

# MARKET BULLETIN

REF: Y4257

<b>Title</b>	Mid Year Coming into Line (CIL)
<b>Purpose</b>	To inform members' agents and direct corporate members of the arrangements relating to Mid Year CIL
<b>Type</b>	Scheduled
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<b>Date</b>	25 March 2009
<b>Deadline</b>	30 June 2009
<b>Related links</b>	

The purpose of this bulletin is to set out the timetable and to provide details of the Mid Year CIL process.

## Summary

In 2005, Lloyd's formally implemented the bi-annual CIL exercise. This was a natural development due to the obligation to maintain continuous solvency. Outside of June and November CIL dates, Lloyd's may require a more rapid re-capitalisation where members' free funds fall below their regulatory minimum (Individual Capital Assessment (ICA)) or if, at market level, the level of shortfalls place an undue burden on the Central Fund.

## Timetable

The timetable for this year's Mid Year CIL process will be as follows:-

31 December 2008	Valuation date of funds at Lloyd's
17 April 2009	CIL / Release statements available from Market Services
30 June 2009	CIL shortfalls to be made good

Given the nature and seasonal exposures of much of Lloyd's business, which may translate into losses in the second half year, it would be imprudent if CIL shortfalls were not made good when known. Where there is material exposure to the Central Fund and policyholder security, underwriting restrictions or other sanctions may be imposed.

Members with a shortfall of less than 10% of their Economic Capital Assessment or minimum capital requirement (whichever is the greater) up to a maximum of £100,000 will not be required to provide additional funds.

### **Basis of Economic Capital Assessment**

In November, members came into line based on the latest approved business plan and syndicate ICA on the 30 June 2008 rates of exchange (US\$ 1.99). The syndicate ICAs have been adjusted to 31 December 2008 rates of exchange (US\$ 1.44) proportional to the movement in our central benchmark model, RBC. Where a revised syndicate ICA has been submitted and agreed, this has been used for the CIL / Release Test.

### **Bank guarantees and Letters of Credit under notice of cancellation**

The existing concession that bank guarantees (BG) and letters of credit (LoC) under notice of cancellation can be used to cover solvency deficiencies for the years of account for which they were valid remains in place.

### **Assets excluded due to concentration of asset requirements**

Assets excluded due to the application of the concentration of assets requirements can continue to be used towards meeting 10% of a member's ECA or minimum capital requirement (whichever is the greater) subject to a maximum of £100,000.

### **Mid Year CIL Sanctions**

#### *Market Services charge*

Subject to the de minimis levels set out above, where a member is out of line at 30 June they will be charged £52 per £5m shortfall or part thereof per day from 1 July until the shortfall is cleared.

#### *Maintain 2009 Overall Premium Limit (OPL)*

Where members remain out of line by more than the de minimis limits by 31 July then their 2010 OPL cannot be greater than their 2009 OPL. In this regard the member, in conjunction with his members' agent where applicable, will be free to purchase and sell capacity within the auction process in September provided the OPL does not increase overall. If following the auctions and any approved pre-emptions, the member has more capacity entitlement for 2010 than 2009 the member will have to drop at nil value any surplus capacity.

It will be the responsibility of the members' agent and / or the Direct Participating Corporate member to ensure that sufficient capacity is sold at auction to avoid the member having to drop capacity with value.

The above sanctions only apply to the Mid Year CIL exercise and all members intending to participate for 2010 must be **fully in line** by 26 November 2009.

### **CIL for 2010**

The CIL valuation date for the November 2009 Capital Tests in respect of the 2010 year of account is 30 June 2009. The CIL date is 26 November 2009.

If you have any queries relating to the timetable please contact Malcolm Colesworthy ext. 2497 ([Malcolm.colesworthy@lloyds.com](mailto:Malcolm.colesworthy@lloyds.com)). All other queries should be addressed to Kevin Nethersell ext. 6253 ([Kevin.nethersell@lloyds.com](mailto:Kevin.nethersell@lloyds.com)). This bulletin has been sent to all members' agents, direct corporate members, recognised accountants and market associations for information.