

Title	2019 Market Charges
Purpose	Update to notification of 2019 charges, contributions, subscriptions and payment dates
Type	Scheduled
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Date	13 December 2018

The purpose of this bulletin is to confirm the Lloyd's 2019 Market Charges

1. **Headline Charges for 2019**

- Members' subscription, Central Fund contributions, Overseas Operating Charges, Elective Service charges and Capital charges as published in the September 2018 market bulletin Y5210;
- Market modernisation levy reduced to 0.07% (2018: 0.09%);

2. **Market Modernisation Levy**

- The charge will be reduced to 0.07% of GWP in 2019 (2018: 0.09%) to support the London Market Target Operating Model, including all market modernisation initiatives.
- 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.

Schedule 1

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		0.07%
New Central Fund Contributions		0.35%
New Corporate Members Central Fund Contributions		1.40%

Other overseas charges

- An additional charge of 0.75% of gross written premiums is levied on business which is administered through the Lloyd's Italian office, reflecting the additional services provided locally.
- Elective Services Charges will apply for costs incurred on behalf of specific syndicates or work requested by specific market customers where that work requires substantial additional effort and has resulted in extra cost. These charges will normally be on a time and materials basis and, where applicable, the cost implications will be made clear to the syndicate before proceeding with the work.

All queries on Overseas Operating Charges should be referred to:

Carolyn Smith 01634 39 2922 email: carolyn.smith@lloyds.com

Lloyd's International Trading Advice (LITA) 020 7327 6677 email: LITA@lloyds.com

Schedule 2**Charges in respect of Syndicates in Run-off**

Agents with syndicates with years of account in run-off bear a run-off charge at a flat rate of £1 per £1,000 of reported net insurance liabilities, assessed by reference to the most recent audited accounts of the syndicate for each year of account in run-off. For this purpose, a run-off syndicate means a syndicate which no longer accepts new or renewal insurance business (other than the variation or extension of risk previously underwritten or reinsurance to close off an earlier year of account of that syndicate). This charge is unchanged from 2018.

In this context, net insurance liabilities means the amounts retained by each syndicate in run-off, in respect of each year of account in run-off, to meet all known and outstanding liabilities carried forward as at 31 December 2018. If the relevant audited financial statements are unavailable and their production appears likely to be significantly delayed, an interim charge (to be adjusted if necessary on subsequent publication of the relevant audited accounts) may be assessed by reference to the most recently submitted quarterly monitoring return (QMR) made by the run-off managers to Lloyd's for the syndicate for the relevant years of account. Any payment of this charge not made by the due date will attract an interest charge at 5% over the National Westminster Bank PLC base rate.

Point of contact: Carolyn Smith 01634 39 2922

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Schedule 3

Capacity Markets

All charges set out below are to be paid by the relevant members of the Lloyd's community and are exempt from VAT. Capacity Markets charges in 2019 will be the same as for 2018, as set out below.

Type of charge	Charge
Approval of capacity offer by means of announced auction offer	£2,400
Approval of formal capacity offer (cash only)	£6,250
Approval of formal capacity offer (with shares or a share alternative)	£7,850
Approval of conversion scheme (with interavailability)	£12,000

An additional fee may be charged to sponsors to cover, for example:

- additional costs incurred in processing particularly complex schemes, especially where features not directly necessary to the scheme are included; and
- the reimbursement of any external legal (or other professional) fees incurred by Lloyd's in developing a particular scheme. An example of this is where bespoke trust deeds are prepared for reverse interavailability schemes.

Every effort will be made to make promoters/sponsors aware of the possibility of an additional charge at an early stage in the process.

Point of contact: Paul Thornton 020 7327 6281

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Schedule 4

Services provided by Lloyd's Finance

1.1 Treasury & Investment Management (LTIM) Services

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
<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	Up to 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

Point of contact: Tony Cullum 020 7327 6130

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1.2 Provision of Schedule 3 Information to Corporate Members

Introduction

Corporate members of Lloyd's are required to prepare their accounts in accordance with Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. The Market Finance department offers a "central facility" to provide corporate members with the data that they need in order to be able to prepare their accounts in accordance with Schedule 3. Market Finance is able to provide this facility by advising on the data requirements, collecting the syndicate data in the relevant format from managing agents, processing it and providing outputs in the Schedule 3 format for each subscribing member. If the central facility was not available, it would be necessary for individual corporate members to contact the managing agent of each syndicate on which they participate in order to negotiate arrangements to obtain this information, which would not be otherwise provided by managing agents. It is likely that the cost to a corporate member of having to obtain the data this way would be greater than the fees charged for the Lloyd's facility.

Fees

Each corporate member that wishes to subscribe to this service is required to pay a fee as prescribed under the Syndicate Accounting Byelaw (No. 8 of 2005) as amended. This fee is calculated by reference to the highest overall premium limit (OPL) of the corporate member concerned and number of syndicates (disregarding syndicate years of account for this purpose) in which the corporate member participates.

The prescribed fees for the December 2018 facility are set out below and vary with respect to the size (in terms of OPL) of the corporate member. They are unchanged from last year.

OPL for member*	Fee per syndicate participation** (excl VAT)	Maximum fee** (excl VAT)
£15,000,001 or greater	£150	£4,475
£10,000,001 to £15,000,000	£125	£3,700
£5,000,001 to £10,000,000	£90	£2,625
£2,000,001 to £5,000,000	£50	£1,550
£2,000,000 or less	£50	£1,025
Members participating on 2015 or prior run-off years only	£50	£1,025

* OPL is defined as the highest OPL written for any year of account within the last three years of account.

** Fees are calculated per syndicate (not syndicate year) participation.

Key assumptions

The fee structure for 31 December 2018 Schedule 3 reporting has been prepared on the assumption that the level of subscription to the central facility and Market Finance's costs incurred in providing this facility, do not change materially from those relating to the 2017 exercise.

Other significant matters

No established alternative source in order for corporate members to obtain this data currently exists. As noted above, however, the cost incurred by corporate members making their own arrangements to obtain the information directly from managing agents is likely to be somewhat higher.

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1.3 Corporate Interavailable FAL

Corporate groups may wish to rationalise their Lloyd's operations and reduce the number of underwriting subsidiaries. Lloyd's has developed a mechanism and the documentation to deal with the provision of Funds at Lloyd's to support both the business being run off by the ceasing corporate members and the increased level of underwriting by the continuing corporate member.

A fee is payable by those corporate groups seeking to consolidate and make their individual corporate members' FAL interavailable. This charge seeks to recover principally legal costs incurred by Lloyd's in respect of such consolidations. The fee is £10,000 (excluding VAT) per ceasing member subject to a maximum £50,000 per corporate group consolidation.

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1.4 Tax Services

We are making a number of changes in the way members are charged for elective tax services, moving several of the charges currently made at syndicate-level to member-level charges.

Charging at member-level for work relating to members' tax returns is more transparent and better enables members to elect out of specific tax services if they choose to. We will therefore move to a single member-level charge for certain tax services.

Services that are closely connected with the syndicates' day-to-day operations will continue to be charged at syndicate level and we will introduce new charges for syndicate tax returns and Certificates of Tax residence.

In broad terms the impact on members' base charge is as follows:

Member	Total cost today *	Total revised cost *
Individual	c £900	c £1,450
LLP/SLP/Nameco	c £1,200	c £1,950
Direct Corporate Participant (average)	c £21,000	c £33,500

* plus a share of syndicate-level charges

One significant change is to the syndicate-level charge for premium tax returns which will increase from £12,000 to £20,000 (and which largely accounts for the overall increase in DCP charges). We have invested significant sums in a new system which should enable us to provide syndicates with better data, so they can more easily reconcile premium taxes paid.

We believe all of the amended costs are modest for the extent of services provided and very competitive when compared with external market rates.

Point of contact: Christine Allcott 01634 392433

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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 (<i>only affected members</i>)	£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 change of ownership, Reinsurance adjustments and calculation of potential tax liabilities for release of FAL, these will be charged to the member concerned.
- All of the above charges are subject VAT
- Where a member of managing agent raises an ad hoc query which requires an investigation, or where an error is identified resulting in the need to re-file a tax return, work undertaken by Lloyd's will be charged at £120 per hour

1.5 Market Services

Market Services charges members and agents for admitting new members and third party funding providers, changes of control within corporate members, maintaining FAL and distribution of profits.

Point of contact: Nikki Hopper 01634 392780

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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 TFPF			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

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 is submitted, approved and subsequently withdrawn, 50% of the application fee will apply
- For Corporate Member Applications seeking consent for an 'on the shelf' vehicle during non-peak periods (Jan-April, July-mid August), 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
- Where a Third Party Funding Provider (TPFP) is a partner of a LLP new member application, then the fee for the approval of the TPFP will be waived
- Discounts noted above will only apply where applications are submitted fully completed, by the due date and free from errors

Schedule 5

Complaint Handling Charges

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

Financial Ombudsman Service

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

Notes

1. The Administration Fee levied will be determined by the date the Complaint was received whereas all other charges will be determined by the date of the charge is levied.
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.

Point of contact – Complaints team Jenny Laverty 01634 392320

Email: jenny.laverty@lloyds.com

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\$18,001 – 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

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
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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

Point of contact – Lloyd's Australia Charges Tracey Bryan +61 (0) 2 8298 0782

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Schedule 6

Group Technology

CABLING SERVICES			
Cabling within the Lloyd's building - Provide	Per cable	Manpower Hourly Rate Plus Materials	Installation of cabling within the Lloyd's building
Fibre Optic Cable – Support	Per Fibre Pair	£967	Rental and support of fibre infrastructure
Block Wiring	Per Pair	£22	Charge for use of BT block wiring to support private PBX's (price per pair)
Fibre Installation	Per Unit	£502	One-off charge for provision of fibre to an U/W box or office
BLACK BOX PARK (BBP1) SERVICES			
Black Box Park 1 (BBP1) Rack Space - 1 unit	Per Unit	£369	Rental of 1 unit rack space in a Lloyd's cabinet
BBP1 Rack Space - 10 units	Per Unit	£2,010	Rental of a lockable portion of a Lloyd's cabinet (10 units)
BBP1 Rack Space - 20 units	Per Unit	£3,969	Rental of a lockable portion of a Lloyd's cabinet (20 units)
BBP1 Floor Space	Per Unit	£7,836	Rental of floor space in Black Box Park 1 for customers own comms. cabinet
BBP1 Cross Connect installation	Per Unit	£142	One off charge to install cross-connect from Carrier Meet Me Room to customer location in BBP1
VOICE SERVICES			
Installation of Voice Services	Per Unit	Manpower Hourly Rate	
Standard Extension	Per Extension	£649	Rental for Lloyd's extension number and a Lloyd's supplied analogue handset
Digital Telephone Handset	Per Handset	£143	Additional rental for a digital handset
Digital Add-on Unit	Per Handset	£176	Rent for a digital add-on unit, which supplies extra programmable keys
Additional Telephone Socket	Per Socket	£88	Rental of an additional analogue handset of an existing analogue extension
Voicemail	Per Unit	£125	Rental of a voice mailbox
Fax / Modem Line	Per Line	£305	Rental of a fax/modem link on a Lloyd's extension number
Support for IPT Infrastructure	Per Unit	£731	
Rental of an IP Conference Unit	Per Unit	£264	

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Schedule 7

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

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Schedule 8

Admissions – Underwriting Agent / Syndicate Applications

Ref	Chargeable Item	2019	VAT Status
1	Change in Controller of an underwriting agent (see note 1)	£50,000	Outside Scope
2	New Underwriting Agent (see note 2)	£300,000	Outside Scope
3.	New Syndicate (see note 2)	£200,000	Outside Scope
4.	New Special Purpose Arrangement (see note 2)	£75,000	Outside Scope
5.	Syndicate merger or Transfer of Management of a syndicate	£5,000	Outside Scope
6.	New Accredited Broker	£10,000	Outside Scope

Notes

- 1) Fee is payable when a voting &/or equity interest of 50% or more is to be acquired
- 2) The new underwriting agent, syndicate, special purpose arrangement charge is payable when a proposal is presented to the Franchise Board or its designee for 'in principle' approval.
- 3) VAT is not currently chargeable on application fees

Points of contact:

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