

# MARKET BULLETIN

REF: Y4928

**Title** New Central Fund contributions, members' subscriptions and other charges for 2016.

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**Purpose** Notification of contributions, subscriptions and payment dates

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**Type** Scheduled

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**Date** 30 September 2015

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**Deadline**

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**Related links**

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- 1.1 Council has approved that the basis of charging subscriptions and contributions should be changed from stamp premium (net of acquisition costs) to gross written premiums (GWP). At the market aggregate level, to maintain the charges in £ms, this would mean standard rates being set at 0.4% (previously 0.5% of stamp premium).
  - 1.2 However, in order to meet the additional investment required to deliver on strategic priorities, without materially drawing down on cash reserves, it has been agreed that the rate for subscriptions on the new basis will be set at 0.45%.
  - 1.3 Given the strength of the Central Fund, it has also been agreed to reduce the standard rate on the new basis to 0.35% so that in aggregate the impact of the changes are neutral.
  - 1.4 For enhanced new member Central Fund contributions it has been agreed that the additional amount is changed to 1.05% in line with the new basis (so the aggregate 1.4% is maintained at 4 times the standard rate).
  - 1.5 Transitional arrangements will be in place for the 2016 year. When calculating the final charge a 10% cap and collar on the changes to annual subscriptions and central fund contributions (overall) to 0.8% in total so that no member is advantaged or disadvantaged by more than 10% for the change to a GWP basis (from stamp premium).
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1.6 The principal central charges are set out below:

	<b>2015</b>	<b>2016</b>
	% of SGP	% of GWP
New Central Fund contribution	0.50%	0.35%
Members' subscription	0.50%	0.45%
	1.00%	0.80%

## **2 Members' Subscriptions**

2.1 Council agreed that the rate for all underwriting members' subscriptions for 2016 should be 0.45% of gross written premiums. The first instalment at 0.225% is due on 6 January 2016 and the second instalment of 0.225% payable by 1 June 2016. The first and second instalment shall be calculated by reference to the member's syndicate forecast gross written premium for 2016. In April 2018 the charge will be adjusted to actual gross written premiums following receipt of audited annual syndicate returns (subject to the transitional arrangements).

2.2 The members' subscription is exempt from VAT.

2.3 A bulletin concerning instructions for the payment of members' subscriptions will be issued in December.

2.4 The budget for the Corporation will be approved by the Franchise Board and Council in December and will be shared with the Lloyd's Market Association.

## **3 New Central Fund contributions**

3.1 The annual New Central Fund contribution rate payable by all members (other than new corporate members) for the 2016 year of account is to be 0.35% of a member's gross 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 1.4% of written premiums for each of their first three years of operations. A new corporate member is one which joins Lloyd's in 2014, 2015 or 2016 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.

**Qualifying Quota Share (QQS) arrangements**

- 3.5 Where syndicates enter into qualifying quota share arrangements outside the Lloyd’s market further New Central Fund contributions and members’ subscriptions are payable. For 2016 the additional rates for both New Central Fund contributions and members’ subscriptions will each be 0.75%, as well as the standard rate, applied to the QQS premium.
- 3.6 This means that premiums under QQS arrangements will attract additional charges 1.5% on top of the standard charges of 0.8%.

**Callable contribution**

- 3.7 Council also confirmed that the callable contribution would remain equal to 3% of capacity, but is valued according to the USD / GBP mix of business. For example, a syndicate with a 2016 capacity of £1bn submits an SBF to underwrite £400m and \$942m (£600m at \$1.57). The callable layer would be valued at £12m plus \$28.3m to match the underlying business mix. If the USD rate changes, the value of the callable layer moves in line proportionately which matches movements in the insurance risk within the Lloyd’s Society regulatory capital assessment.

**Payment date**

- 3.8 The annual New Central Fund contribution for 2016, including that payable by new corporate members, will be collected on 1 April 2016, calculated by reference to the member’s syndicate forecast gross written premiums for 2016. In April 2018 the charge will be adjusted to actual gross written premiums following receipt of audited annual syndicate returns (subject to the transitional arrangements).
- 3.9 Syndicates will be given the option to make payments in US dollars. No VAT is levied on these New Central Fund contributions.
- 3.10 If a mid-year pre-emption or a new syndicate is approved after 1 April 2016 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. There is no intention to collect any loans for 2016.

**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

2016 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 2016. 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 A.

**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, Lloyd's Ext 5314 (e-mail [jonathan.may@lloyds.com](mailto:jonathan.may@lloyds.com)).

Jonathan May  
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Ref	Chargeable Item	2015	2016
1	Corporate Member Application - Non-private Capital	£25,000	£25,000
2	Shell Corporate Member		
2.1	Stage 1	£5,000	£5,000
2.2	Stage 2	£20,000	£20,000
3	Corporate Member Application - Private Capital		
3.1	Base Charge - Conversion	£2,030	£2,030
3.2	Base Charge - New Money	£5,075	£4,060
3.3	Interavailability Fee – Individual member	£157	£157
3.4	Interavailability Fee – Corporate member	£505	£505
4	Approval of Controller/Member/Partner/Director (note 1)	£157	£157
5	Approval of Controller/Member/Partner/Director per Trust (note 1)	£500	£500
6	Approval of Controller/Member/Partner/Director per Trustee (note 1)	£250	£250
7	Approval of corporate member changes where all entities fall under Advance Consent Regime	£127	£127
8	Approval of Controller/Member/Partner/Director change post appointment	£107	£107
9	Approval of a sale of a previously recommenced member application	£1,015	£1,015
10	Recommencement of Corporate Member Application (with no changes)	£505	£505
11	Recommencement of Underwriting		
11.1	Individual Member (not ceased or converted)	£157	£157
11.2	Corporate member with no change of Director / Controller	£157	£157
11.3	Corporate member with change of Control / Structure		
11.3.1	Base Charge	£5,075	£5,075
11.3.2	per Connected Entity	£157	£157

**Notes:**

1. Applicable for new corporate member applications and corporate member changes
2. Market Services may, at its discretion, reduce the application charges payable for the early submission of member applications or where more than one member applies for membership with the same corporate structure.
3. Where third party costs are incurred by Market Services in providing a service, these will be charged to the member concerned (e.g. Legal Fees, Postage and Packaging).
4. All fees are outside the scope of VAT

**UNDERWRITING AGENT/SYNDICATE APPLICATIONS**

Ref	Chargeable Item	2015	2016
1	Change in Controller (underwriting agent) (note 1)	£5,000	£10,000
2	New Underwriting Agent	£200,000	£200,000
3	New Syndicate	£100,000	£100,000
4	New Special Purpose Syndicate	£50,000	£50,000
5	Syndicate Merger / change of managing agent	£5,000	£5,000
6	New Accredited Broker	£5,000	£5,000

**Notes:**

1. Applicable when a voting interest of 50% or more is acquired.
2. All fees are outside the scope of VAT.