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Auction Four - 10th / 11th November

The fourth and final auction of the year will be held on Wednesday 10 and Thursday 11 November.

This is a limited auction for capacity released by the death of a member after Auction Three. It also includes capacity which the Auction Official has declared eligible to be traded, usually due to material changes in a syndicate's Business Plan for the succeeding year.

Members may only subscribe for capacity in this auction if they have, or expect to have, sufficient surplus funds at Lloyd's (as at the coming-into-line deadline of 29th November 2010) to support any further capacity which they acquire. No additional funds can be supplied after the coming-into-line date.

Although there has not been any capacity released by the death of a member, the Auction Official has announced that capacity on the following syndicates is eligible for trading in Auction Four:

<i>Syndicate</i>	<i>Managing Agent</i>	<i>Reason</i>
260	Canopus	Change in the syndicate's business plan.
386	QBE	Change in indicative Individual Capital Assessment (ICA).
1200	Argo	Change in the syndicate's business plan.

Lloyd's has also given permission for £43,000 of capacity on Syndicate 570 to be entered in Auction Four to rectify an administrative error arising from a bid submitted in Auction Three.

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Canopius Managing Agents Ltd Syndicate 260 Requirement to make Mandatory Offer

Following Auction Three, Canopius group companies Flectat Limited and Canopius Capital Two Limited (together with any associated companies) are entitled to participate in Syndicate 260 for the 2011 year of account with a member's syndicate premium limit in aggregate of not less than 75% of the allocated capacity of that syndicate.

Canopius is therefore required to make a mandatory offer in 2011 to acquire all of the remaining 2012 capacity of Syndicate 260 that it does not already own, in accordance with paragraphs 2 and 3 of the Mandatory Offer Byelaw.

The requirement to make a mandatory offer will be satisfied through either a capacity offer or an announced auction offer in accordance with the 2011 prescribed timetable.

Comment: We continue not to recommend support of Syndicate 260 for the 2011 year of account.

Argo Managing Agency Ltd Syndicate 1200 Revised Syndicate Business Forecast and De-emption Proposals

On 25 October, Argo Managing Agency Ltd (**Argo**) submitted a revised 2011 Syndicate Business Forecast (**SBF**) to Lloyd's in respect of Syndicate 1200. That plan has been approved by the Business Forecast Steering Group of Lloyd's.

The approved SBF includes several new classes of business to be written in 2011 and the Syndicate has made significant progress in the recruitment of underwriting resource for these new Marine, Offshore/Onshore Energy, Space and Aviation classes.

Accordingly, the Syndicate will not proceed with the 7.14% de-emption of Stamp capacity to £325m; capacity for 2011 will remain at £350 million.

In addition, Argo intends to participate in Auction Four with a view to buying up to £15,000,000 of capacity at a price of 9.8p.

Comment: We continue not to recommend support of Syndicate 1200 for the 2011 year of account.



New Central Fund Contributions, Members' Subscriptions and Other Charges for 2011

The Council of Lloyd's (**Council**) has now approved the New Central Fund contribution rates and members' subscriptions and entrance / application fees for 2011.

The principal central charges are set out below:

	2010	2011
New Central Fund contributions	0.50%	0.50%
Members' subscriptions	0.50%	0.50%
	1.00%	1.00%

Note: Charged as % of written premiums

New Central Fund contributions in 2011 have been maintained of 0.50%. Subject to conditions remaining favourable, Council anticipates maintaining contributions at this level for the foreseeable future. They consider that it is preferable to maintain a steady contribution rate if, by doing so, they are able to avoid an increase if they were to experience new solvency issues during the soft part of the cycle.

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.

Initial payment of contributions and subscriptions on account will be based on the written premium forecast within the SBFs, converted at the rates of exchange used for monitoring purposes 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.

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.

Members' Subscriptions

Council has agreed that the rate for all underwriting members' subscriptions for 2011 should be 0.50% of written premiums. The first instalment at 0.25% is due on 7 January 2011 and the second instalment of 0.25% payable by 1 June 2011. Argenta will arrange payment out of members' Premiums Trust Funds (PTFs). The first instalment shall be calculated by reference to the member's syndicate forecast written premium for 2011. In April 2013, the charge will be adjusted to actual written premiums following receipt of audited annual syndicate returns.

The members' subscription is exempt from VAT.

New Central Fund contributions

Annual contribution

The annual New Central Fund contribution rate payable by all members (other than new corporate members) for the 2011 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

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 2011 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.

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.



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; and
- new corporate members which only participate on *existing syndicates*.

New corporate members who joined in 2009 and 2010 will also pay 2% of written premiums for their second and third years of operation at Lloyd’s respectively.

Qualifying Quota Share (QQS) arrangements

Where syndicates enter into qualifying quota share arrangements outside the Lloyd’s Market, further New Central Fund contributions and members’ subscriptions are payable. For 2011, 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 2012 and April 2013. In prior years, additional members’ subscriptions were not payable.

This means that premiums under QQS arrangements will attract additional charges, namely 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

Council has also confirmed that the callable contribution will remain equal to 3% of capacity, but is valued according to the US Dollar / Sterling mix of business.

For example, a syndicate with a 2011 capacity of £1bn submits an SBF to underwrite £400m and \$900m (£600m at \$1.50, the PIM rate of exchange). The callable layer would be valued at £12m plus \$27m to match the underlying business mix. If the US Dollar rate changes, the value of the callable layer moves in line proportionately which matches movements in the insurance risk within the Lloyd’s Society ICA.

Payment date

The annual New Central Fund contribution for 2011, including that payable by new corporate members, will be collected via members' Syndicate PTFs on 1 April 2011, calculated by reference to the member's syndicate forecast written premiums for 2011. In April 2013, the charge will be adjusted to actual written premiums following receipt of audited annual syndicate returns.

Syndicates will be given the option to make payments in US Dollars. No VAT is levied on these New Central Fund contributions.

If a mid-year pre-emption or a new syndicate is approved after 1 April 2011, the due date for the on account payment of the contribution will be the later of the date of approval or invoiced date.

Syndicate loans

All syndicate loans were repaid in July 2007. There is no intention to collect any loans for 2011.

Financial Services Compensation Scheme

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 2011 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 2011. 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.

Entrance / Application fees

The principal administrative fees payable by new entrants (excluding VAT) are set out in Appendix I.

Interest on overdue amounts

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



Appendix I

Members' Entrance Fees

	2010	2011
Corporate Member Application	£25,000	£25,000
Shell Corporate Members		
- Stage 1	£10,000	£10,000
- Stage 2	£15,000	£15,000
Conversion to NameCo / SLP / LLP		
- Base Charge	£2,000	£2,000
- Per Converting member / LLP member / Limited Partner / New member / Controller	£155	£155
New Money NameCo / SLP / LLP		
- Base Charge	£5,000	£5,000
- per Member / Controller / Limited Partner for 5 or more members / Controllers	£155	£155
New Money vehicle where private individual is / was previously a member of Lloyd's	£2,000	£2,000
New Member not covered by any other category		
- Base Charge	£5,000	£5,000
- per connected entity	£155	£155
SLP Conversion to LLP		
- Base Charge	£2,000	£2,000
- Interavailability Fee	£1,500	£1,500
- per Member for 5 or more members (excluding designated members)	£155	£155
Recommencement of Corporate Member Application	-	£1,000
Recommencement of Underwriting		
- Individual member with Open Participation	£155	£155
- Corporate member with Open Participation with no change of Director / Controller	£155	£155
- Corporate member with change of Control / Structure		
▪ Base Charge	£5,000	£5,000
▪ per Connected Entity	£155	£155
Approval of Controller / Director / SLP / LLP Changes	£155	£155
Approval of Controller / Director / SLP / LLP Changes	-	£150
- advance consent granted		

Underwriting Agent / Syndicate Application fees

	2010	2011
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

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