

Title 2019 Members' subscriptions, Central Fund contributions and other market charges

Purpose Notification of contributions, subscriptions and payment dates

Type Scheduled

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1. **Headline Charges for 2019**

- No change to Members' subscription (0.36%), Market Modernisation (0.09%) and Central Fund contributions (0.35%);
- Overseas Operating Charges to be increased;
- Elective service charges to be increased in line with inflation plus adjustments based on pricing review;
- Introduction of syndicate loans to the Central Fund at 0.33% of gross written premiums, subject to PRA approval.

2. **Corporation Operating Fees and Charges**

2.1 **Members' Subscriptions**

2.1.1 The rate for all underwriting Members' subscriptions for 2019 will be 0.36% of GWP. The first instalment at 0.18% is due on 7 January 2019 and the second instalment of 0.18% due on 3 June 2019. The first and second instalments shall be calculated by reference to the Members' syndicate forecast GWP for 2019. In October 2021 the charge will be adjusted to actual GWP following receipt of audit review June 2021 syndicate returns.

2.1.2 Members' subscription is exempt from VAT.

2.2 Elective Service Charges

2.2.1 Elective charges are to be increased in line with inflation with some adjustment based on pricing review of services – most increases are in the range of 0%-5%. Areas where charges have been reviewed include Room Charges and fees for Market Services, Tax and Complaint Handling Charges. These charges will be finalised for publication in December 2018. In reviewing the elective service charges, we have considered the competitiveness and value for money aspect of these services.

2.3 Overseas Operating Charges

2.3.1 The Overseas Operating Charge will continue to be charged on Overseas GWP (i.e. excluding UK and Channel Islands) to cover the overseas operating costs.

2.3.2 The charges are increased to cover Lloyd's Brussels operations starting in 2019. They may need to be increased further if Lloyd's Brussels incurs the third party transaction charges (including Xchanging, DA SATS and SDC).

2.3.3 The levy rates to be applied in 2019 are: Direct Business (overseas) 0.49% (2018: 0.40%), Reinsurance business (overseas) 0.17% (2018: 0.14%) and Coverholder business 0.73% (2018: 0.60%). The charge will be collected on 16 January, 16 April, 16 July and 16 October 2018.

2.4 Market Modernisation Levy

2.4.1 We propose to maintain the charge of 0.09% of GWP in 2019 to support the London Market Target Operating Model, including all market modernisation initiatives. This is a preliminary rate and the charge will be reviewed during the detailed budgeting process and final charge confirmed in December 2018.

2.4.2 The charge will be collected on 21 January, 23 April, 22 July and 21 October 2019. The exclusion for UK 100% Motor business lines in respect of this class will be extended into 2019 in view of the work streams planned for 2019.

3. Capital Charges

3.1 New Central Fund contributions

3.1.1 Given the strength of the Central Fund, it is considered appropriate to keep the annual contribution rate payable by all members (other than new corporate members) for the 2019 year of account at 0.35% of a Members' GWP in respect of each syndicate of which it is a Member.

3.2 New corporate members

- 3.2.1 New corporate members pay 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 2017, 2018 or 2019 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.
- 3.2.2 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.
- 3.2.3 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.

3.3 Callable contribution

- 3.3.1 The callable contribution remains equal to 3% of capacity, valued according to the USD / GBP mix of business.

3.4 Payment date

- 3.4.1 The annual New Central Fund contribution for 2019, including that payable by new corporate members, will be collected on 29 March 2019, calculated by reference to the member's syndicate forecast GWP for 2019. In October 2021 the charge will be adjusted to actual gross written premiums following receipt of audit review June 2021 syndicate returns.
- 3.4.2 Syndicates will be given the option to make payments for contributions in US dollars. No VAT is levied on these New Central Fund contributions.
- 3.4.3 If a mid-year pre-emption or a new syndicate is approved after 1 April 2019 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 Subject to PRA approval of our proposal, Lloyd's will require that members of syndicates make loans to the Central Fund equal to 0.33% of gross written premiums. The coupon is proposed to be at a risk free rate (marked on the date of issue to 5 year gilt yields) plus a 3% credit risk premium.

- 4.2 Lloyd's will use this addition to central resources to, among other things; provide further capital to Lloyd's Brussels.
- 4.3 The loan will involve the transfer of Tier 1 capital (cash) from the Premiums Trust Funds of the relevant syndicate members to the Central Fund.
- 4.4 The syndicate loan requirements include the following provisions to ensure the proceeds constitute Tier 1 capital centrally:
- the loans for any syndicate year of account will not be repaid before 5 years has elapsed
 - a requirement that the loans cannot be repaid where there is non-compliance with the Society's market-wide SCR, Central SCR or MCR
 - subordination provisions: in the event of a winding up of the Society, its obligations to members under the loans will be subordinated to other obligations of the Society of Lloyd's and in particular to the payment of any underwriting liabilities of the members of syndicates.
- 4.5 This arrangement will start with effect from the 2019 year of account and will be collected on 29 March of each year.
- 4.6 Members will not be required to provide additional capital, with the loan treated as an eligible asset for member solvency.
- 4.7 As noted above, it is intended that these loans shall constitute restricted Tier 1 capital. PRA approval is required for this and Lloyd's has initiated discussions with the PRA in this respect including the provision of draft loan documents.

Members' Subscription, Overseas Operating Charges, Market Modernisation Levy and Central Fund Contributions

Market Charges		2019 Charge
Members' Subscription		0.36%
Overseas Operating Charges	Direct	0.49%
	Reinsurance	0.17%
	Coverholder	0.73%
Market Modernisation Levy		0.09%
New Central Fund Contributions		0.35%
New Corporate Members Central Fund Contributions		1.40%

Corporate Real Estate

Chargeable Item	Customer	Means of Collection	Unit of Charge	2019 Price per Unit
Room Rent Charges for underwriting space on the Ground Floor to Gallery 4. This is charged on a net footprint area of the space occupied by underwriting boxes. 6 month break.	G1,G2,G3&G4	Invoice	per sq. ft.	£555
	Ground Underwriters	Annually in Advance		£833
Company Market Rent Charges for Company Market leases on Gallery 2 to Gallery 4. This is charged on a net footprint area of the space occupied by underwriting boxes. New entrants pay additional 50% of first year annual rental.	G2, G3 & G4	Invoice	per sq. ft.	£1,110
	Company Market	Quarterly in Advance		Double Room Rent
Security Passes The charge for security passes where applicable.	Market wide	Invoice	per pass	£32
	Non-u/w working members			£105

Lloyd's Treasury & Investment Management (LTIM)

LTIM Service	Basis	2019 charge
<p>Commingled investment accounts Market assets are effectively pooled into 3 single accounts in order to deliver efficiency and economies of scale for the market. Accounts include CAD regulated, CAD non-regulated and CAD (USD denominated) regulated. Agents tend to use these for convenience as individual agent balances in CAD do not warrant fully fledged investment mandates</p>	Assets under management	8.5bp fee (plus 2bp custody fee)
<p>FAL cash sweep, LMDTA Sweeps any cash balances left on accounts by members and is invested as a pooled money market type fund.</p>	Assets under management	13.5bp fee (including administration fee)
<p>Currency Conversion Service (CCS) Agents sign up to this service which effectively pools and nets all foreign exchange movements for participating agents allowing us to transact on an aggregate basis whilst meeting individual agent FX needs.</p>	Per transaction	5bp fee
<p>FX execution service LTIM also offers FX trade execution on-demand.</p>	Per transaction	5bp fee
<p>Investment of overseas regulatory deposits LTIM manages these investment portfolios on behalf of the market, as is required by overseas regulators. The Corporation currently has eleven of these funds plus the ASL deposits.</p>	Assets under management	8.5bp fee

Market Services

Individual (IND), Corporate (CORP) and Direct Corporate (DCP) Members

Annual Charges	2019 Charges			Charging Basis
	IND	CORP	DCP	
Trustee / Regulatory Services	£515	£2,800	£13,900	Services for members underwriting on the current year, or with open participation or whose last remaining participation was closed at previous year-end
Third Party FAL Providers (TPFP)	£200 per TPFP			Administration of a Third Party providing funds at Lloyd's (FAL)
Interavailable Recipient Monitoring Charge – per Donor	N/A	£500		Charge for administration of FAL made interavailable to Corporate Member, where the donor has open participation
Interavailable Recipient Monitoring Charge – per Finalised Donor	N/A	£1,500		Charge for administration of FAL made interavailable to Corporate Member, where the donors last remaining participation was closed at previous year-end
Interavailable Recipient Monitoring Charge – per Finalised Donor	N/A	£2,500		Charge for administration of FAL made interavailable to Corporate Member, where the donor has failed to end their interavailable arrangement within two years of the closure of their last remaining participation, as required by M&URs
Citibank Holding Charge*	£5,000 where value held in Citibank > £10m			Charge for holding securities in Citibank, where the value held in Citibank exceeds £10m as at 1 January 2019
Cash Service Charge	Up to 0.140%			Charge for administration of cash held. Subject to reduction to avoid negative return to members
Coming into Line Extension Request	£250 per day per £5m £500 per day per £5m over 10 working days			Granting an extension to the coming-into-line deadline and subsequent monitoring of the extension, including funds provided by new Third Party
Complex issues*	£120 per hour			Complex/bespoke transactions, investigation of proposals outside the scope of existing trust, regulatory and policy obligations. Dependent on level of seniority involved

Market Services

Member Application & Corporate Member Changes

Charges	2019 Charge
Corporate Member Application – Non Private Capital	£52,000 per application
Corporate Member Application – Private Capital Simple	£5,250 per application
Corporate Member Application – Private Capital – Complex	£10,500 per application
Change of Control Application – Simple	£1,050 per application
Change of Control Application – Complex	£5,250 per application
Approval of New Third Party Funding Provider – Simple (known entity)	£520 per third party
Approval of Third Party Funding Provider – Simple (new entity)	£2,600 per third party
Approval of Third Party Funding Provider – Complex (new entity)	£10,500 per third party
Recommencement of Underwriting – no changes	£520
Recommence of underwriting – Simple change of structure	£5,250
Recommencement of Underwriting – Complex change of structure	£10,500
Extension/Late/Breach/Non-submission fee incl. Declaration of Compliance, PTF trustees	£520

Charges for Syndicates

Charges	2019 Charge
Results & Stamp Processing – Simple (Aligned)*	£5,150 per syndicate
Results & Stamp Processing – Complex (Spread)*	£15,450 per syndicate
Auction – buy/sell capacity	0.06% per successful bid
Provision of systems to members' agents*	Up to £50,000 per members' agent, dependent on number of members

Notes:

- All fees are Outside the scope of VAT except those charges marked with an asterisk (*) which are Standard Rated
- Where third party costs are incurred by Market Services in providing a service, these will be charged to the member concerned (e.g. bank charges for holding Euros)
- A member that commences underwriting mid-year will attract pro rata charges
- Market Services may, at its discretion, reduce the application charges payable for the early submission of member applications (20% reduction) or where more than one member applies for membership with the same corporate structure (50% reduction)
- Where a Corporate Member Application or Change of Control Application is submitted and all entities fall under the Advance Consent Regime, then the application fee will be reduced by 10%
- For Corporate Member Applications seeking consent for an 'on the shelf' vehicle, 20% of the application fee will apply to complete the first stage. The final balance of the application fee will be payable when the applicant completes the second stage
- Discounts noted above will only apply where applications are submitted fully completed, by the due date and free from errors

Tax Operations

Charges for Syndicates

Syndicate level charges for tax services	2019 Charge
Premium tax charges (main syndicates only)	£20,000
Syndicate UK tax returns	£500
Certificate of UK Tax Residence	£1,000

Individual (IND), Corporate (CORP) and Direct Corporate (DCP) Members

Member level charges for tax services	2019 Charges		
	IND	CORP	DCP
US (incl. income and excise taxes, FATCA)	£750	£1,000	£10,000
Canada	£250	£250	£3,500
Singapore	£250	£250	£3,500
UK tax advices (incl. CTA1/2, foreign tax schedules, etc.)	£250		
Third Party Funding Providers	£100		
Japan	£250	£250	£3,500
Country by Country Reporting			£1,000
US Controlled Foreign Corporations reports		£750	£750
LLP / SLP charge for 2 nd and each further partner	£500		

Notes:

- Any charges for work commissioned direct with Eversheds-Sutherland LLP in relation (e.g.) to quota share policies or other issues affecting a member's US tax return and billed to Lloyd's will continue to be on-charged to the relevant member in addition to any of the above charges.
- Where other third party costs are incurred, for example, in providing additional services such as dealing with Changes of Ownership, Reinsurance adjustments and calculation of potential tax liabilities for release of FAL, these will be charged to the member concerned.

Complaints Handling

Complaints handled by UK Complaints team

Charges	2019 Charge
UK Complaints	
Administration fee for UK complaint	£150
Additional fee for full investigation – UK complaint – Tier 1 (claim reserve of £500 and under)	£229
Additional fee for full investigation – UK complaint – Tier 2 (claim reserve £501- £10,000 and all underwriting issues)	£655
Additional fee for full investigation – UK complaint – Tier 3 (claim reserve of £10,001 - £25,000)	£983
Additional fee for full investigation – UK complaint – Tier 4 (claim reserve above £25,001)	£1,310
Issue Investigation Ongoing Letter	£50
International Complaints	
Administration fee for International complaint	£262
Additional fee for International complaint	£131
Additional fee for full investigation – International complaint	£524
Australian and New Zealand Complaints	
Administration fee for Lloyd's Australia Complaint	£150
Fee for full investigation – Tier 1 (claim reserve of £500 and under)	£229
Fee for full investigation – Tier 2 (claim reserve of £501- £10,000 and all underwriting issues)	£655
Fee for full investigation – Tier 3 (claim reserve of £10,001 - £25,000)	£983
Fee for full investigation – Tier 4 (claim reserve of above £25,001)	£1,310
All Complaints	
Additional Administration Fee	£200
Failure to Meet Performance Metrics and other Systemic Issues	Up to £25,000

Notes

1. The Administration Fee levied will be determined by the date the Complaint was received however the Full Investigation fee will be calculated on the date the file is closed.
2. Any fees levied by external authorities (for example mediation fees levied by the authorities in the USA pursuant to the emergency statutes implemented in the wake of hurricanes) and collected via the Complaints team will be paid by the Complaints team and collected from the appropriate syndicates on a case by case basis.
3. Complaint Handling charges are not subject to VAT.

Complaints Handling

Complaints handled by Lloyd's Australia

Charges	2019 Charge
Administration fee for complaint (Charged for matters managed at AFCA and/or IFSO)	A\$268
Fee for full investigation – Tier 1 (claim reserve of A\$900 and under)	A\$410
Fee for full investigation – Tier 2 (claim reserve of A\$901- A\$18,000 and all underwriting issues)	A\$1,185
Fee for full investigation – Tier 3 (claim reserve of A\$18,000 – A\$45,000)	A\$1,772
Fee for full investigation – Tier 4 (claim reserve of above A\$45,001)	A\$2,370
Additional Administration Fee	A\$360
Issue Investigation Ongoing Letter	A\$90

Recovery of UK Financial Ombudsman Service (FOS) case fee	FOS revises their case fee on the 1st April each year. 2018/2019 charge fixed at £550
Recovery of External Dispute Resolution Fees (including UK FOS)	Levy is recovered from relevant syndicates
Australian AFCA and New Zealand IFSO case fee is payable by coverholder / TPA / managing agent	AFCA charges range from AU\$1,500 to AU\$7,950 dependent on resources required IFSO charges approx. NZ\$1,100

Notes

1. The charges for complaints handled by Lloyd's Australia have been translated into AUD using the average exchange rates since the charges were first introduced in order to provide linkage to the underlying costs.
2. From 1 November 2018, the Australian Financial Ombudsman Services will be replaced by the Australian Financial Complaints Authority (AFCA)
3. IFSO is the Insurance and Financial Services Ombudsman in New Zealand