

MARKET BULLETIN

REF: Y4167

Title	NEW CENTRAL FUND CONTRIBUTIONS AND MEMBERS' SUBSCRIPTIONS
Purpose	To advise Managing Agents of the process for determining the adjustment to New Central Fund contributions and Members' subscriptions from the initial charge to actual written premiums.
Type	Scheduled
From	Jonathan May, Head, Financial Control Finance, Risk Management & Operations Contact details: 020 7327 5314, jonathan.may@lloyds.com
Date	26 June 2008
Deadline	
Related links	

1 Adjustment calculation

As advised in MB Y4059 issued on 27 September 2007, the initial charges for New Central Fund contributions and Members' subscriptions for the 2008 year of account are based on allocated premium limits with subsequent adjustments to written premiums.

Traditional syndicates

For the 2008 YOA, the charges will be adjusted in April 2009 to actual written premiums, with a further and final adjustment in April 2010.

The calculation of the adjustment will be based on information reported in form 100 in the audited annual syndicate returns. An example of the calculation in respect of New Central Fund contributions is shown in appendix I, the methodology for Members' subscriptions will be the same.

In order to ensure consistency between members, written premiums, for this purpose, are stated net of brokerage, discounts and commissions but before reinsurance. This is consistent with how Lloyd's capacity (premium limits) is defined.

RITC syndicates

For the 2008 YOA, the initial charges are based on notional capacity. There will be one adjustment in April 2009 to base the charges on the risk premium charged i.e. excluding the portfolio transfer of existing technical provisions.

The total of the New Central Fund contributions and Members' subscriptions for RITC syndicates will be capped at the level of the annual run off charge that would have been incurred if the original syndicates had continued in run off.

Information supporting the level of the risk premium will need to be supplied by 28 February 2009 to Steve McCann the Head of Open Years Management, Ext 5984 (e-mail Steve.Mccann@lloyds.com)

2 Settlement Arrangements

All settlements arising from the adjustment calculation will be made via the Lloyd's Central Accounting System and will be settled in the same currency as the original settlement. Where the original settlement was in US dollars the adjustment will be calculated using the middle closing exchange rate published in the FT on the calculation date.

Advices detailing the calculation date and exact rate used together with the amounts due will be issued on 1 April 2009 for settlement via Central Accounting on 15 April 2009 and on 1 April 2010 for settlement via Central Accounting on 15 April 2010.

Questions regarding this bulletin should be addressed to Jonathan May, Ext 5314 (e-mail jonathan.may@lloyds.com).

Jonathan May
Head Financial Control

New central fund contributions - Traditional Syndicate

YOA 2008
Capacity 100,000,000

Extract from AR100 Total recognised gains and losses by pure year

	Line	31/12/2008 £	31/12/2009 £	Cumulative £
Gross premiums written	3	95,000,000	5,000,000	100,000,000
Acquisition costs - brokerage and commissions	27	(18,050,000)	(950,000)	(19,000,000)
Acquisition costs - business arrangement fees	28	(950,000)	(50,000)	(1,000,000)
		<u>76,000,000</u>	<u>4,000,000</u>	<u>80,000,000</u>
@ 0.50%		<u>380,000</u>	<u>20,000</u>	<u>400,000</u>

	£	Timing
<u>Initial payment</u>		
0.50% of capacity	500,000	Apr-2008

<u>2009 adjustment</u>		
0.50% of actual written premiums @ 31/12/08	380,000	
Less initial payment	(500,000)	
	(120,000)	Apr-2009

<u>2010 adjustment</u>		
0.50% of actual written premiums during 2009	20,000	Apr-2010

Total charge	<u><u>400,000</u></u>	
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Notes:

- 1) The example above is for members other than new corporate members as defined in MB Y4136
- 2) AR 100 references are based on the format of the annual return as at 31/12/07
- 3) Additional guidance will be provided in the instructions to the annual return regarding the appropriate acquisition costs to be allocated to lines 27 and 28 of AR100