

# MARKET BULLETIN

<b>From</b>	Sean McGovern, Director and General Counsel
<b>Date</b>	23 January 2007
<b>Reference</b>	Y3959
<b>Subject</b>	<b>New timetable and arrangements for new mid-year syndicates supported by unaligned capital</b>
<b>Subject areas</b>	
<b>Attachments</b>	
<b>Action points</b>	
<b>Deadlines</b>	<b>New application deadlines for new mixed syndicates: 9 February, 11 May and 21 September</b>

Lloyd's is pleased to announce that new syndicates backed by unaligned capital will be able to commence underwriting during the year and that existing syndicates backed by unaligned capital will be able to utilise this new mechanism to increase capacity mid-year. This fulfils a commitment made in the Annual Venture Report issued last year.

Previously, unaligned capital members could only support a new syndicate with effect from 1 January and could not increase their capacity on existing syndicates mid-year. Through the mechanism of a new mid-year syndicate Lloyd's can now enable increases in capacity by unaligned capital members at three further dates in the year: 1 April, 1 July and 1 November.

## **New Timetable**

This bulletin sets out in appendix 1 a timetable of key dates for Lloyd's to be able to process mid-year syndicate applications during 2007. Certain dates are ideal target dates but others are firm deadlines in order for applicants and Lloyd's to meet the desired start date. Agents' attention is drawn to the following points:

- The timetable sets new deadlines by when applicants must provide to Lloyd's a fully completed new syndicate application, where that syndicate is to be supported by unaligned capital.
- Before a new application may be submitted, detailed discussions regarding the proposed syndicate business plan will need to have taken place with Lloyd's.
- Members must meet the deadline by which any additional funds at Lloyd's are to be received by Lloyd's so that they may participate on a new syndicate. Revised modelling software including new syndicates, commencing at the relevant date, will be available once syndicate business plans and capital requirements for the new syndicates are agreed.
- Initial capital requirements for new syndicates will be determined, as at present, using the ECA modelling software incorporating specific "new syndicate" adjustments and loading. It is not necessary to prepare an ICA as part of the application, but where an ICA has been prepared, this may be taken into account in agreeing the final capital requirement.
- Members' agents and direct corporate members must confirm that members who are participating in a new syndicate have signed a syndicate list and have complied with Lloyd's requirements for funds at Lloyd's. The relevant documents are attached as appendix 2.
- Existing MAPAs will not be able to participate on any mid-year syndicates.
- In deciding whether or not to support a new mid-year syndicate, members who are limited partnerships should bear in mind that Lloyd's cannot approve a change in partnership shares other than with effect from 1 January.
- Lloyd's will not be able to give a new syndicate permission to commence underwriting until the managing agent and members' agents have agreed and signed an agents' syndicate list in respect of that new syndicate.
- Special procedures apply to syndicates wishing to underwrite US business, which may have timetable implications for the submission of certain application documentation. Appendix 1 provides further details.
- Lloyd's will process new corporate member applications in conjunction with a new syndicate application. Again, applicants should adhere to the deadlines for submission of admission documents.
- In view of the imminent deadlines for a 1 April 2007 start, it is unlikely that new applicants who have yet to hold discussions with Lloyd's will be able to avail themselves of this start date.

For the avoidance of doubt, this initiative does not preclude a new syndicate to be supported by a single member from being established at any point in the year.

**Capital Implications for members increasing their underwriting**

To support members wishing to take advantage of business opportunities mid-year they will be able to increase their overall premium limit by up to 5% and will not be required to provide any additional funds at Lloyd's by the relevant deadline set out in the timetable. Members will be expected to 'come into line' taking account of any increase in their premium limit as part of the next scheduled coming-into-line exercise. Appendix 3 provides more details of the capital requirement calculation and timing.

Please note that members whose funds at Lloyd's have been depleted post the relevant FAL valuation date as a result of payment of cash calls, or who have failed to meet any request for funds, will not be able to take advantage of the exemption.

The process will be evaluated during the year and lessons learnt will be taken into account for 2008.

This bulletin has been sent to all underwriting agents, direct corporate members and market associations.

Sean McGovern  
Director and General Counsel

**New mixed syndicate timetable for 2007<sup>1</sup>**

<b>To commence underwriting with effect from:</b>	<b>1 April</b>	<b>1 July</b>	<b>1 Nov</b>
Last date to make an outline proposal to Lloyd's for a new syndicate	12 Jan	13 Apr	24 Aug
Last date for syndicate business plan, details of key staff and implications for managing agent submitted to Lloyd's	19 Jan	20 Apr	31 Aug
Last date for Lloyd's to give 'green light' to a new syndicate application and agree syndicate capital requirement	7 Feb	9 May	19 Sep
Provision of member modelling software to members' agents and direct corporate members	9 Feb	11 May	21 Sep
<b>Deadline</b> to submit a final complete new syndicate application	9 Feb	11 May	21 Sep
<b>Deadline</b> to submit a complete new corporate member application (Stage 1)	9 Feb	11 May	21 Sep
Members' agents send new syndicate 'application forms' to members	16 Feb	25 May	24 Sep
Last date for members to return new syndicate acceptance forms and syndicate lists	9 Mar	15 Jun	12 Oct
Lloyd's Executive Team approves new syndicate	6 Mar	7 Jun	16 Oct
<b>Deadline</b> for members to provide additional FAL and supporting documents to Lloyd's	9 Mar	15 Jun	12 Oct
<b>Deadline</b> for new member to provide FAL and supporting documentation (Stage 2)	9 Mar	15 Jun	12 Oct
Members' agents provide MSU with syndicate participation files	12 Mar	18 Jun	15 Oct
<b>Deadline</b> for members' agents and direct corporate members to confirm that members have signed syndicate lists and are in compliance with Lloyd's requirements for funds at Lloyd's	13 Mar	19 Jun	16 Oct
Approval given to new members	16 Mar	22 Jun	19 Oct
Agents' Syndicate List agreed and signed by managing agent and members' agents	16 Mar	22 Jun	19 Oct
Lloyd's confirms syndicate may commence underwriting	16 Mar	22 Jun	19 Oct

<sup>1</sup> Syndicates wishing to write US business should refer to note 2.

Notes on the timetable

- 1 This timetable is based on a new syndicate to be managed by an existing managing agent. If a new managing agent is proposed, the process will take longer because of the additional work involved and the requirement for FSA approval.
- 2 A new syndicate that intends to write US business will need to arrange to be on the relevant NAIC lists which are updated on each quarter date for surplus lines business and on 1 June and 1 December for US reinsurance business. Further details on US procedures for a new syndicate can be found on Lloyd's website using the following link: [www.lloyds.com/new-syndicate-guidance](http://www.lloyds.com/new-syndicate-guidance)
- 3 Key Lloyd's contacts

New syndicate applications:	Matthew Chandler, Admissions x5743
US procedures:	Maria McLoughlin, Worldwide Markets x6863
Capital requirements:	Lorraine Harfitt, Market Reporting x6420
Member issues:	Karen Fox, MSU x2368

**MEMBERS' COMPLIANCE WITH UNDERWRITING REQUIREMENTS**

**Year of Account .....**

**Members' Agent's Confirmation Form**

Members' Agent:

Date:

We confirm that in respect of those members proposing to increase their underwriting (OPL) for the [ ] account, each member for whom we act has complied with Lloyd's requirements in respect of the provision of funds at Lloyd's and that each member has signed a Syndicate List confirming that member's underwriting participations for the [ ] year of account.

<b>IMPORTANT NOTICE</b>
The confirmations made in this form are important and will be relied upon by Lloyd's. Signatories must take care to ensure the accuracy of their confirmations. Any queries relating to this form should be addressed to the Manager, Membership Arrangements, Members' Services Unit.

Signature of Director .....

Name (in block capitals) .....  
Title/Position .....

Please return this form to the Manager, Membership Arrangements, Members' Services Unit.

**Part 1**

**MEMBER'S COMPLIANCE WITH UNDERWRITING REQUIREMENTS**

**Year of Account .....**

**Corporate Member's Confirmation Form**

Corporate Member :	(“the Corporate Member”)
Membership Number:	

Date:

I confirm that the Corporate Member has:

- (a) complied with Lloyd's requirements in respect of the provision of funds at Lloyd's and has sufficient funds at Lloyd's to support its underwriting in respect of the [ ] year of account as shown by the calculation in Part 2 of this form; and
- (b) signed a syndicate list confirming its underwriting participations for the [ ] year of account.

**IMPORTANT NOTICE**

The confirmations and figures stated within both pages of this form are important and will be relied upon by Lloyd's. Signatories must take care to ensure the accuracy of their confirmations. Any queries relating to this form should be addressed to the Manager, Membership Arrangements, Members' Services Unit.

Signature of Director/Partner .....  
of the Corporate Member

Name (in block capitals) .....  
Title/Position

Please return this form to the Manager, Membership Arrangements, Members' Services Unit.

(Cont'd overleaf)

**PART 2**

**MEMBER'S COMPLIANCE WITH UNDERWRITING CONDITIONS AND REQUIREMENTS**

Year of Account .....

**Corporate Member's Confirmation Form (Cont'd)**

Name of Corporate Member		
<b>A</b>	Level of Underwriting (OPL) for the [ ] year	£
<b>B</b>	Relevant percentage of OPL	%
<b>C</b>	Net FAL Requirement	£
<b>D</b>	Amount of liabilities specified in paragraph 5 of the M&URS (Funds at Lloyd's)	£
<b>E</b>	FAL Requirement (C + D)	£
<b>F</b>	FAL Value at [relevant valuation date]	£
<b>G</b>	Value of FAL assets added since [relevant valuation date]	£
<b>H</b>	Value of FAL released since [relevant valuation date]	£
<b>I</b>	Total FAL available to support Underwriting for the [ ] year of account (F + G – H)	£



**Capital requirements for members' increasing their premium limits mid-year**

	<b>1 April</b>	<b>1 July</b>	<b>1 November</b>
For members increasing their OPL by more than 5%			
<b>Basis of capital requirement</b>	September Capital Test available in October  FAL valuation at 31 December less any subsequent draw-downs to meet cash-calls  Recast member ECAs	April Capital Test (for mid-year CIL) – available in May  Recast member ECAs	July Capital Test available in August +/- half year interim results <sup>2</sup>  Recast member ECAs
<b>Provision of additional funds at Lloyd's</b>	9 March	15 June	12 October
For members increasing their OPL by up to 5%			
<b>Basis of capital requirement</b>	April Capital Test (for mid-year CIL) – available in May  Recast member ECAs	April Capital Test (for mid-year CIL) – available in May  Recast member ECAs	September Capital Test (for November CIL) available in October  Recast member ECAs
<b>Provision of additional funds at Lloyd's</b>	30 June	30 June	29 November

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2. Subject to the same limits imposed on interim profits that would apply within the November CIL exercise

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