

MARKET BULLETIN

REF: Y4017

Title	Pre-emptions and de-emptions for the 2008 year of account
Purpose	Procedure and criteria for making pre-emption and de-emption applications for the 2008 year of account
Type	Scheduled
From	Rolf Tolle, Director, Franchise Performance directorate Contact details: 020 7327 6743, rolf.tolle@lloyds.com
Date	15 May 2007
Deadline	See text
Related links	Business timetable ; Auction & Stamp Building timetable and associated forms

Summary

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

- i) business plan approval process in conjunction with changes in capacity
- ii) pre-emption and de-emption notification process

All changes in syndicate capacity for the 2008 year of account will be reviewed and, where appropriate, agreed through the syndicate business plan approval process.

As previously outlined in Market Bulletin Y3330, issued on 10 June 2004, the requirements for specific regulatory approval by Lloyd's for –

- increases in syndicate capacity in excess of 25%;
- any increase in syndicate capacity where a managing agent has been informed of a regulatory concern or where the agent manages a syndicate in run-off; and
- reductions in syndicate capacity in excess of 15%

will be waived, together with the £5,000 fee for such applications.

Change in syndicate capacity for 'aligned syndicates'

As previously outlined in Market Bulletin Y3823 dated 31 May 2006, where the managing agent can confirm to the Franchise Performance Directorate (FPD) 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,

no formal application to change the syndicate capacity need be made, but details of any proposed change in syndicate capacity must be set out in the Syndicate Business Forecast which managing agents must submit no later than midday on 26 July 2007.

FPD will consider a proposed change in syndicate capacity as an integral part of agreeing the Syndicate Business Plan; this will be reviewed during the business plan approval process that starts on 18 October 2007. Proposed changes after that period should be referred to the managing agent's usual contact within FPD.

Changes in syndicate capacity for 'non-aligned syndicates'

Where not all of the members of a syndicate are aligned, such that the managing agent is unable to confirm the matter set out above, the following requirements will apply.

Any proposed change to a syndicate's capacity must be set out in the Syndicate Business Forecast which must be submitted no later than 21 June 2007.

Increases greater than 7.5%

Where a proposed increase in syndicate capacity is greater than 7.5% (excluding any existing qualifying quota share arrangement), the managing agent must give notice of the proposed increase to the relevant members' agents and any direct corporate members of the syndicate. This must be done in accordance with paragraphs 6(1) to (7) of the Syndicate Pre-emption Byelaw.

Members must then have at least 21 days in which to approve or disapprove of the increase. Members' agents must inform managing agents of their members' instructions regarding the proposed increase by 10 August 2007. Managing agents must then confirm to FPD whether they have obtained the 'requisite level of approval' by no later than 17 August 2007. If such approval has been obtained the managing agent may then make a pre-emption offer.

All changes

FPD will consider, and where appropriate approve, a proposed change in syndicate capacity as an integral part of agreeing the Syndicate Business Plan. In respect of increases greater than 7.5% the 'requisite level of approval' of the syndicate members must first be obtained. The Syndicate Business Plan will be reviewed during the approval process that commences on 20 September and concludes on 28 October for unaligned syndicates and on 23 November for aligned syndicates. Where possible, FPD will endeavour to give unaligned 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.

Making and acceptance of pre-emption offers

A 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 FPD 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 three auctions to be held during September 2007) 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 FPD. All offers must be made no later than 29 August 2007.

Any acceptance of the offer must be made by no later than 5 November 2007. However, a member may not accept a pre-emption offer in respect of its capacity sold or to be sold in the first three auctions. Any such acceptances will be invalid. As pre-emption offers are conditional on an increase in syndicate capacity being approved by FPD, 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.

Returns for 'non-aligned syndicates'

The following forms must be used when making returns to the Members' Services Unit (MSU) so that they are kept fully informed of proposed changes and to enable syndicate stamps to be prepared for the 2008 year of account.

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

- de-emption confirmations (DC)

The MSU must receive completed PI and DI forms by no later than midday 21 June 2007 and completed PC and DC forms within one working day of a syndicate receiving notification from FPD that their business plan for 2008 has been approved.

These forms can be obtained from the Lloyds.com website within the [capacity auctions section](#) or by contacting Sally Dunning on ext. 2486 (sally.dunning@lloyds.com) in the MSU.

If you have any enquiries relating to this bulletin please contact Lynda Edwards on ext. 6655 (lynda.a.edwards@lloyds.com). This bulletin is being sent to all members' agents, managing agents, direct corporate members, recognised auditors and market associations for information.