

MARKET BULLETIN

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Title **NEW CENTRAL FUND CONTRIBUTIONS, MEMBERS' SUBSCRIPTIONS AND OTHER CHARGES FOR 2009**

Purpose Notification of contributions, subscriptions and payment dates

Type Scheduled

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Deadline

Related links

1 Summary

1.1 Council has now approved the New Central Fund contribution rates and members' subscriptions and entrance / application fees for 2009.

1.2 The principal central charges are set out below:

	2008	2009
	Charged as % of written premiums	Charged as % of written premiums
New central fund contributions	0.50%	0.50%
Members' subscriptions	0.50%	0.50%
	<u>1.00%</u>	<u>1.00%</u>

- 1.3 New Central Fund contributions in 2009 have been maintained of 0.50%. Subject to conditions remaining favourable we anticipate maintaining contributions at this level for the foreseeable future. We consider that it is preferable to maintain a steady contribution rate if, by doing so, we are able to avoid an increase if we were to experience new insolvencies during the soft part of the cycle.
- 1.4 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.
- 1.5 Initial payment of contributions and subscriptions on account will, however, be based on the written premium forecast within the syndicate business forecasts and subsequently adjusted to written premiums. For the purposes of charging, written premiums for a year of account will be finally determined by the audited annual syndicate returns.
- 1.6 Please note that premium limits will be deemed to have increased if, exceptionally, written premiums exceed capacity without there having been a pre-emption. This is to ensure that, in the event of overwriting, central charges continue to apply.

2 Members' Subscriptions

- 2.1 Council agreed that the rate for all underwriting members' subscriptions for 2009 should be 0.50% of written premiums. The first instalment at 0.25% is due on 7 January 2009 and the second instalment of 0.25% payable by 1 June 2009. The first instalment shall be calculated by reference to the member's syndicate forecast written premium for 2009. In April 2011 the charge will be adjusted to actual written premiums following receipt of audited annual syndicate returns.
- 2.2 The members' subscription is exempt from VAT.
- 2.3 A bulletin concerning instructions for the payment of members' subscriptions and the Franchise Performance and Risk Management charge, which is also payable in two instalments, will be issued in early December.

3 New Central Fund contributions

Annual contribution

- 3.1 The annual New Central Fund contribution rate payable by all members (other than new corporate members) for the 2009 year of account is to be 0.50% of a member's written premiums in respect of each syndicate of which he is a member.

New corporate members

- 3.2 New corporate members pay increased contributions at 2% of written premiums for each of their first three years of operations. A new corporate member is one which joins Lloyd's in 2009 and establishes / participates on one or more new syndicates thereby immediately accessing the Lloyd's brand, reputation and accumulated value

of the Central Fund. It should be noted that if that member writes on a mix of existing and new syndicates, then the higher rate will only be payable in respect of its participations on new syndicates.

- 3.3 Where a newcomer to the Lloyd's market chooses to participate by purchasing an existing corporate member that has reinsured to close all its liabilities, that corporate member will be treated as a new member and it will be required to pay the higher contribution in respect of its participations on new syndicates.
- 3.4 Within the category of new corporate members the increased charges will not apply to:
- conversion vehicles which meet the current definition of a "successor corporate member" in the Membership (Entrance Fees and Annual Subscriptions) Byelaw – i.e. in broad terms, any vehicle which is 85% owned by converting Names
 - new corporate members which only participate on *existing syndicates*.
- 3.5 New corporate members who joined in 2007 and 2008 will also pay 2% of written premiums for their second and third years of operation at Lloyd's, respectively.

Qualifying Quota Share (QQS) arrangements

- 3.6 Where syndicates enter into qualifying quota share arrangements outside the Lloyd's market further New Central Fund contributions and members' subscriptions are payable. For 2009 the additional contribution rates for both New Central Fund contributions and members' subscriptions will each be 0.75% if written premiums exceed allocated syndicate capacity, as well as the standard rate. Charges will be made, where applicable, after 12 and 24 months in April 2010 and April 2011. In prior years additional members' subscriptions were not payable.
- 3.7 This means that premiums under QQS arrangements will attract additional charges 1.5% (0.75% Central Fund contributions, 0.75% members' subscriptions) on top of the standard charges of 1% (0.50% Central Fund contributions, 0.50% members' subscriptions) bringing the total to 2.5%.

Callable contribution

- 3.8 Council also confirmed that the callable contribution will not exceed 3% of a member's syndicate premium limit in respect of each syndicate for the 2009 year of account. The contingent callable contribution remains a capacity based charge.

Payment date

- 3.9 The annual New Central Fund contribution for 2009, including that payable by new corporate members, will be collected on 1 April 2009, calculated by reference to the member's syndicate forecast written premiums for 2009. In April 2011 the charge will be adjusted to actual written premiums following receipt of audited annual syndicate returns.
- 3.10 Syndicates will be given the option to make payments in US dollars. No VAT is levied on these New Central Fund contributions.

- 3.11 If a mid-year pre-emption or a new syndicate is approved after 1 April 2009 the due date for the on account payment of the contribution will be the later of the date of approval or invoiced date.

4. Syndicate loans

- 4.1 All syndicate loans were repaid in July 2007 following the issue of £500m subordinated perpetual capital securities. It is not intended to collect any loans for 2009.

5. Financial Services Compensation Scheme

- 5.1 Lloyd's was brought within the scope of the Financial Services Compensation Scheme ("FSCS") with effect from 1 January 2004. Council has agreed that for 2009 the Central Fund should meet the first £10m of any levy charges, inclusive of any contribution to cover the operational costs of the FSCS, on the Lloyd's market in 2009. This concession, which applies principally to the personal lines underwriters, will be reviewed annually and is subject to the ongoing performance of the personal lines market.

6. Entrance / Application fees

- 6.1 The principal administrative fees payable by new entrants (excluding VAT) are set out in Appendix 1. These charges are unchanged from 2008.

7. Interest on overdue amounts

- 7.1 Interest on overdue accounts is chargeable at 5% above National Westminster Bank plc base lending rate.

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

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APPENDIX I

2009 ENTRANCE & APPLICATION FEES

	<u>2008</u>	<u>2009</u>
Members' Entrance fees		
Corporate Member	£25,000	£25,000
New Money NameCo	£4,700	£4,700
New Money NameCo where the shareholders were formerly individual members of Lloyd's	£1,850	£1,850
Successor Corporate Member	£1,850	£1,850
Initial Application (conversion schemes)	£1,850	£1,850
LLP (conversion)	£2,350	£2,350
Additional Subscriber NameCos (conversion schemes)	£420	£420
Member not falling into any of the above categories	£4,700	£4,700
New Money LLP	£5,200	£5,200
Interavailable fee	£150	£150
Change in Controller (corporate member)	£150	£150
Change in Director (corporate member)	£150	£150
Underwriting Agent / Syndicate Application fees		
Change in Controller (underwriting agent)	£5,000	£5,000
New Underwriting Agent	£100,000	£100,000
New Syndicate	£50,000	£50,000
Syndicate Merger / change of managing agent	£5,000	£5,000