

MARKET BULLETIN

REF: Y4392

Title	Distribution Costs
Purpose	To inform managing agents of new requirements
Type	Requirements
From	Tom Bolt Performance Management Director
Date	28 April 2010
Deadline	31 May 2010 (and quarterly reporting 31 July, 31 October, 31 January)

Related links

On 31 March, the Director of Performance Management at Lloyd's wrote to managing agents regarding additional reporting requirements which will facilitate Lloyd's ability to monitor the market's total cost of distribution. The purpose of this bulletin is to set out further information about these requirements.

By no later than 31 May 2010, any managing agent which has entered into an arrangement with a broker which is currently in effect and provides for the payment of commission or fees (however described) to the broker in addition to ordinary brokerage and other arrangements disclosed on the slip is required to notify the Performance Management Directorate of these arrangements using the following email address: distributioncosts@lloyds.com

In addition, each managing agent shall continue to report quarterly to the Performance Management Directorate all new arrangements and all amounts booked in that quarter under those new arrangements or any existing arrangements. The form of return is attached in the Annex and requests the following information:

- a. The name of intermediary in question;
- b. The amounts paid under any arrangement which have been booked in the relevant quarter;
- c. The nature of the business to which the arrangement relates
- d. The duration of the arrangement; and
- e. The purpose of the arrangement.

Page 2 of the return sets out detailed notes on how the return is to be completed. The spreadsheet for this return will be emailed separately to managing agents. Managing

agents should also note that they are required to submit a return even if it is a nil return. All amounts falling within the scope of the return must be disclosed unless the managing agent has obtained a waiver from Lloyd's.

The dates for the second and subsequent quarterly submissions of these returns are 31 July, 31 October and 31 January and the returns should be emailed to distributioncosts@lloyds.com.

If managing agents have any questions about complying with these new requirements, they should contact Mark Stockton in Underwriting Performance (mark.stockton@lloyds.com / 020 7327 5419).

Annex

Broker Remuneration Return

1) Please complete the yellow boxes below in the "Contact Details & Reporting Quarter" section.

Contact Details & Reporting Quarter	
Managing Agent	
Syndicate Number	
Completed By	
Contact Email	
Contact Telephone Number	
Reporting Quarter	

2) Please record the data regarding broker remuneration on the "Broker Remuneration Data" tab. The cells in yellow are data entry fields. Please record the remuneration amounts next to the broker names listed. More than one entry for a broker may be required if there are multiple arrangements in place.

Instructions

To help you complete this form, below are some key points to help clarify our requirements:

(a) return to be completed on behalf of *each syndicate* , not aggregated for a managing agent.

(b) the managing agent shall disclose all amounts paid by it on behalf of the relevant syndicate to intermediaries during the quarter period, other than:

1. amounts which have been disclosed on slips/MRCs;
2. amounts relating to individual policies issued under a binding authority* and covered by the binding authority agreement; and
3. amounts which are payable by the syndicate to an intermediary to cover the administrative costs of processing premium paid in respect of business underwritten on its behalf through a service company.

**Note that profit commissions only need to be disclosed via this return if they are not in the binding authority agreement (slip/MRC), i.e. are side agreements.*

(c) in addition, the managing agent shall disclose all new arrangements of this kind entered into by it on behalf of the relevant syndicate during the quarter period

(d) we have identified the top 20 Lloyd's brokers by premium volume and ask that you complete this return for each of these brokers, as appropriate. Where you have no arrangements with one of these brokers, please leave that entry blank. We ask that you add additional entries (space has been provided) for other brokers with whom you have such arrangements. Please add these in the section at the bottom of the table and over-type the name on one of the 'Others (specify)' lines. Please use the broker's full legal name as per the other entries.

(e) all arrangements with all parts of a global broking group should be entered as an arrangement with that broking group, e.g. with Marsh rather than Marsh UK, Marsh US, Guy Carpenter, etc.. This is to simplify the return and its analysis.

(f) where a managing agent of a syndicate is obliged to make payments to intermediaries on behalf of the syndicate which are part of wider group arrangements entered into by its parent company and an intermediary, Lloyd's requires the managing agent to disclose the proportion of the payment which is allocable to the syndicate.

(g) return is to be submitted based on *amounts booked in calendar year quarters as per financial statements* , not on risks incepting or actual payments made. Each quarter's return should be stand-alone and not updated in subsequent quarters. Where an arrangement covers multiple quarters or years, this should be recorded as you record it, i.e. on an earned basis quarter by quarter or all attaching to a single quarter - as you record it in your accounts. This is to simplify the process for you.

(h) all monetary *figures to be in GBP using the FX rate specified in the syndicate's prevailing QMA* . This is to simplify the process for you.

(i) all figures to be entered as follows: £1,000,000 should be entered as 1000000, i.e. not £1m, 1m, £1,000,000, 1,000,000, etc.. This is to enable calculations to be performed on the data without manual editing.

(j) to cater for broker remuneration arrangements on the whole account, individual lines or multiple lines, a drop-down list has been created for 'nature of business'. This is based on the Lloyd's 10 + multi-line + whole account + other. Where an arrangement applies to one class of business, select that class. Where the arrangement applies to a number of classes, choose 'multi-line'. Where the arrangement applies to the whole account, choose 'whole account'. *Where an arrangement doesn't neatly fit anywhere, choose 'other' (the aim is to record all remuneration)* . Please leave blank spaces where you don't need to use all available spaces. This process should be repeated for each broker with whom you have an arrangement. This is to enable calculations to be performed on the data without manual editing.

(k) arrangement duration is to be selected from the drop-down list. This is to enable calculations to be performed on the data without manual editing.

(l) *2010 reporting deadlines are as follows: Q1 - 31/05/10, Q2 - 31/07/10, Q3 - 31/10/10, Q4 - 31/01/11*

(m) you must return this form, even if you have no such arrangements - *nil returns are required*

(n) a link to the market bulletin describing this initiative can be found here: [INSERT LINK](#)

Broker Remuneration Return

Please specify Reporting Quarter on Cover Sheet

Syndicate total (GBP): £ -

global broker name please complete for top 20 by premium to Lloyd's & specify others by name	total of non-slip/MRC amounts booked in the quarter (GBP only)	number of new arrangements entered into during the quarter	nature of business please select from drop- down list below if unsure, use 'other'	Duration of arrangement please select from drop-down list below	purpose of arrangement	basis of remuneration calculation
Alwen Hough Johnson Alwen Hough Johnson Alwen Hough Johnson Alwen Hough Johnson Alwen Hough Johnson						
Aon Aon Aon Aon Aon						
Arthur J Gallagher Arthur J Gallagher Arthur J Gallagher Arthur J Gallagher Arthur J Gallagher						
Besso Besso Besso Besso Besso						
BMS Group BMS Group BMS Group BMS Group BMS Group						
Cooper Gay & Co Cooper Gay & Co Cooper Gay & Co Cooper Gay & Co Cooper Gay & Co						
Heath Lambert Heath Lambert Heath Lambert Heath Lambert Heath Lambert						
Integro Insurance Brokers Integro Insurance Brokers Integro Insurance Brokers Integro Insurance Brokers Integro Insurance Brokers						
Jardine Lloyd Thompson Jardine Lloyd Thompson Jardine Lloyd Thompson Jardine Lloyd Thompson Jardine Lloyd Thompson						
Lockton Companies International Lockton Companies International Lockton Companies International Lockton Companies International Lockton Companies International						
Marsh Marsh Marsh Marsh Marsh						
Miller Insurance Services Miller Insurance Services Miller Insurance Services Miller Insurance Services Miller Insurance Services						

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Newman Martin and Buchan						
Newman Martin and Buchan						
Newman Martin and Buchan						
Newman Martin and Buchan						
Newman Martin and Buchan						
Price Forbes & Partners						
Price Forbes & Partners						
Price Forbes & Partners						
Price Forbes & Partners						
Price Forbes & Partners						
R K Harrison Group						
R K Harrison Group						
R K Harrison Group						
R K Harrison Group						
R K Harrison Group						
RFIB Group						
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RFIB Group						
RFIB Group						
RFIB Group						
Thompson Heath & Bond						
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Towers Watson (Re)Insurance Brokers						
Tyser & Co						
Tyser & Co						
Tyser & Co						
Tyser & Co						
Tyser & Co						
Willis						
Willis						
Willis						
Willis						
Willis						
Others (specify)						
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