

FROM: Head, Market Reporting
LOCATION: 86/G5
EXTENSION: 5129
DATE: 30 September 2004
REFERENCE: Y3400
SUBJECT: COMING-INTO-LINE: 2003 CONTINUOUS SOLVENCY ADJUSTMENT
SUBJECT AREA(S):
ATTACHMENTS:
ACTION POINTS: Managing agents, Members' agents and Direct Corporate Members to note
DEADLINE: Immediate

Further to the market bulletin The Membership & Underwriting Conditions and Requirements (Funds at Lloyd's) (M&URs) (Y3371) issued on 10 August 2004, the Franchise Board have now considered and approved the methodology for the 2003 Continuous Solvency Adjustment (CSA) to apply for CIL for the 2005 year of account.

Calculation of the 2003 CSA

The Franchise Board have confirmed, following a central review of the interim annual accounting returns submitted by managing agents, that the 2003 CSA, as a credit for 2005 coming-into-line purposes should be determined by reference to 50% of the cumulative annual accounting profits declared in June 2004 in respect of the 2003 year of account. The 50% restriction is applied in recognition that this is a further interim step towards statutory annual accounting for regulatory purposes and that the interim annual accounting return is unaudited.

The central review has taken account of any deterioration reported on the 2002 and prior years of account in the annual accounting returns and restrictions have been made where Lloyd's considers it prudent to do so on a case by case basis. The managing agents concerned have been advised where the restrictions have been applied. No credit has been allowed where a syndicate has reported a 2003 year of account solvency deficiency within the 31 December 2003 Syndicate Return. The MSU will shortly issue to members agents the quantum of the 2003 CSA for their members which will be after the restrictions mentioned above.

No life syndicates are eligible for a 2003 CSA as a result of the above calculations.

2004 Catastrophe Losses

Lloyd's is responsible for monitoring and maintaining solvency on a continuous basis. In the event that the recent windstorm losses, or further major loss occurrences, materially impairs the solvency of any member, Lloyd's will address the appropriate remedial action with capital providers on a case by case basis.

If you have any other queries relating to this bulletin, please address them to Kevin Nethersell on Lloyd's extension 6253 or Mike Steer extension 5709. This bulletin is being sent to all managing agents, members' agents, direct corporate members, licensed advisers, recognised accountants, and market associations for information.

John Parry