have been included in determining the net eligible means of the member.

- Discussion/communication with the member as to whether all material liabilities have been included in determining the net eligible means of the member.

Where an authorised signatory has any material reservation about matters which may, directly or indirectly, affect the confirmation of net eligible means, reference should be made in the first instance to the member's co-ordinating agent and then, if appropriate, to the Members' Services Unit. In the event that it is not practicable to contact either the member's co-ordinating agent or the Members' Services Unit, details should be provided as a supplement to the means verification.

Signatories must ensure that they are authorised to sign by reference to the categories set out on page 13.

Where an individual accountant, solicitor or officer signs as the representative of a firm, bank or agent, he is required to state clearly the name of the firm, bank or agent concerned.

REQUIREMENTS APPLICABLE TO ALL ASSETS

Exchange Control

Where restrictions apply, members must arrange for confirmation that any necessary exchange permission to transfer the relevant assets to the UK has been or will be granted.

Community property laws

If all or part of a member's qualifying assets are subject to the Community Property Laws in force in certain American States (listed below), the value of such assets will be reduced by 50% for means purposes or a Community Property Commitment Agreement will be required from the spouse.

Relevant States: Arizona, California, Idaho, Louisiana, Nevada, New Mexico, Texas, Washington, Wisconsin.

DEFINITIONS

Approved credit institution

A current list of approved credit institutions is held by the Members' Services Unit.

Authorised signatory

The confirmation of net eligible means should be subject to a number of verification procedures by an authorised signatory who should be one of the following:

- (a) a partner on behalf of a practising firm of UK or chartered or certified accountants or their associated (including overseas) firms or accountants, or a UK chartered or certified accountant in sole practitioner holding one of the equivalent qualifications in any jurisdiction set out in the attached schedule.
- (b) a representative of a Lloyd's approved credit institution, as included in the list held by Members' Services Unit.
- (c) A partner in a practising firm of UK solicitors or their associated (including overseas) legal firms.
- (d) A tax specialist who is either an associate member or fellow at the Chartered Institute of Taxation.

The authorised signatory should satisfy himself that he is competent to give an **independent** opinion on the confirmation.

The signatory would not be regarded as independent if he is any one of the following:

- a member of the member's immediate family e.g. spouse, mother, father, children, brother or sister; or
- a business partner, fellow director or employee of the member or his family.

SUPPORTING SCHEDULE FOR ASSETS CONSTITUTING NOT MORE THAN 40% OF THE REQUIRED MEANS LEVEL

(This schedule is intended to assist in determining the amounts to be included in the confirmation of Net Eligible Means in respect of liabilities).

Freehold property and/or land (excluding own principal private residence)

Leasehold property and/or land (excluding own principal private residence)

Description of property/properties

Description of property/properties

.....

.....

*Sole ownership/*Joint ownership under a tenancy-in-common agreement

*Sole ownership/*Joint ownership under a tenancy-in-common agreement

(*delete as applicable)

(*delete as applicable)

Unexpired period of lease years

Market value as at

Market value as at

.....20.. £.....

.....20.. £.....

As per Confirmation
of Net Eligible Means £

As per Confirmation
of Net Eligible Means £

SUPPORTING SCHEDULE FOR INCLUSION OF LIABILITIES

Secured loans and mortgage:

Asset to which a secured loan or mortgage relate:

.....

Lender

Balance outstanding as at 20..

As per confirmation of
 Net Eligible Means

£

Other loans and liabilities

Details of loans and liabilities concerned:

.....

.....

Estimate/confirmation of liability as at

..... 20..

As per Confirmation of
 Net Eligible Means

£

Taxation liabilities

Identify particular tax(es) concerned

.....
 Details of basis on which estimate has been arrived at:

.....

Estimate as at 20..

(date to which means have been confirmed)

As per Confirmation of
 Net Eligible Means

£

Contingent liabilities

Details of contingent liability:

.....

Estimate of likely liability as at

.....20..

(date to which means have been confirmed)

As per Confirmation of
 Net Eligible Means

£
