

Title **2018 Members' subscriptions, Central Fund contributions and other market charges**

Purpose Notification of contributions subscriptions and payment dates

Type Scheduled

From John Parry, CFO
Tel: 0207 327 5129
Email: john.parry@lloyds.com

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1. Headline Charges for 2018

- Members' subscription reduced by 10% to 0.36% of gross written premium (GWP) (2017: 0.40%, 2016: 0.45%);
- No change in Central Fund contributions, Market Modernisation and Overseas Operating Charges;
- Elective service charges (formerly called User Pay) revised to offset reduction in members' subscription, and transition from mandatory across the board subscription levels to fees for services.

2. Corporation Operating Fees and Charges

2.1 Members' Subscriptions

2.1.1 The rate for all underwriting Members' subscriptions for 2018 will be 0.36% of GWP. The first instalment at 0.18% is due on 5 January 2018 and the second instalment of 0.18% payable by 1 June 2018. The first and second instalments shall be calculated by reference to the Members' syndicate forecast GWP for 2018. In October 2020 the charge will be adjusted to actual GWP following receipt of audit review June 2020 syndicate returns.

2.1.2 The Members' subscription is exempt from VAT. A bulletin concerning instructions for the payment of Members' subscriptions will be issued in December.

2.2 Elective Service Charges

2.2.1 Following a review of the current Corporation charging structure, it is proposed that the income generated from Members' subscriptions and Elective Service Charges (previously known as "user pays" charges) should be reweighted towards elective service charges.

2.2.2 Offsetting reduction in members' subscription, work is ongoing to review elective service charges, with the intention of increasing these where appropriate to ensure that the overall effect on the market is cost neutral. Areas for review include Room Charges and fees for Market Services, Tax, Treasury and other services. These charges will be finalised for publication in December. 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 levy 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 %'s to be applied in 2018 are unchanged: Direct Business (overseas) 0.40%, Reinsurance business (overseas) 0.14% and Coverholder business 0.60%.

2.4 Market Modernisation

2.4.1 The charge of 0.09% of GWP continues in 2018 to support the London Market Target Operating Model including all market modernisation initiatives.

2.4.2 The charge will be collected on 19 January, 20 April, 20 July and 19 October. The exclusion for UK 100% Motor business lines in respect of this class will be extended into 2018 in view of the workstreams planned for 2018.

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 2018 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 2016, 2017 or 2018 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 2018, including that payable by new corporate members, will be collected on 3 April 2018, calculated by reference to the member's syndicate forecast GWP for 2018. In October 2020 the charge will be adjusted to actual gross written premiums following receipt of audit review June 2020 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 2018 the due date for the on account payment of the contribution will be the later of the date of approval or invoiced date.