MARKET BULLETIN

REF: Y4063

Title	New Solvency and Reporting Byelaw Premiums Trust deed/Lloyd's American Instrument Amendments
Purpose	To give notice of the new Solvency and Reporting Byelaw and amendments to the Premiums Trust Deeds and Lloyd's American Instrument
Type	Event
From	John Parry, Head of Market Finance Contact details: 020 7327 5129; john.parry@lloyds.com
Date	3 October 2007
Deadline	n/a
Related links	See below

Following consultation with the LMA, ALM and the FSA, on 26 September the Council

a.   made a new Solvency and Reporting Byelaw (No.5 of 2007);
b.   amended every form of Premiums Trust Deed (PTD) relating to general and long-term business of 1987/subsequent years of account;
c.   prescribed new forms of PTD for members commencing underwriting on or after 27 September 2007; and
d.   amended the Lloyd's American Instrument (LAI).

Solvency and Reporting Byelaw

Following a review of Lloyd's solvency rules, the Solvency and Reporting Byelaw has been up-dated to reflect the FSA's rules and remove all provisions which duplicate those rules. In particular the new byelaw removes the requirement to issue rules regarding the valuation of assets. It has also been up-dated to take account of market developments and changes to Lloyd's processes, removing those provisions which are now redundant as a result of those developments.

In view of the extensive nature of the amendments required to be made to the byelaw, a new byelaw, the Solvency and Reporting Byelaw (No.5 of 2007), has been made by the

Council, and the Solvency and Reporting Byelaw (No. 13 of 1990) revoked. The purpose and broad structure of the new byelaw is nevertheless substantially the same as the old Solvency and Reporting Byelaw.

The byelaw is available at http://www.lloyds.com/NR/rdonlyres/979AEBD5-B4B6-428B-A55C-90254FC6A33E/0/byelawsolvency_Oct07.pdf

Premiums Trust Deeds

In order to align Lloyd's rules with the FSA's rules on asset admissibility, which will place Lloyd's rules on a level playing field with the company market, the PTD has been amended to allow the PTF to be invested in land, buildings and other immovable property rights. This amendment is automatically incorporated into the LAI. Managing agents are reminded of their fiduciary duties to act in the best interests of the members participating on their syndicates and they should therefore give careful consideration to the impact of holding property within the PTF on their members. This is in addition to the application of the prudential requirements set out in INSPRU 2 2.1.22R.

In addition, a technical amendment has been made to sub-clause 12(a) of the PTD in order that it is clear that this clause enables a managing agent appointed by a Member by means of an RITC contract to exercise the rights of recovery under that sub-clause. The LAI has been amended on the same terms.

The PTD also has been amended to clarify that UK insurance premium tax and fire brigade charge are Permitted Trust Outgoings in their own right. The LAI has been amended on the same terms.

The amended forms of prescribed deeds are available at:-

General PTD http://www.lloyds.com/NR/rdonlyres/FCA8C116-6D86-49CA-ADC2-8A549BE081FF/0/TD_PTDG2007.pdf

Long Term PTD http://www.lloyds.com/NR/rdonlyres/AFA838DE-A9A1-48D6-B477-43CBD0B68486/0/TD_PTDL2007.pdf

If you have any queries concerning this bulletin, please contact Kevin Nethersell on 020 7327 6253 (kevin.nethersell@lloyds.com) or Mike Steer on 020 7327 5709 (mike.steer@lloyds.com).

This bulletin is being sent to all underwriting agents, direct corporate members, recognised accountants and market associations.