

MARKET BULLETIN

REF: Y4494

Title	Pre-emptions and De-emptions for the 2012 Year of Account
Purpose	Procedure and criteria for making pre-emption and de-emption applications for the 2012 year of account
Type	Scheduled
From	Tom Bolt, Director, Performance Management Directorate
Date	26 May 2011
Deadline	8 July 2011 Onwards (see Annex 1)
Related links	Business Timetable Auction & Stamp Building Timetable and Associated Forms Syndicate Pre-emption Byelaw

Compliance Officers should note the content of this bulletin, which provides details of:

- i) the business plan approval process in respect of changes in capacity
- ii) the pre-emption and de-emption notification process

A list of the key dates is set out at Annex 1.

Change in syndicate capacity for 'aligned' syndicates

Where managing agents can confirm to the Performance Management Directorate (PMD) that:

- all of the members of a syndicate approve a proposed change in syndicate capacity and the proportions in which the change will be allocated; and
- the capacity will not be traded in the auctions,

managing agents are not required to follow the pre-emption procedures set out in the Syndicate Pre-emption Byelaw. Any changes to the syndicate capacity will be addressed as part of the Syndicate Business Plan process (see Annex 1 for the relevant timetable).

Changes in syndicate capacity for 'non-aligned' syndicates

Managing agents of non-aligned syndicates that wish to increase or decrease capacity are required to follow the procedures set out in the Syndicate Pre-Emption Byelaw. In outline, where a managing agent wishes to increase capacity it is required to write to all members (where appropriate through their members' agent or MAPA operator) offering the additional capacity on a pro-rata basis. Decreases in capacity should also be on a pro-rata basis. All offers of additional capacity must be made no later than 26 August 2011.

- Capacity Increases of more than 7.5%

Where a managing agent wishes to increase the capacity of a syndicate by more than 7.5% the managing agent must give written notice to members of its intention and within 14 days is required to obtain 75% agreement from the syndicate members who respond, weighted by capacity. Managing agents must confirm to PMD (via their Underwriting Performance (UP) Account Executive) whether they have obtained approval to pre-empt by more than 7.5% no later than 12 August 2011. Para 6 of the Syndicate Pre-Emption Byelaw provides further details of the procedure to be followed.

- Offers to be conditional on PMD Approval

Any pre-emption offer made under the Syndicate Pre-emption Byelaw must be made conditional on an increase in the syndicate's capacity being approved by PMD as part of the Syndicate's Business Plan and provide that if a lower increase is approved the increase in syndicate capacity being offered shall be reduced accordingly. The offer must also invite members (including any member who purchases relevant syndicate capacity in the auctions to be held starting in September 2011) to specify whether they would wish to take up all or part of their pre-emption entitlement if a lower increase in syndicate capacity is approved by PMD.

- Acceptance of pre-emption offers

Any acceptance of a pre-emption offer must be made by no later than 4 November 2011. However, a member may not accept a pre-emption offer in respect of its capacity sold or to be sold in the auctions. Any such acceptances will be invalid. As pre-emption offers are conditional on an increase in syndicate capacity being approved by PMD, no acceptance of an offer shall take effect until such approval is given. If an increase in syndicate capacity is approved, the managing agent shall allocate the capacity to members of the syndicate in accordance with the offer and with members' acceptances. If no increase is approved the pre-emption offer shall lapse.

Syndicate Business Planning Process

PMD will consider, and where appropriate approve, a proposed change in syndicate capacity as an integral part of agreeing the Syndicate Business Plan. Details of proposed changes to syndicate capacity must be set out in the Syndicate Business Forecast which must be submitted in accordance with the timetable set out in [Market Bulletin Y4473](#).

Where possible, PMD will endeavour to give non-aligned syndicates an indication of whether a proposed change in syndicate capacity is likely to be approved (or whether any other change in capacity should be expected) prior to the commencement of the auctions.

In respect of increases greater than 7.5% for non-aligned syndicates the approval of the syndicate members must first be obtained prior to approval of the Syndicate Business Plan.

Waiver of Requirement for Council Consent

As in previous years, the requirement for the approval of Council set out in the Syndicate Pre-Emption Byelaw is waived in respect of:

- increases in syndicate capacity in excess of 25% (paragraph 6(8)(a));
- any increase in syndicate capacity where a managing agent has been informed of a regulatory concern (paragraph 6(8)(b));
- where the agent manages a syndicate in run-off (paragraph 4A); and
- reductions in syndicate capacity in excess of 15% (paragraph 5(5)).

Instead, all changes in capacity will be considered by Lloyd's as part of the Syndicate Business Plan Process.

Returns for 'non-aligned' syndicates

The following forms must be used when making returns to Market Services so that they are kept fully informed of proposed changes and to enable syndicate stamps to be prepared for the 2012 year of account.

- pre-emption intentions (PI)
- pre-emption confirmations (PC)
- de-emption intentions (DI)
- de-emption confirmations (DC)

Market Services must receive completed PI and DI forms by no later than midday 8 July 2011 and completed PC and DC forms within one working day of a syndicate receiving notification from PMD that their business plan for 2012 has been approved. These forms can be obtained from the Lloyds.com website within the [Auction & Stamp Building Timetable and Forms](#) section or by contacting Graham Bonner on 01634 392056 or Graham.Bonner@lloyds.com in Market Services.

If you have any enquiries relating to this bulletin please contact Claire Schrader, Manager, Corporate & Compliance Team, Lloyd's Legal & Compliance on 020 7327 6173 or claire.schrader@lloyds.com or contact your UP Account Executive.

Pre-emption/De-emption - Key Dates

Date	Event
8 July 2011	Last date for managing agents of non-aligned syndicates to submit their intention to pre-empt or de-empt for 2012 to Market Services
8 July 2011	Deadline for managing agents of non-aligned syndicates to submit first Syndicate Business Forecasts for the 2012 year of account which should include proposed changes in syndicate capacity
5 August 2011	Last date for members' agents to advise managing agents whether they support pre-emption offers where the increase is greater than 7.5%. Members must have at least 14 days to consider any proposal from the date that the managing agent gives written notice to members of its intention to pre-empt
12 August 2011	Last date for managing agents of non-aligned syndicates to confirm to PMD (via UP Account Executive) that they have obtained the requisite level of approval in respect of any pre-emption of more than 7.5%
26 August 2011	Last date for managing agents to make pre-emption offers
9 September 2011	Start of the business plan approval process and deadline for submission of final SBFs in respect of non-aligned and aligned syndicates as part of which proposed changes in capacity will be considered
13/14 September 2011	First Capacity Auction
20/21 September 2011	Second Capacity Auction
4/5 October 2011	Third Capacity Auction
21 October 2011	Syndicate Business Plan approval deadline for non-aligned syndicates
4 November 2011	Pre-emption acceptance deadline (conditional on PMD approval of Syndicate Business Plans)
25 November 2011	Syndicate Business Plan approval deadline for aligned syndicates