

MARKET BULLETIN

From Director, Finance, Risk Management & Operations (extn 6711)

Date 19 December 2006

Reference Y3928

Subject 2007 Market Charges

Subject areas

Attachments Appendices 1 – 10 detailing individual charges

Action points Market Charges will be effective from 1 January 2007

Deadlines

The purpose of this bulletin is to summarise Lloyd's 2007 Market Charges.

1 New Central Fund contributions / Members' subscriptions

1.1 Market Bulletin Y3875 dated 27 September 2006 set out the principal central charges for 2007 as set out below:

	2006	2007
New Central Fund contributions	1.00%	1.00%
Members' subscriptions	0.50%	0.50%
Syndicate loans to the New Central Fund	0.75%	0.75%
	<u>2.25%</u>	<u>2.25%</u>
Callable New Central Fund contributions	3.00%	3.00%

1.2 The first instalment (50%) of the members' subscription for 2007 will be collected through Central Accounting on 8 January 2007. Further details are provided in MB Y3918 dated 8 December 2006.

1.3 The New Central Fund annual contribution, including any increased annual contribution for new corporate members underwriting in 2007 that meet the definitions set out in MB Y3875, together with syndicate loans and any further

contributions payable where syndicates have entered into qualifying quota share arrangements outside the Lloyd's market, are payable on 2 April 2007. Details regarding payment arrangements for contributions and syndicate loans will be advised in February. A further contribution of up to 3% remains callable at the discretion of Council.

2 2007 Franchise Performance & Risk Management Charge

- 2.1 Details of the basis and rates for the 2007 FPRM charge, which are unchanged from 2006, are set out in appendix 1 to this bulletin. The charge is payable in two instalments, the first instalment being due on 8 January 2007. Payment arrangements are set out in MB Y3918 dated 8 December 2006.

3 Charge in respect of syndicates in run-off

- 3.1 The basis of the charge on run-off syndicates is unchanged in 2007. Details are set out in appendix 2.

4 Capacity Markets

- 4.1 Capacity Markets charges in 2007 will be the same as for 2006.
- 4.2 General queries should be addressed to Matthew Chandler, ext. 5743 (email matthew.chandler@lloyds.com).
- 4.3 A complete schedule of charges is attached at appendix 3.

5 Complaints

- 5.1 The administration charge for UK complaints will rise from £105 to £110 from January 2007, and overseas complaints will rise from £160 to £200. Where a full investigation becomes necessary the charge rises from £420 to £435.
- 5.2 As in 2006, the operating costs of the Financial Ombudsman Service (FOS) are recovered from personal lines syndicates based on premium income figures.
- 5.3 Further details of Complaints charges and an explanation of the reasons for the increases can be found at appendix 4.
- 5.4 General queries should be addressed to Una Wilcox, ext 5577 or Tom George, ext 6390 (email: una.wilcox@lloyds.com or tom.george@lloyds.com).

6 Finance

- 6.1 The foreign exchange dealing fees charged by Treasury, and charges to corporate groups seeking to consolidate and make their individual corporate members' FAL inter-available by the Market Reporting Department, as well as the fees payable in respect of the provision of schedule 9a syndicate data, have been maintained at 2006 levels.
- 6.2 A number of projects undertaken by Treasury are performed for the benefit of the whole market. The projects involve compliance work, dealing with Trustees on all market Trust Funds and work focussed on improvements in the area of market

liquidity, banking and investment returns. Aggregated costs on these projects are apportioned to each Trust Fund and allocated to all syndicates based on premium income. As it is not possible to forecast the range of projects that will be required during 2007 the charges are budgeted and may change.

- 6.3 The Tax Department administers the collection and payment of UK insurance premium tax and various foreign premium taxes and makes a charge to cover the administration costs of this activity. The charge is levied on a flat basis for all syndicates, arrived at by dividing total costs by the number of relevant syndicates (excluding life syndicates and those motor syndicates that file their own IPT returns and have limited exposure to foreign taxes). On this basis the charge for 2007 is £9,000 per syndicate. The collection of this charge will take place in January 2007.
- 6.4 A complete schedule of charges is attached at appendix 5.
- 6.5 General queries regarding these charges should be addressed to Rob Deane, ext. 6087 (email: robert.g.deane@lloyds.com)

7 Information Technology Group

- 7.1 Lloyd’s Information Technology Group will shortly begin the annual billing process by asking market firms to confirm their continuing requirement for managed infrastructure services. These services cover data communications, voice / telephone communications, associated cabling and Black Box Park usage. Following agreement of the requirements, invoices will be issued in early 2007.
- 7.2 For 2007 the VPN (via the LAN) extension support service options and pricing have been reduced. With effect from 1 January 2007 all 128K bps customers will be upgraded to 256K bps, with the current options of 512K bps, 1M bps and 2m bps remaining.

The pricing effect year on year is:

VPN Option	2007 Unit Price	2006 Unit Price
128K bps	n/a	n/a
256K bps	£1,418	£2,037
512K bps	£2,161	£3,523
1M bps	£3,738	£6,493
2M bps	£6,889	£12,434

- 7.3 The other 2007 charges are 3% above the 2006 charges. A schedule setting out details of these charges can be found attached at appendix 6.
- 7.4 A LIN Refresh programme is underway that will change customers current support options and prices for 2007. The price changes are reflected within appendix 6 for 2007. Please note that through the programme, each customer affected will be contacted and the options explained to them.

7.5 Contact name for queries:

Lesley Parietti, Information Technology Group, Extn 5912 (email: lesley.r.parietti@lloyds.com)

8 Members Services

8.1 The 2007 Member charging structure will remain broadly unchanged from 2006. In most cases it has been possible to either reduce or maintain the 2006 price level and it has not been necessary to implement an inflationary increase.

8.2 The 2007 price list is enclosed at appendix 7.

8.3 Point of contact: Jenny Lavery 01634 392909 or via email: lloyds-msu-cost-recovery-charges@lloyds.com

9 Property Services

9.1 Room rental charges for 2007 remain at the 2006 level. A letter and the associated invoices are being prepared for all Room occupants confirming the rates payable and charges due for 2007. Please contact Darren Cox, Facilities Planning Manager on ext. 6636 (email darren.c.cox@lloyds.com) if you have any queries.

9.2 The charges for security passes will remain at £25 for 2007. Tenant services charges for 2007 have increased by 1% to £17.87 per sq ft per annum (2006 £17.71 per sq ft per annum) and the insurance charge remains unchanged at £1.99 per sq ft per annum. Please contact Simon Harper, Commercial Manager on ext. 6719 (email simon.c.harper@lloyds.com) if you have any queries.

9.3 A complete schedule of charges is attached at appendix 8.

10 Admissions and individual registration charges

10.1 Admissions direct charges for 2007 are in accordance with the schedule published in September (MB Y3875), with the addition of the annual fee for run-off companies regarding maintenance of the register (£10,000), approval of syndicate mergers fees (£5,000), and the charge for new accredited brokers (£5,000), which were omitted from that schedule. All other 2007 charges remain unchanged from 2006.

10.2 General queries should be addressed to Matthew Chandler, ext. 5743 (email matthew.chandler@lloyds.com).

10.3 A complete schedule of charges is attached at appendix 9.

11 Worldwide Markets

- 11.1 The core operating charges as a percentage of gross international premiums will increase from those set for 2006 - 0.37% for direct business (2006: 0.32%), binding authority supplement 0.18% (2006: 0.16%), except from reinsurance 0.13% (2006: 0.14%).
- 11.2 User pays charges continue to apply in Italy. In addition to these charges, Worldwide Markets will seek to recover costs from specific syndicates on a user pays basis where those syndicates have requested additional work from an office, (eg the production of non-standard reports), and that additional work has resulted in significant additional cost. If this situation applies, then the cost implications will be made clear to the syndicate before proceeding with the work.
- 11.3 All queries on Worldwide Markets' charges should be referred to either Rob Geater (ext 6355) (e mail: robert.j.geater@lloyds.com), Susan Jeapes (ext 2249) (email: susan.m.jeapes@lloyds.com), or to:

Lloyd's Worldwide Markets Services
 Tel: 020 7327 6677
 Email: market.services@lloyds.com
 Box: 190b, Gallery 1

- 11.4 A complete schedule of charges is attached at appendix 10.

12 Further Information

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

	Appendix	Pages
Franchise Performance & Risk Management Charge	1	7-8
Charge in respect of syndicates in run-off	2	9
Capacity Markets	3	10
Complaints	4	11
Finance	5	12-16
Information Technology Group	6	17-22
Members Services	7	23-32
Property Services	8	33-34
Admissions and individual registration charges	9	35
Worldwide Markets	10	36-37

- 12.2 If you have any queries regarding this bulletin please contact Rob Deane, ext. 6087 (email: robert.g.deane@lloyds.com)
- 12.3 This bulletin has been sent to managing and members' agents, direct corporate members, Lloyd's brokers, market associations, and registered auditors for information.

Luke Savage
Director, Finance, Risk Management & Operations

Franchise Performance and Risk Management Charge

- 1.1 The Franchise Performance and Risk Management charge has been calculated to recover approximately £12m from the Market in order to fund the activities of the Franchise Performance and Risk Management teams.
- 1.2 The principles of the charge:
- there should be a minimum fee for all agents;
 - the amount of resource required for an agent rises as the size of the agent increases. However, an agent with, for example, £500m capacity does not require five times the amount of resource as an agent with £100m capacity. The charging structure reflects this; and
 - the amount of resources needed increases with every syndicate an agent manages.
- 1.3 For 2007, managing agents will pay:
- a flat fee of £11,000 per syndicate managed;
 - a minimum fee of £15,500 for a managing agent and £20,700 for a members' agent;
 - various levies on bands of capacity, which decrease as the amount of capacity rises.
- 1.4 The charge will only be made on active capacity for 2007. Agents which only manage syndicates in run-off will not attract a Franchise Performance & Risk Management charge but will attract a special charge as outlined in appendix 2. An agent that commences or increases operations mid-year will attract a pro rata charge.
- 1.5 The charge will be collected in two equal instalments due by 8 January and 1 June 2007. Any payment not made by the due date will attract an interest charge at 5% over National Westminster Bank plc base rate.
- 1.6 The charges will be made as follows:

Managing Agents:

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

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

Members' Agents

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

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

Syndicate Expenses

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

Charges in respect of Syndicates in Run-off

- 1.1 The Franchise Performance and Risk Management Charge will not be applicable to agents with run-off syndicates. Instead they will pay an annual charge at a flat rate of £1 per £1,000 of reported net insurance liabilities, assessed by reference to the most recent audited accounts of the syndicate for each year of account in run-off. For this purpose a run-off syndicate means a syndicate which no longer accepts new or renewal insurance business (other than the variation or extension of risk previously underwritten or reinsurance to close an earlier year of account of that syndicate). This charge is unchanged from 2005.
- 1.2 In this context, net insurance liabilities means the amounts retained by each syndicate in run-off, in respect of each year of account in run-off, to meet all known and outstanding liabilities carried forward as at 31 December 2006. If the relevant audited financial statements are unavailable and their production appears likely to be significantly delayed, an interim charge (to be adjusted if necessary on subsequent publication of the relevant audited accounts) may be assessed by reference to the most recently submitted quarterly monitoring return (QMR) made by the run-off managers to Lloyd's for the syndicate for the relevant years of account. Any payment of this charge not made by the due date will attract an interest charge at 5% over National Westminster Bank plc base rate.

Capacity Markets Department
2007 Market Charges

Capacity Markets charges in 2007 will be the same as for 2006, as set out below.

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

An additional fee may be charged to sponsors to cover, for example:

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

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

Contact name for queries

Matthew Chandler (ext. 5743)
(email matthew.chandler@lloyds.com)

Complaints Department
2007 Market Charges

As in 2006, the Complaints Department is seeking to recover its complaints handling costs on a user pays basis. The charges for 2007 closely reflect the work involved in the various stages of the complaints process and have increased by approximately 5% from those imposed in 2006.

With effect from January 2007 the administration charge for UK complaints will rise from £105 to £110. The administration charge for overseas complaints will rise from £160 to £200 reflecting the extra work involved in progressing these complaints.

At this initial stage syndicates are given the opportunity of resolving matters without incurring the full investigation fee. If, however, a full investigation becomes necessary an additional charge will be incurred. For 2007 the current charge of £420 will be increased to £435 for UK complaints and will decrease to £395 for Overseas complaints.

Despite best endeavours a small number of complainants will insist on referring matters to the FOS which will result in a minimum charge by the FOS of £360 for each case. As in 2006 these additional costs will be recovered from the syndicates involved.

The operating costs of the Financial Ombudsman Service are borne by the insurance industry as a whole through a combination of case fees and a general levy on member firms. The FOS's general levy charged to Lloyd's is recovered from personal lines syndicates based on premium income figures. The recovery will continue to be made in 2007.

The market charges reflect the work carried out on complaints handling. There are also certain tasks carried out by the department which ensure that the Franchisor complies with all aspects of the FSA complaint handling rules. The department also coordinates the market's response to policyholder enquiries in the event of a major loss. It is felt appropriate that those costs are borne by Lloyd's centrally.

COMPLAINTS CHARGES 2007		
DESCRIPTION	CURRENT CHARGE	PROPOSED CHARGE
Administration fee for UK complaints	£105	£110
Administration fee for overseas complaints	£160	£200
Additional fee for full investigation – UK complaints	£420	£435
Additional fee for full investigation – Overseas complaints	£420	£395
Recovery of Financial Ombudsman Service (FOS) case fee	On complaints received after 1/1/05 FOS case fee to be recovered (min £360)	FOS case fee (normally £360) to be recovered.
Recovery of FOS Levy	Charge applied by FOS is recovered from Personal Lines syndicates	Charge applied by FOS is recovered from Personal Lines syndicates

Finance Directorate - 2007 Market Charges

Foreign Exchange Dealing Fees

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

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

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

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

Provision of Schedule 9a Information to Corporate Members

Introduction

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

Fees

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

The prescribed fees (excluding VAT) for the December 2006 facility are set out below and vary with respect to the size (in terms of OPL) of the corporate member. They are unchanged from last year.

OPL for member*	Fee per syndicate participation*	Maximum fee**
£15,000,001 or greater	£125	£3,750
£10,000,001 to £15,000,000	£100	£3,000
£5,000,001 to £10,000,000	£70	£2,100
£2,000,001 to £5,000,000	£35	£1,050
£2,000,000 or less	£35	£700
Members participating on 2002 or prior run-off years only	£35	£700

- OPL is defined as the highest OPL written for any year of account within the last three years of account (i.e. 2004 to 2006 years of account).
- Fees are calculated per syndicate (not syndicate year) participation and are exclusive of VAT at 17.5%

Key assumptions

The fee structure for 31 December 2006 Schedule 9a reporting has been prepared on the assumption that the level of subscription to the central facility and Market Reporting Department's costs incurred in providing this facility, do not change materially from those relating to the 2005 exercise.

Other significant matters

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

Corporate Inter-available FAL

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

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

Projects Relating to all Syndicates

A number of projects undertaken by the Tax and Treasury are performed for the benefit of the whole market. The projects involve compliance work, dealing with Trustees on all market Trust Funds and work focussed on improvements in the area of banking and custody. They also cover Market Finance work aimed at delivering Lloyd's optimal platform. Aggregated costs on these projects are apportioned to each Trust Fund and allocated to all syndicates based on net premium income. As it is not possible to forecast the range of work that will be required during 2007, the charges are estimated, and are based on the comparative charges for 2006.

Premium Tax Administration

The Tax department administers the collection and payment of UK insurance premium tax and various foreign insurance premium taxes and makes a charge to cover the administration costs of this activity. The charge is levied on a flat basis for all syndicates, arrived at by dividing total costs by the number of relevant syndicates (excluding life syndicates and those motor syndicates that file their own IPT returns and have limited exposure to foreign taxes). On this basis the charge for 2006 is £9,000 per syndicate. The collection of this charge will take place in January 2007.

The charge for 2007 is expected to remain the same, £9,000 per syndicate.

Finance Directorate Contacts:-

Foreign Exchange Dealing Fees - Gary White Extn 5340, (email: gary.i.white@lloyds.com)

Schedule 9a Fees - Paul Appleton Extn. 6433, (email: paul.appleton@lloyds.com)

Corporate Inter-available FAL - Kevin Nethersell Extn. 6253, (email: kevin.nethersell@lloyds.com)

Projects Relating to all Syndicates – Keith Coutinho Extn. 5762, (email: keith.coutinho@lloyds.com)

Premium Tax Administration – Nick Marman Extn. 6727, (email: nick.marman@lloyds.com)

Ref	Chargeable Item	Customer	Unit of Charge	2007 Price per Unit (excl. VAT)	Benchmark Prices	2006 Price per Unit (excl. VAT)
1	Foreign Exchange Dealing fees	Managing Agents / Syndicates	Transaction value	0.03% to 0.05% dependant on transaction size. Minimum charge £10	0.25%	0.03% to 0.05% dependant on transaction size. Minimum charge £10
	Foreign exchange and currency translation services provided by the Tax and Treasury department, including operation of the Lloyd's Currency Conversion Service					
2	Provision of Schedule 9a data to corporate members	Corporate Members	Per syndicate participation	£125 (discount of up to 72% for low OPL)	No comparison	£125 (discount of up to 72% for low OPL)
	Charges to corporate members for completion of Schedule 9a as required by the Companies Act 1985. Service provided by Market Reporting					

Ref	Chargeable Item	Customer	Unit of Charge	2007 Price per Unit (excl. VAT)	Benchmark Prices	2006 Price per Unit (excl. VAT)
3	Corporate Inter-Available FAL	Corporate Members	Per corporate member	£1,000 (subject to £10,000 max.)	No comparison	£1,000 (subject to £10,000 max.)
	Charges to corporate members seeking to consolidate and making their individual corporate members' FAL inter-available.					
4	Projects relating to all Syndicates	All Syndicates	Per £1,000 of sterling premium income	£0.051	No comparison	£0.053
	Various projects for the benefit of the whole market. These projects incur a charge per working day. The aggregated charges are then apportioned to each Trust Fund and across all syndicates according to premium income.					
5	Premium Tax Administration Charges	All Syndicates	per syndicate	£9,000	No comparison	£9,000
	Charge levied in arrears to all syndicates (other than those motor syndicates that file their own IPT returns directly and have limited exposure to foreign premium taxes) to recover the costs of administration of insurance premium tax and foreign taxes. Collected from interest earned on IPT prior to payment to Customs & Excise					

Information Technology Group

Lloyd's Information Technology Group will shortly begin the annual billing process by asking market firms to confirm their continuing requirement for managed infrastructure services. These services cover data communications, voice / telephone communications, associated cabling and Black Box Park usage. Following agreement of the requirements, invoices will be issued in early 2007.

For 2007 the VPN (via the LAN) extension support service options and pricing have been reduced. With effect from 1 January 2007 all 128K bps customers will be upgraded to 256K bps, with the current options of 512K bps, 1M bps and 2m bps remaining.

The pricing effect year on year is:

VPN Option	2007 Unit Price	2006 Unit Price
128K bps	n/a	n/a
256K bps	£1,418	£2,037
512K bps	£2,161	£3,523
1M bps	£3,738	£6,493
2M bps	£6,889	£12,434

The other 2007 charges are 3% above the 2006 charges.

A LIN Refresh programme is underway that will change customers current support options and prices for 2007. The price changes are reflected within appendix 6 for 2007. Please note that through the programme, each customer affected will be contacted and the options explained to them.

Contact name for queries:

Lesley Parietti, Information Technology Group, Extn 5912
(email: lesley.r.parietti@lloyds.com)

IT GROUP - 2007 MARKET CHARGES				
Chargeable Item	Customer	Unit of Charge	2007 Price per Unit	2006 Price per Unit
LIN Network Annual Fee – Ethernet	Market	Per Connection	£9,043	£8,780
Covers the cost of management of Ethernet connection to the LIN				
LIN Network Annual Fee - Fast Ethernet (please see introduction note)	Market	Per Connection	£9,043	£13,460
Covers the cost of management of Fast Ethernet connection to the LIN				
LIN Network Annual Fee - Additional for Ethernet Service Providers	Market	Per customer	£1,250	£1,170
Additional £1,250 per customer from 2nd up to 10th customer - Maximum £10,849				
LIN Network Annual Fee - Additional for Fast Ethernet Service Providers	Market	Per customer	£1,639	£1,639
Additional £1,639 per customer from 2nd up to 10th customer - Maximum £14,749				
LIN Network set-up – Ethernet	Market	Per Connection	£4,136	£4,016
set-up costs of Ethernet connection to the LIN				
LIN Network set-up - Fast Ethernet	Market	Per Connection	£4,136	£4,016
set-up costs of Fast Ethernet connection to the LIN				
DR Invocation Tests	Market	Per 8 hour period	£711	£690
LIN DR testing outside bi-annual dates				
Tailored Invocation Plan - Set up	Market	Per Customer	£1,311	£1,273
Available to member who connect through NDR and Sungard				
Tailored Invocation Plan - Annual fee	Market	Per Customer	£676	£637
Available to member who connect through NDR and Sungard				

IT GROUP - 2007 MARKET CHARGES				
Chargeable Item	Customer	Unit of Charge	2007 Price per Unit	2006 Price per Unit
LIN ISP 512K	Market	Per Connection	£3,014	£2,926
Rental of an Internet browsing facility at 512K bps				
LIN ISP 2M	Market	Per Connection	£6,799	£6,601
Rental of an Internet browsing facility at 2M bps				
LIN ISP - shared	Market	Per Connection	£2,837	£2,754
Rental of an Internet browsing facility shared with other users at 2M bps				
LIN ISP set-up - All bands	Market	Per Connection	£591	£574
set-up cost of the provision of an Internet browsing facility for all dedicated bps.				
LIN DR Service for DR Service Providers	Market	Per Connection	Various	Various
Rental of service provider LIN DR connection				
LIN DR Service for DR Service Providers set-up	Market	Per Connection	Various	Various
Set-up of service provider LIN DR connection				
Fibre Optic Cable - Support	Market	Per Cable	£1,447	£1,405
Cost of point-to-point fibre links				
Fibre Optic Cable - Provide	Market	Per Cable	£1,447	£1,405
Cost of provision of point-to-point fibre links				
BBP Rack Space	Market	Per Unit	Various	Various
Rental of rack space in Black Box Parks				
BBP Floor Space	Market	Per Unit	£5,327	£5,172
Rental of floor space in Black Box Parks				

IT GROUP - 2007 MARKET CHARGES				
Chargeable Item	Customer	Unit of Charge	2007 Price per Unit	2006 Price per Unit
Mid Speed Data Link	Market	Per Link	£880	£854
Rental of mid-speed communications links within Lloyd's buildings				
Virtual Private Network (via a workstation) set-up fee	Market	Per connection	£112	£109
Set-up of a secure, data encrypted tunnel through to the LIN.				
Virtual Private Network (via a workstation only)	Market	Per connection	£482	£468
Rental of a secure, data encrypted tunnel through to the LIN.				
Virtual Private Network (via LAN) Extension set-up fee	Market	Per connection	£3,044	£2,955
Set-up of a secure, data encrypted tunnel through to the LIN.				
Virtual Private Network (via LAN) Primary set-up fee	Market	Per connection	£4,136	£4,016
Set-up of a secure, data encrypted tunnel through to the LIN.				
Virtual Private Network (via LAN) Extension support 128K bps - This option has been upgraded to 256K bps	Market	Per connection	£0	£1,377
Rental of a secure, data encrypted tunnel through to the LIN at 128K bps.				
Virtual Private Network (via LAN) Extension support 256K bps (please see introduction notes)	Market	Per connection	£1,418	£2,098
Rental of a secure, data encrypted tunnel through to the LIN at 256K bps				
Virtual Private Network (via LAN) Extension support 512K bps (please see introduction notes)	Market	Per connection	£2,161	£3,629
Rental of a secure, data encrypted tunnel through to the LIN at 512K bps				
Virtual Private Network (via LAN) Extension and Primary support 1M bps (please see introduction notes)	Market	Per connection	£3,738	£6,688
Rental of a secure, data encrypted tunnel through to the LIN at 1M bps				
Virtual Private Network (via LAN) Extension and Primary support 2M bps (please see introduction notes)	Market	Per connection	£6,889	£12,807
Rental of a secure, data encrypted tunnel through to the LIN at 2M bps				

IT GROUP - 2007 MARKET CHARGES				
Chargeable Item	Customer	Unit of Charge	2007 Price per Unit	2006 Price per Unit
LIN DR Set-up fee optional connection - Ethernet	Market	Per Connection	£4,136	£4,016
Alternative route to LIN in the event of a disaster				
LIN DR Set-up fee optional connection - Fast Ethernet	Market	Per Connection	£4,136	£4,016
Alternative route to LIN in the event of a disaster				
LIN DR Annual Fee optional connection – Ethernet	Market	Per Connection	£2,774	£2,693
LIN DR Annual Fee optional connection - Fast Ethernet	Market	Per Connection	£7,112	£6,905
LIN DR Annual Fee optional connection - ISDN LAN	Market	Per Connection	£1,508	£1,464
Marketmail LIN administration fee (Exchange Gateway)	Market	Per Connection	£1,035	£1,005
UTP Cross Connects within level 3 CoLo facility	Market	Per Connection	£197	£191
LIN end to end (please see introduction notes)	Market	Per Connection	£0	Various
Rental and management of an end to end LIN connection				
Block Wiring	Market	Negotiated	Various	Various
Charge for use of BT block wiring to support private PBX's				
Standard Extension (7940)	Market	Per Extension	£485	£471
Rental for Lloyd's extension number and a Lloyd's supplied analogue /IP telephone.				
Telephone Handset (7960)	Market	Per Handset	£107	£104
Rent for a handset which visually displays additional lines				
VoIP Add-on Unit	Market	Per Unit	£131	£127
Rent for a VoIP Add-on Unit, which supplies extra programmable keys				

IT GROUP - 2007 MARKET CHARGES				
Chargeable Item	Customer	Unit of Charge	2007 Price per Unit	2006 Price per Unit
Additional Telephone Socket	Market	Per Socket	£66	£64
Support for an additional analogue telephone on an existing analogue extension				
Fax / Modem Line	Market	Per Line	£227	£220
Supply of a fax/modem link on a Lloyd's extension number				
Voicemail	Market	Per Unit	£93	£90
Supply of a Featurenet voice mailbox				
IP Conference Unit	Market	Per Unit	£197	£191

Members' Services Charges 2007

The 2007 Member charging structure will remain broadly unchanged from 2006. In most cases it has been possible to either reduce or maintain the 2006 price level and it has not been necessary to implement an inflationary increase.

The 2007 price list is enclosed at appendix 7. All charges exclude VAT.

Agent Charges

The 2007 Agent charging structure has changed from 2006, following a consultation with both members' and managing agents which was met favourably.

Point of contact:

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Members' Services Charges 2007

Customer Categories for Charges

The overall price list for MSU services is split by customer category:-

- A. Individual Members
- B. Corporate Members
- C. Direct Corporate Participants
- D. Members' and Managing Agents

A: INDIVIDUAL MEMBERS

Chargeable Item	Frequency	Price 2007	VAT Status – Note 4	Description of Service
Base Service Charge	Annual	£295	Outside Scope	Basic charge for membership administration
Bank/Building Society Accounts	Annual	£50	Outside Scope	Single charge for administration of bank or building society accounts within funds at Lloyd's (FAL)
UK securities and Unit Trusts (UK and Foreign) (per holding)	Annual	£46	Outside Scope	Per holding, charge for administration of UK Securities and all Unit Trusts held in FAL
Foreign Securities held in Crest (per holding)	Annual	£125	Outside Scope	Per holding, charge for administration of foreign securities held in FAL via Crest
Foreign Securities including Citibank (per holding)	Annual	£230	Outside Scope	Per holding, charge for administration of foreign securities and holdings in Citibank held in FAL
Guarantees / Letter of Credits	Annual	£95	Outside Scope	Single charge for administration of guarantees or letters of credit held in FAL
Life Policy	Annual	£140	Outside Scope	Single charge for administration of life policies held in FAL
Merrill Lynch Monitoring	Annual	£305	Outside Scope	Single charge for monitoring of securities held in FAL via Merrill Lynch
FX Contract – base charge	Per contract	£205	Outside Scope	Per holding, charge for receipt and initial set up of contract
FX Contract – monitoring	Per month or part thereof	£88	Outside Scope	Per holding, charge for daily monitoring of contract margin
Special Reserve Fund Administration	Annual	£75	Outside Scope	Single charge for administration of Special Reserve Fund
MSU Taxation – Active and Naturally Open Individual Members	Annual	£85	Standard Rate	MSU Processing Charge for UK, US and Canadian tax return data in respect of naturally open member
LeBoeuf Taxation – Active and Naturally Open Individual Members	Annual	£157	Standard Rate	LeBoeuf charge for filing US tax return in respect of naturally open member
MSU Taxation – Individual Run-Off Members	Annual	£35	Standard Rate	MSU Processing Charge for UK, US and Canadian tax return data in respect of run-off member
LeBoeuf Taxation – Individual Run-Off Members	Annual	£87	Standard Rate	LeBoeuf charge for filing US tax return in respect of run-off member
US Resident Administration	Annual	£330	Standard Rate	Single charge for providing data for US resident tax return
MAPA Participation – Active and Naturally Open	Annual	£100	Standard Rate	Single charge for administration of MAPA participations
MAPA Participation – Run-Off Only	Annual	£15	Standard Rate	Single charge for administration of MAPA participations

Partial Release (under £500)	Per Release under £500	£105	Outside Scope	To ensure efficient use of MSU resources only releases under £500 are subject to a charge
Partial Release – additional request	Per additional request	£105	Outside Scope	To ensure efficient use of MSU resources a charge is levied for each additional release
Partial Release – late request	Per late request	£105	Outside Scope	To ensure efficient use of MSU resources a charge is levied for each additional release
Voluntary Drawdown (under £500)	Per drawdown under £500	£105	Outside Scope	To ensure efficient use of MSU resources only drawdowns under £500 are subject to a charge
Compulsory Drawdown	Per Request	£105	Outside Scope	To cover additional costs incurred processing compulsory drawdown
Company Report and Accounts	Per Account Provided	£15	Standard Rated	Fee for provision of company report and accounts
Enquiries	Per half-hour	£40	Standard Rated	Fee for handling general enquiries
Duplicate Requests – including payments	Per duplicate	£40	Standard Rated	Fee for provision of duplicate items
Coming into Line Extension Requests	Per Day per £5m or part thereof	£50	Outside Scope	Fee for granting extension to coming into line deadline – based on amount outstanding in multiples of £5m or part thereof per day
Cash Service Charge	Bi-annual	Variable	Exempt	Charge for administration of cash held in FAL at the rate of 0.125% per annum
TAROT Access	Annual	£100	Standard Rated	Single charge for remote access to TAROT – all infrastructure costs to be borne by member

B: CORPORATE MEMBERS

Chargeable Item	Frequency	Price 2007	VAT Status – Note 4	Description of Service
Base Service Charge	Annual	£595	Outside Scope	Basic charge for membership administration
Bank/Building Society Accounts	Annual	£50	Outside Scope	Single charge for administration of bank or building society accounts within funds at Lloyd's (FAL)
UK securities and Unit Trusts (UK and Foreign) (per holding)	Annual	£46	Outside Scope	Per holding, charge for administration of UK Securities and all Unit Trusts held in FAL
Foreign Securities held in Crest (per holding)	Annual	£125	Outside Scope	Per holding, charge for administration of foreign securities held in FAL via Crest
Foreign Securities including Citibank (per holding)	Annual	£230	Outside Scope	Per holding, charge for administration of foreign securities and holdings in Citibank held in FAL
Guarantees / Letter of Credits	Annual	£95	Outside Scope	Single charge for administration of guarantees or letters of credit held in FAL
Merrill Lynch Monitoring	Annual	£305	Outside Scope	Single charge for monitoring of securities held in FAL via Merrill Lynch
FX Contract – base charge	Per contract	£205	Outside Scope	Per holding, charge for receipt and initial set up of contract
FX Contract – monitoring	Per month or part thereof	£88	Outside Scope	Per holding, charge for daily monitoring of contract margin
Covenant & Charge Additional Monitoring Fee	Annual	£305	Outside Scope	Single charge for monitoring of securities held in FAL under Covenant and Charge arrangement
Interavailable Recipient per Donor	Annual	£150	Outside Scope	Per participant, charge to successor member for administration of FAL made interavailable to it
MSU Taxation	Annual	£135	Standard Rate	MSU Processing Charge for UK, US and Canadian tax return data
LeBoeuf Taxation	Annual	£267	Standard Rate	LeBoeuf charge for filing US tax
US Resident Administration	Annual	£330	Standard Rate	Single charge for providing data for US resident tax return
MAPA Participation – Active and Naturally Open	Annual	£100	Standard Rate	Single charge for administration of MAPA participations
MAPA Participation – Run-Off Only	Annual	£15	Standard Rate	Single charge for administration of MAPA participations
Partial Release (under £500)	Per Release under £500	£105	Outside Scope	To ensure efficient use of MSU resources only releases under £500 are subject to a charge

Partial Release – additional request	Per additional request	£105	Outside Scope	To ensure efficient use of MSU resources a charge is levied for each additional release
Partial Release – late request	Per late request	£105	Outside Scope	To ensure efficient use of MSU resources a charge is levied for each additional release
Voluntary Drawdown (under £500)	Per drawdown under £500	£105	Outside Scope	To ensure efficient use of MSU resources only drawdowns under £500 are subject to a charge
Compulsory Drawdown	Per Request	£105	Outside Scope	To cover additional costs incurred processing compulsory drawdown
Company Report and Accounts	Per Account Provided	£15	Standard Rated	Fee for provision of company report and accounts
Enquiries	Per half-hour	£40	Standard Rated	Fee for handling general enquiries
Duplicate Requests – including payments	Per duplicate	£40	Standard Rated	Fee for provision of duplicate items
Coming into Line Extension Requests	Per Day per £5m or part thereof	£50	Outside Scope	Fee for granting extension to coming into line deadline – based on amount outstanding in multiples of £5m or part thereof per day
Cash Service Charge	Bi-annual	Variable	Exempt	Charge for administration of cash held in FAL at the rate of 0.125% per annum
TAROT Access	Annual	£100	Standard Rated	Single charge for remote access to TAROT – all infrastructure costs to be borne by member

C: DIRECT CORPORATE PARTICIPANTS

Chargeable Item	Frequency	Price 2007	VAT Status – Note 4	Description of Service
Base Service Charge	Annual	£2,550	Outside Scope	Basic charge for membership administration
Bank/Building Society Accounts	Annual	£50	Outside Scope	Single charge for administration of bank or building society accounts within funds at Lloyd's (FAL)
UK securities and Unit Trusts (UK and Foreign) (per holding)	Annual	£195	Outside Scope	Per holding, charge for administration of UK securities and all unit trusts held in FAL
Foreign Securities held in Crest (per holding)	Annual	£250	Outside Scope	Per holding, charge for administration of foreign securities held in FAL via Crest
Foreign Securities including Citibank (per holding)	Annual	£360	Outside Scope	Per holding, charge for administration of foreign securities and holdings in Citibank held in FAL
Commercial Paper	Annual	£875	Outside Scope	Per holding, charge for administration of commercial paper held in FAL
Guarantees / Letter of Credits	Annual	£210	Outside Scope	Single charge for administration of guarantees or letters of credit held in FAL
Merrill Lynch Monitoring	Annual	£305	Outside Scope	Single charge for monitoring of securities held in FAL via Merrill Lynch
FX Contract – base charge	Per contract	£205	Outside Scope	Per holding, charge for receipt and initial set up of contract
FX Contract – monitoring	Per month or part thereof	£88	Outside Scope	Per holding, charge for daily monitoring of contract margin
Covenant & Charge Additional Monitoring Fee	Annual	£305	Outside Scope	Single charge for monitoring of securities held in FAL under Covenant and Charge arrangement
Interavailable Recipient per Donor	Annual	£150	Outside Scope	Per participant, charge to successor member for administration of FAL made interavailable to it
MSU Taxation	Annual	£205	Standard Rate	MSU Processing Charge for UK, US and Canadian tax return data
LeBoeuf Taxation	Annual	£1,276	Standard Rate	LeBoeuf charge for filing US tax
US Resident Administration	Annual	£330	Standard Rate	Single charge for providing data for US resident tax return
MAPA Participation – Active and Naturally Open	Annual	£100	Standard Rate	Single charge for administration of MAPA participations
MAPA Participation – Run-Off Only	Annual	£15	Standard Rate	Single charge for administration of MAPA participations

Partial Release (under £500)	Per Release under £500	£105	Outside Scope	To ensure efficient use of MSU resources only releases under £500 are subject to a charge
Partial Release – additional request	Per additional request	£105	Outside Scope	To ensure efficient use of MSU resources a charge is levied for each additional release
Partial Release – late request	Per late request	£105	Outside Scope	To ensure efficient use of MSU resources a charge is levied for each additional release
Voluntary Drawdown (under £500)	Per drawdown under £500	£105	Outside Scope	To ensure efficient use of MSU resources only drawdowns under £500 are subject to a charge
Compulsory Drawdown	Per Request	£105	Outside Scope	To cover additional costs incurred processing compulsory drawdown
Company Report and Accounts	Per Account Provided	£15	Standard Rated	Fee for provision of company report and accounts
Enquiries	Per half-hour	£40	Standard Rated	Fee for handling general enquiries
Duplicate Requests – including payments	Per duplicate	£40	Standard Rated	Fee for provision of duplicate items
Coming into Line Extension Requests	Per Day per £5m or part thereof	£50	Outside Scope	Fee for granting extension to coming into line deadline – based on amount outstanding in multiples of £5m or part thereof per day
Cash Service Charge	Bi-annual	Variable	Exempt	Charge for administration of cash held in FAL at the rate of 0.125% per annum
TAROT Access	Annual	£100	Standard Rated	Single charge for remote access to TAROT – all infrastructure costs to be borne by member

Third party and other charges applicable to all members

Note	
1	<p>Where third party costs are incurred by MSU in providing a service, these will be charged to the member concerned (e.g. bank charges, Citibank global custody fee, Companies House filing fee, Crest settlement charges, legal fees, postage and packaging, stamp duty).</p> <p>NB Corporate members may also incur charges in relation to mergers and acquisitions or special circumstances where additional specialist input is required to incorporate the impact and change in the US tax return.</p>
2	<p>MSU reserves the right to charge on a time and materials basis for each trade (per security) above the following levels -</p> <p style="text-align: center;">Individual and Corporate Members:</p> <p>UK securities – trading more than twice a year Foreign securities – trading more than twice a year</p> <p style="text-align: center;">Direct Corporate Participants:</p> <p>UK securities – trading more than four times a year Foreign securities – trading more than four times a year Commercial paper – more than 13 maturities a year</p>
3	Full details of each service are available upon request
4	VAT Status to be confirmed

D: MEMBERS' AND MANAGING AGENTS

Chargeable Item	Category	Frequency	Price 2007	VAT Status - Note 3
Provision of Systems	Members' Agent	Annual	£27,000	4
Provision of Systems	Managing Agent	Per syndicate	£400	4
Results Processing	Syndicate	Per active aligned / dedicated syndicate	£850	4
		Per open/run-off/closed in distribution aligned / dedicated syndicate	£750	4
		Per active spread syndicate without MAPA	£1,700	4
		Per open/run-off/closed in distribution spread syndicate without MAPA	£1,500	4
		Per active spread syndicate with MAPA	£2,500	4
		Per open/run-off/closed in distribution spread syndicate with MAPA	£2,200	4
Filing of Syndicate Federal Excise Tax Return	Syndicate	Per annum	£650	4
CIL extension requests	Members' Agent	Per £5m or part thereof per day	£50	1
Register of Agent Charges	Both	Per register	£25	3
Enquiries	Both	Per ½ hour	£40	4
Duplicate Requests – including payments	Both	Per item	£40	4

Note	
1	Where third party costs are incurred by the MSU in providing a service, these will be charged to the agent concerned (e.g. stamp duty, bank charges, postage and packaging, legal fees, Crest fines).
2	Full details of each service are available on request.
3	Value Added Tax (VAT) 1. Outside scope of VAT 2. Exempt 3. Zero 4. Standard rate (currently 17½%) The rates shown are subject to confirmation by Customs and Excise.

Property Services

Market Services

Introduction

2007 Room Rental charges remain at the 2006 level.

Key Assumptions

Property Services reserves the right to review its decision should it transpire that the demand for Underwriting space in 2007 is significantly less than that for 2006.

Security Passes

Introduction

The charges for security passes will remain at the 2006 level of £25.

Key Assumptions

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

Tenants' Service Charge

Introduction

The office accommodation on Galleries 7-10 attracts a service charge for the provision of all day-to-day services. Apart from telephone and data charges, tenants have a fully inclusive service charge covering their needs. Service charges will increase by 1% on the 2006 level.

Key Assumptions

Property Services has outsourced the running of the services of the 1986 Building. The costs will be reviewed throughout 2007 and any savings that can be achieved will be passed on to the tenants.

Tenants' Insurance Charge

Introduction

2007 charges remain at the 2006 level.

Key Assumptions

It has been assumed that there will be no additional increase to the projected rate from July 2007, but Property Services reserves the right to pass on any increases in costs.

Contact Name for Queries

Simon Harper (Extn. 6719)
(email simon.c.harper@lloyds.com)

John Mitchell (Extn. 6548)
(email john.h.mitchell@lloyds.com)

Ref	Chargeable Item	Customer	Means of Collection	Unit of Charge	2007 Price per Unit (excl. VAT)	Benchmark Prices	2006 Price per Unit (excl. VAT)
1	Room Rent Charges for underwriting space on the Ground Floor to Gallery 2. This is charged on a net footprint area of the space occupied by underwriting boxes.	G1&2 Ground Underwriters	Invoice Annually in Advance	per sq. ft.	£375 £563	Prior years	£375 £563
2	Security Passes The charge for security passes where applicable.	Market wide Non-u/w working members	Invoice	per pass	£25 £26	N/A N/A	£25 £26
3	Tenant Service Charge Tenants on Galleries 7-10 of the 1986 building have a fully inclusive service charge based on square footage occupied	Tenants 1986 Building	Invoice Quarterly in advance	per sq. ft.	£17.87	No comparable benchmark. Costs reviewed by DTZ.	£17.71
4	Tenant Insurance Charge Tenants on Galleries 7-10 of the 1986 building pay this on the square footage occupied.	Tenants 1986 Building	Invoice Quarterly in advance	per sq. ft.	£1.99	N/A	£1.99
NB: Excluded from the above are tenant's rental charges for Galleries 7-10 which are reviewed every five years and agreed on an individual basis, and the Gallery 2 Company Market (including Hybrids).							

Agents and Broker Accreditations, Admissions
Market Charges for 2007

The current charges will continue unchanged in 2007 and are set out below.

Description of Charge	Notes	Charges for 2007 £
New agent		100,000
New syndicate		50,000
Change of controller (underwriting agent)		5,000
New corporate member	1	25,000
New money nameco / SLP (*)	2	4,700
New money LLP (*)		5,200
Initial application (conversion schemes) (*)	2	1,850
LLP conversion (*)		2,350
Additional subscriber nameco/SLP (conversion schemes) (*)	2	420
Private successor vehicles (*)	2	1,850
Interavailable fee (*)	2	150
Annual charge for approved run off service providers	3	10,000
Change in controller (corporate member)		150
Change in director (corporate member)		150
Approval of syndicate mergers (per transaction)		5,000
New accredited broker / provisional to full accreditation		5,000
Individual Registration	4	£0

Notes

1. Income from this source is split between Admissions (25%) and MSU (75%).
2. All income from this source is allocated to MSU.
3. Income from this source is split between Admissions (10%) and Open Years and Run Off Management (90%)
4. Following changes to Lloyd's Individual Registration regime (advised in Market bulletin Y3597, 21 July 2005) the £200 IR fee will no longer be charged

VAT

Under current tax rules VAT is not chargeable on these Admissions fees.

Contact names for queries

All general queries regarding items with (*): Jenny Laverty 01634 392909 or (email: lloyds-msu-cost-recovery-charges@lloyds.com)

All other general queries: Matthew Chandler (ext. 5743) or email (matthew.chandler@lloyds.com)

Worldwide Markets – 2007 Market Charges

Core operating charges

The core operating charges for 2007 will increase when compared with those set for 2006:

Charges applicable to gross international premiums	Direct	Binding authority supplement *	Reinsurance
2006	0.32%	0.16%	0.14%
2007	0.37%	0.18%	0.13%

* in total, gross binding authority premiums will be charged at 0.55% in 2007

The changes to the core operating charges have been necessary to take account of the following factors:

- exchange rate movements. Premiums and costs are both susceptible to exchange rate movements (particularly US and Canadian dollar) which impact on the levy rate calculations.
- work which will be required during 2007 to develop the overseas trading network (eg China, India and the restructuring of Lloyd's Japan Inc.).

Cost base

The core operating charges fund aggregate Worldwide Markets costs, net of local and user pays income. For 2007 the net costs are budgeted to be £35m. Details of the charges for 2007 which will be made on a user pays basis are provided below.

Premium assumptions

Gross international (ie excluding UK and Channel Islands) premiums will continue to be used as the basis for the core operating charges. For the purposes of calculating the 2007 operating charges set out above, 12 months premium to 30 September 2006 has been used, however actual premium relating to the 2007 year of account will be used for collection purposes.

Collections from syndicates

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

Worldwide Markets – 2007 Market Charges

2007 user pays charges

The following user pays charges will apply in 2007:

		2007 charge	2006 comparison
Italy	A premium and claims processing fee based on gross premiums flowing through the Italian office	0.75% of gross premium income	No change
	A public tender fee dependent on gross premium generated	Gross premium up to €10,000 – user pays charge of €500 Gross premium €10,000 and €25,000 – user pays charge of €1,000 Gross premium in excess of €25,000 – user pays charge of €1,500	No change

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

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

Further information

All queries on Worldwide Markets' charges should be referred to either Rob Geater (ext 6355) or email robert.j.geater@lloyds.com , Susan Jeapes (ext 2249) or email susan.m.jeapes@lloyds.com or to:

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