

LLOYD'S SOURCEBOOK (AMENDMENT NO 3) INSTRUMENT 2005

Powers exercised

- A. The Financial Services Authority makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 138 (General rule-making power);
 - (2) section 156 (General supplementary powers); and
 - (3) section 157(1) (Guidance).
- B. The rule-making powers listed above are specified for the purpose of section 153(2) (Rule-making instruments) of the Act.

Commencement

- C. This instrument comes into force on 31 December 2005.

Amendments to the Glossary of definitions

- D. The Glossary of definitions is amended in accordance with Annex A to this instrument.

Amendments to the Lloyd's sourcebook

- E. The Lloyd's sourcebook is amended in accordance with Annex B and C to this instrument.

Amendments to the Supervision manual

- F. The Supervision manual is amended in accordance with Annex D to this instrument.

Citation

- G. This instrument may be cited as the Lloyd's Sourcebook (Amendment No 3) Instrument 2005.

By order of the Board
15 December 2005

Annex A

Amendments to Glossary of definitions

In this Annex, underlining indicates new text and striking through indicates deleted text.

<i>actuarial health insurance</i>	<p>(1) (in LLD) the type of insurance defined in LLD 11.4.1R, which is in summary: general insurance business which is sickness insurance and satisfies certain specified conditions.</p> <p>(2) (in PRU) (in the context of the rules in PRU 7.2 concerning the calculation of the <i>general insurance capital requirement</i>), health insurance which meets all the conditions set out in PRU 7.2.72R.</p>
<i>admissible asset</i>	<p>(1) (in LLD) an asset that <u>falls into one or more categories in PRU 2 Ann 1R as modified by LLD 19.3.19R</u> may be taken into account for the purposes of the solvency requirements in LLD 11.2.1R in accordance with LLD 13.4.1R.</p> <p>(2) (in PRU) an asset that falls into one or more categories in PRU 2 Ann 1R.</p>
<i>approved security</i>	<p>(1) (in COLL and CIS) a <i>transferable security</i> that is admitted to <i>official listing</i> in an <i>EEA State</i> or is traded on or under the rules of an <i>eligible securities</i> market (otherwise than by the specific permission of the market authority).</p> <p>(2) (in LLD and PRU) any of the following: ...</p>
<i>balancing amount</i>	<p><u>(in LLD)</u> in respect of a <i>syndicate</i>, ...</p>
<i>callable contribution</i>	<p><u>(in LLD)</u> amounts that <i>members</i> are liable to pay to the <i>Society</i> (or may by resolution of the <i>Society</i> be liable to pay) as contributions to the <i>Central Fund</i>.</p>
<i>Central Fund</i>	<p><u>(in LLD)</u> the Central Fund established under Lloyd's Central Fund Byelaw (No 4 of 1986) and the New Central Fund established under Lloyd's New Central Fund Byelaw (No 23 of 1996).</p>
<i>closed into</i>	<p>(in LLD) (in relation to two <i>syndicate years</i>) closed into another <i>syndicate year</i> by way of a contract of <i>reinsurance to close</i> into that other <i>syndicate year</i>, either directly or through a succession of such contracts.</p>
<i>connected company</i>	<p>(in LLD) (in relation to a <i>body corporate</i>):</p> <p>(a) that <i>body corporate's</i> <i>holding company</i>;</p> <p>(b) a <i>subsidiary</i> of that <i>body corporate</i>;</p> <p>(c) a <i>subsidiary</i> of the <i>holding company</i> of that <i>body corporate</i>.</p>

<i>covered</i>	(in LLD) (in relation to a contract) not requiring a significant provision to be made in respect of it.
<i>credit insurance business</i>	(in LLD) insurance business relating to credit contracts.
<i>discounting</i>	(in LLD and in PRU) discounting or deductions to take account of investment income as set out in paragraph 48 of the insurance accounts rules.
<i>general insurance business assets</i>	(in LLD) assets of a member that are: (a) in a premium trust fund for general insurance business; or (b) funds at Lloyd's that are not long term insurance business assets.
<i>general insurance business liabilities</i>	liabilities of a member that are not to be left out of account under LLD 12.5.4R, and are not long term insurance business liabilities.
<i>general insurance business syndicate</i>	a syndicate in which members at Lloyd's carry on general insurance business.
<i>global account</i>	the aggregate accounts produced by the Council in accordance with Regulation 8(1) of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 under LLD 15.10 (The Lloyd's global account).
<i>initial margin</i>	(1) (in COLL and CIS) cash or other property deposited in accordance with the rules of a derivatives market. (2) (in COB) the amount which under the rules of the relevant exchange or clearing house the firm or an intermediate broker would be required to deposit in cash as a fidelity deposit in respect of all the client's open positions in margined transactions at that time, irrespective of any unrealised profit or loss on such positions, on the assumption that those transactions were the only transactions undertaken under the rules of that exchange or that clearing house by the firm or the intermediate broker at that time. (3) (in LLD) (in relation to a derivative contract or quasi-derivative contract) assets which, before or at the time the contract is entered into, are transferred subject to a condition that the assets (or where the assets transferred are securities, equivalent securities) will be returned on completion of that contract.
<i>intermediary</i>	(in LLD) a person who in the course of any business or profession invites other persons to make offers or proposals or to take other steps with a view to entering into contracts of insurance, but not a person who publishes such invitations only on behalf of, or to the order of, some other person.

<i>IPRU(INS)</i>	(1) (except in <i>LLD</i>) the Interim Prudential Sourcebook for insurers; (2) (in <i>LLD</i>) the version of IPRU(INS) in force immediately prior to the coming in to force of the Interim Prudential Sourcebook (Insurers and Other Amendments) Instrument 2004.
<i>listed</i>	(1) (except in <i>LR</i> , <i>ENF 21</i> and <i>LLD</i> and <i>PRU</i>) included in an <i>official list</i> . (2) (in <i>LLD</i> and <i>PRU</i>) (a) included in an <i>official list</i> ; or (b) in respect of which facilities for <i>dealing</i> on a <i>regulated market</i> have been granted. (3) (in <i>LR</i> and <i>ENF 21</i>) admitted to the <i>official list</i> maintained by the <i>FSA</i> in accordance with section 74 of the <i>Act</i> .
<i>Lloyd's member's contribution</i>	(in <i>LLD</i>) assets: (a) provided to a <i>managing agent</i> in response to a cash call; or (b) held by the <i>Society</i> as <i>funds at Lloyd's</i> .
<i>Lloyd's policy</i>	a contract of insurance written at Lloyd's.
<i>Lloyd's trust deed</i>	(in <i>LLD</i>) a trust deed in the form prescribed by the <i>Society</i> and notified to the <i>FSA</i> , for execution by a <i>member</i> in respect of his <i>insurance business</i> .
<i>Lloyd's trust fund</i>	(in <i>LLD</i>) a fund held on the terms of a <i>Lloyd's trust deed</i> .
<i>long-term insurance business assets</i>	assets of a <i>member</i> that are: (a) in a <i>premium trust fund</i> for <i>long-term insurance business</i>; or (b) <i>funds at Lloyd's</i> that are, for the time being, identified as available to meet <i>long-term insurance business liabilities</i> of the <i>member</i>.
<i>long-term insurance business liabilities</i>	liabilities of a <i>member</i> that are attributable to his <i>long-term insurance business</i>.
<i>lower required amount</i>	the lower required amount as defined in <i>LLD</i> 11.2.13R or <i>LLD</i> 11.2.14R.
<i>mathematical reserves</i>	(1) (in <i>LLD</i>) the provision made for a <i>member</i> to cover liabilities (excluding liabilities which have fallen due and liabilities arising from <i>deposit back arrangements</i>) arising under or in connection with <i>long-term insurance contracts</i> . (2) (in <i>PRU</i>) the provision made by an <i>insurer</i> to cover liabilities (excluding liabilities which have fallen due and liabilities arising from <i>deposit back arrangements</i>) arising under or in connection with <i>long-term insurance contracts</i> .
<i>member's margin</i>	the amount determined in accordance with <i>LLD</i> 11.3.1R (General insurance business) or <i>LLD</i> 11.3.4R (Long term insurance business).

<i>net central assets</i>	central assets less the liabilities of the Society (excluding the liabilities of members) valued in accordance with LLD 9 to 15.
<i>other personal wealth</i>	(in LLD) assets of an individual member that are neither part of his funds at Lloyd's nor in a premium trust fund.
<i>permitted asset exposure limit</i>	a permitted asset exposure limit as defined in LLD 14.5.17R.
<i>permitted counterparty exposure limit</i>	a permitted counterparty exposure limit as defined in LLD 14.6.1R.
<i>premium trust fund</i>	a trust fund into which premiums receivable by members are paid in compliance with a trust deed under LLD 10.3 (Carrying of insurance receivables to trust funds).
<i>required amount</i>	(in LLD) for a member, in relation to general insurance business or long term insurance business, the required amount determined in accordance with LLD 11.2.6R or LLD 11.2.7R.
<i>salvage right</i>	(in LLD) any right of a member under a contract of insurance (and vested in a premium trust fund) to take possession of and to dispose of property because he has made a payment or has become liable to make a payment in respect of a loss to that property.
<i>Society GICR</i>	(in LLD) the general insurance capital requirement calculated by the Society as if it were an insurer under LLD 19.2.13R.
<i>Society guarantee fund</i>	(in LLD) the guarantee fund calculated by the Society under LLD 11.5.2R.
<i>Society margin</i>	(in LLD) the margin calculated by the Society under LLD 11.5.1R.
<i>syndicate assets</i>	(in LLD) assets managed by or at the direction of a managing agent in respect of insurance business carried on through a syndicate and overseas business regulatory deposits funded from those assets.
<i>syndicate ICA</i>	(in LLD) the capital assessment performed by a managing agent under PRU 1.2.26R, LLD 18.2.1R(1), PRU 2.3 and LLD 19.4.1R(1) in respect of each syndicate managed by it.
<i>technical provision</i>	(1) (in LLD) a technical provision as defined in the insurance accounts rules. (2) (in PRU) a technical provision established: (a) for general insurance business, in accordance with PRU 7.2.12R; and (b) for long-term insurance business, in accordance with PRU 7.2.16R.

Annex B

Amendments to the Lloyd's sourcebook

In this Annex, underlining indicates new text and striking through indicates deleted text. Where an entire section of text is being deleted, the place where the change will be made is indicated and the text is not struck through.

LLD Contents

Lloyd's

...

LLD 15 Reporting

...

15.10 [deleted]

...

Lloyd's

Lloyd's sourcebook – Transitional provisions

1 Table Transitional provisions

(1)	(2)	(3)	(4)	(5)	(6)
	Material to which the transitional provision applies		Transitional provision	Transitional provision: dates in force	Handbook provision: coming into force

[Insert a new transitional provision 10 as follows]

<u>10</u>	<u>LLD Form 15 Instruction 7</u>		<u>The Society must include in aggregate members' liabilities aggregate net surpluses in open syndicate years (for those members with surpluses) to be shown at line 21.</u>	<u>31.12.2005</u>	<u>Commencement</u>
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...

Chapter 15

Reporting

15 Reporting

15.1 Application and purpose

...

Purpose

15.1.5 G The *Lloyd's Return* is made annually and contains the statement required from the *Society* that ~~it has maintained capital resources equivalent at least equal to its~~ the capital resources requirements for general insurance business and long-term insurance business under PRU 2 and LLD 19 (Application of PRU 2 to Lloyd's), have been maintained at all times throughout the financial year. ~~This does not absolve the Society from the obligation to maintain capital resources equivalent to its capital resources requirement at all times.~~

15.1.5A G For general insurance business, the capital resources requirement for the Society is the higher of the aggregate of the members' capital resources requirements for general insurance business, calculated in accordance with LLD 19.2.5R, and the Society GICR. For long-term business, the capital resources requirement for the Society is the aggregate of the members' capital resources requirements, calculated in accordance with LLD 19.2.7R. The Society is required to ensure that each member's capital resources requirement is covered by that member's capital resources, or, where there is a shortfall in the member's capital resources, by the Society's own capital resources. For general insurance business, the Society must ensure that the Society GICR is covered by the aggregate capital resources supporting the insurance business of all the members.

...

15.2 Requirement to report to the FSA

...

15.2.5 R The *Society* must provide a printed copy of the *Lloyd's Return* to the *FSA*, with Form 9 1 signed by three signatories ...

...

Delete *LLD* 15.10 in its entirety; the deleted text is not shown struck through.

15.10 ~~The Lloyd's global account [deleted]~~

...

15 Ann 1 R Reporting Forms

[The amendments to the Reporting Forms are shown in Annex C]

15 Ann 2 R Certificate by the Council (see LLD 15.9.1R(1))

R

1 Table R

1 Subject to 5, the certificate required by *LLD* 15.9.1R(1) must state:

- (1) in relation to Forms ~~9~~ 1 to 3, 13 to 17, 20 to 42, the supplementary notes to the forms..., that:
 - (a) the *Lloyd's Return* has been prepared in accordance with *PRU* and *LLD* ~~9 to 15~~ to 24;
 - (b) ...
 - (c) ...
 - (2) ~~that reasonable enquiries have been made by the Society for the purpose of determining whether any persons are connected for the purposes of *LLD* 9 to 15; [deleted]-~~
 - (3) that, as applicable, the assets held by *members* throughout the *financial year* in question enabled the *Society* to comply with ~~*LLD* 14.3.1R (Currency matching and localisation); *PRU* 7.2.30R (Localisation (UK firms only)) and *PRU* 7.2.34R (Matching of assets and liabilities);~~ and
 - (4) ...
- 2 Subject to 5, the certificate required by *LLD* 15.9.1R(1) must state that ~~the required margin has~~ *capital resources at least equal to the capital resources requirements* under *PRU* 2 and *LLD* 19 (Application of *PRU* 2 to Lloyd's), have been maintained throughout at all times during the *financial year* in question.
- 3 Subject to 5, the certificate required by *LLD* 15.9.1R(1) must also state in relation to the *long-term insurance business* carried on by *members*:
- (1) that the requirements of ~~*IPRU(INS)* 3.1R to 3.5R~~ *PRU* 7.6.18R to *PRU* 7.6.33R have been fully complied with and in particular that, subject to the provisions of ~~*IPRU(INS)* 3.2R(3)~~ *PRU* 7.6.27R, assets

attributable to *long-term insurance business*, the income arising, the proceeds of any realisation of such assets and any other income or proceeds allocated to the *long-term insurance business fund* ~~fund~~ or ~~funds~~ *funds* have not been applied otherwise than for the purpose of the *long-term insurance business*;

- (2) ~~that any amount payable from or receivable by the *long-term insurance business fund* or funds in respect of services rendered by or to any other business carried on by a *member* or by a *person* who, for the purposes of *IPRU(INS) 3.4R*, is connected with it or is a subsidiary undertaking of it has been determined and where appropriate apportioned on terms which are believed to be no less than fair to that fund or those funds, and any exchange of assets representing such fund or funds for other assets of the *member* has been made at fair market value; [deleted]~~
- (3) that all guarantees given by a *member* of the performance by a related *insurer* which would fall to be met by any *long-term insurance business fund* ~~fund~~ have been disclosed in the *Lloyd's Return*, and that the fund or funds on which each of those guarantees would fall has been identified in it; and
- (4) that the return in respect of *long-term insurance business* is not distorted by agreements between the *members* concerned or by any arrangements which could affect the apportionment of expenses and income; and
- (5) ~~that *IPRU(INS) 3.5R* has been fully complied with. [deleted]~~

4 ...

...

15 Ann 4 R Certificate by the syndicate actuary (see LLD 15.9.1R(3))

R

1 Table R

1 The certificate required by *LLD 15.9.1R(3)* to be signed by the *syndicate actuary* appointed to a *syndicate* in which *members* carry on *long-term insurance business* must state:

- (1) ...
- (2) whether the sum of the *mathematical reserves* and the deposits received from reinsurers as shown in Form 14 constitute proper provision at the end of the *financial year* for the *long-term insurance business liabilities* where these liabilities:
 - (a) ...;

(b) include all liabilities arising from ~~deposit back arrangements~~
deposit back arrangements;

(3) whether the liabilities have been valued in accordance with ~~LLD 9 to 15~~
~~16 to 24~~ in the context of assets valued in accordance with ~~LLD 9~~
~~to 15~~16 to 24, as shown in Form 14;

(4) ...

...

15 Ann 5 R Auditors' report (see LLD ~~15.9.3R~~15.9.2R)

R

1 Table R

1 The ~~report~~ certificate required by ~~LLD 15.9.3R~~ 15.9.2R must, in addition to any statement required by section 237(2) and (3) of the Companies Act, state:

(1) that in the auditors' opinion, Forms ~~9 1 to 3, 13 to 17, 20 to 42, ...~~
have been properly prepared in accordance with ~~LLD 9 to 15~~ LLD 15
to 24;

(2) that ...

(a) in their opinion, the certificate required ... has been properly prepared in accordance with ~~LLD 9 to 15~~ LLD 15 to 24; and

(b) ...

(3) the ...

(a) ...

(b) in respect of *long-term insurance business* carried on by *members*, on the certificates of the *syndicate actuaries* given in accordance with the requirements of ~~LLD 9 to 15~~ LLD 15 to 24 with respect to the amounts in Form 60.

2 ...

3 ...

4 Where the auditors refer in their report or in any note attached to their report to any uncertainty, the report must state whether, in the auditors' opinion, that uncertainty is material to determining whether the *Society* is able to meet the solvency requirements of ~~LLD 9 to 15~~ LLD 15 to 24.

Lloyd's

Schedule 1

Lloyd's sourcebook – Record keeping requirements

G

- 1 The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant record keeping requirements.
- 2 It is not a complete statement of those requirements and should not be relied on as if it were. In particular, in accordance with the application rules in LLD 16 to LLD 25, the Society and managing agents are subject to prudential requirements in PRU which include record keeping requirements. They should refer to the relevant Schedules to PRU for a view of those requirements.
- 3 Table Record keeping requirements

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
<i>LLD 1.2.2G(1)</i>	<i>Delegation of responsibility for carrying out the Society's regulatory functions</i>	Not specified	Not specified	Not specified
<i>LLD 1.2.4G(2)</i>	<i>Records of any committee with delegated authority to carry out the Society's regulatory functions</i>	Should include minutes of its meetings	Not specified	Not specified
<i>LLD 1.2.5G(2)</i>	<i>An individual's or other person's exercise of his delegated authority to carry out the Society's regulatory functions</i>	Not specified	Not specified	Not specified
<i>LLD 1.3.10G(1)</i>	<i>Interests of those involved in carrying out the Society's regulatory functions</i>	Register of interests	Not specified	Not specified
<i>LLD 1.3.10G(2)</i>	<i>Conflicts of interest of those involved in carrying out the Society's regulatory functions</i>	Disclosures of conflicts of interest and the steps taken to handle them	Not specified	Not specified

Handbook reference	Subject of record	Contents of record	When record must be made	Retention period
<i>LLD 4.2.3G(1)</i>	...			
<i>LLD 5.2.3G</i>	...			
<i>LLD 7.3.1G</i> <i>LLD 7.3.2G</i>	...			
<i>LLD 9.4.5R</i>	Accounting records	Sufficient to demonstrate compliance with <i>LLD 9</i> to <i>15</i>	As required in accordance with <i>LLD 9</i> to <i>15</i>	Normally not less than 10 years
<i>LLD 10.8.3G(4)</i>	<i>Managing agents' records</i>	Various records and analyses of underwriting and claims	Not specified	Not specified

Lloyd's

Schedule 2

Lloyd's sourcebook – Notification requirements

G

- 1 The aim of the *guidance* in the following table is to give the reader a quick overall view of the relevant requirements for notifications and reporting.
- 2 It is not a complete statement of those requirements and should not be relied on as if it were. In particular, in accordance with the application rules in *LLD 16* to *LLD 25*, the *Society* and *managing agents* are subject to prudential requirements in *PRU* and *SUP* which include notification requirements. They should refer to the relevant Schedules to *PRU* and *SUP* for a view of those requirements.

3 Table Notification requirements

Insert new second column with heading: "Notification by" in the following table:

Handbook reference	<u>Notification by</u>	Matter to be notified	Contents of notification	Trigger event	Time allowed
<i>LLD 2.3.1D</i>	<u><i>Society</i></u>	Any matter ...	Includes ...	The <i>Society</i> ...	Immediate
<i>LLD 2.4</i>	<u><i>Society</i></u>	Commencement, ...	Commencement, ...	End ...	5 business days
<i>LLD</i>		Proposed changes	Details of	Not	The <i>FSA</i>

Handbook reference	Notification by	Matter to be notified	Contents of notification	Trigger event	Time allowed
2.6.2G LLD 2.6.3G		in <i>byelaws</i> for supervising and regulating the market at Lloyd's	proposed changes; consultation undertaken and responses to consultation	specified	should be given adequate notice
LLD 2.6.4G		Regulatory and market bulletins; and all amendments to <i>byelaws</i>	Copies of bulletins and amendments	Publication	Immediate
LLD 3.3		Information about the <i>Central Fund</i>	Information on the <i>Central Fund's</i> net market value; payments; investments; changes in any insurance policy and any claims on the latter, or circumstances likely to lead to a claim	End of each calendar quarter	2 weeks
LLD 4.3	<u>Society</u>	Information ...	Capacity ...	End ...	1 month
LLD 7.4	<u>Society</u>	Information ...	Number, ...	End ...	1 month
LLD 10.4		Intention to approve or amend a trust deed	New trust deed and proposed amendment, plus a statement of the purpose of the deed/amendment and an analysis of its impact	The <i>Society</i> intends to approve or amend a trust deed	Sufficient time for the <i>FSA</i> to consider proposals before <i>Society</i> approval
LLD 10.5.2G		Material changes proposed to risk based capital system	Details of proposed changes	The <i>Society</i> intends to make amendments to risk based capital system maintained under <i>LLD</i>	Adequate time for the <i>FSA</i> to review proposals and assess their implication

Handbook reference	<u>Notification by</u>	Matter to be notified	Contents of notification	Trigger event	Time allowed
				10.5.1R	
LLD 10.5.4R		Independent reviews commissioned by the <i>Society</i> of the operation of the RBC model	Results of each review	Completion of the review	Not specified
LLD 10.6		Reviews of aggregations of risk and plans for monitoring aggregations of risk	Discussion	Completion of regular reviews	Not specified
LLD 10.9.5R		A <i>syndicate actuary</i> of a <i>general insurance business syndicate</i> will or may be unable to provide an unqualified opinion under <i>LLD 10.9.4R(3)(b)</i>	Not specified	The <i>Society</i> becomes aware	Prompt notification
LLD 11.2.4R		If the solvency requirements of <i>LLD 11.2.1R</i> are not maintained	A plan for the restoration of a sound financial position	The <i>Society</i> becomes aware	Prompt notification
LLD 11.2.11R		If criterion similar to the <i>guarantee fund</i> requirement for <i>insurers</i> is not maintained	A short term financial scheme similar to that required from <i>insurers</i> under <i>SUP</i> , Appendix 2.1.4	The <i>Society</i> becomes aware	Prompt notification
<i>LLD 15</i>	<u><i>Society</i></u>	<i>Lloyd's Return</i> and ...	Detailed reports ...	End ...	6 months
<u><i>LLD 15.13</i></u>	<u><i>Managing agents to the Society</i></u>	<u><i>Syndicate-level reporting</i></u>	<u>Return in respect of <i>insurance business</i> carried on through each <i>syndicate</i></u>	<u>End of each <i>financial year</i></u>	<u>In time to enable the <i>Society</i> to report in accordance with <i>LLD 15.2.1R</i></u>

Handbook reference	Notification by	Matter to be notified	Contents of notification	Trigger event	Time allowed
<u>LLD</u> <u>17.6.1R</u>	<u>Managing agents to the Society</u>	<u>Any information the managing agent has concerning material risks to funds at Lloyd's or central assets</u>	<u>All information concerning relevant risk</u>	<u>The managing agent receives the information</u>	<u>As soon as possible</u>
<u>LLD</u> <u>17.8.1R</u>	<u>Society</u>	<u>Intention to approve the form of any new Lloyd's trust deed</u>	<u>Fact of intention</u>	<u>The Society forms intention to approve form of new Lloyd's trust deed</u>	<u>As soon as practical</u>
<u>LLD</u> <u>17.8.2R</u>	<u>Society</u>	<u>Intention to make any amendment which may alter the meaning or effect of any byelaw (including Lloyd's trust deeds, standard form letters of credit and guarantees)</u>	<u>Fact of intention</u>	<u>The Society forms intention to amend</u>	<u>As soon as practical</u>
<u>LLD</u> <u>17.8.3R</u>	<u>Society</u>	<u>Full details of form of new Lloyd's trust deed or amendments to byelaw (including Lloyd's trust deeds, standard form letters of credit and guarantees)</u>	<u>Statement of purpose of amendment or new form; expected impact, if any on policyholders, managing agents, members and potential members; description of consultation undertaken and summary of significant responses to consultation</u>	<u>Not specified</u>	<u>Normally not less than 3 months in advance of proposed change</u>
<u>LLD</u> <u>18.3.13R</u>	<u>Society</u>	<u>Change to the maximum amount of the callable contribution</u>	<u>Fact and details of the change</u>	<u>The Society proposes to change the maximum amount</u>	<u>Adequate advance notice, normally not less than 6 months</u>

Handbook reference	Notification by	Matter to be notified	Contents of notification	Trigger event	Time allowed
<u>LLD</u> 19.4.15R	<u>Managing agents to the Society</u>	<u>Syndicate ICA and balancing amount in respect of each syndicate</u>		<u>Notification should be made periodically to the Society</u>	<u>As part of the annual capital-setting process, in good time for the Society to review and place appropriate reliance on them when determining capital assessments for each member</u>
<u>LLD</u> 19.4.23R	<u>Managing agents to the Society</u>	<u>At any time, any significant doubt about the adequacy of a syndicate ICA or balancing amount with respect to syndicate risks and controls</u>	<u>Revised syndicate ICA and balancing amount</u>	<u>The managing agent considers that syndicate ICA and balancing amount communicate in the setting capital setting process are no longer adequate in the light of the risks to which the syndicate business is exposed</u>	<u>Immediately</u>
<u>LLD</u> 21.3.4R(2)	<u>Managing agents to the Society</u>	<u>Syndicate liabilities not covered by matching syndicate assets as required</u>	<u>Nature and extent of syndicate liabilities not</u>	<u>Syndicate liabilities are no longer</u>	<u>Immediately</u>

Handbook reference	Notification by	Matter to be notified	Contents of notification	Trigger event	Time allowed
		by <u>PRU 4.2.53R</u>	<u>covered by matching syndicate assets as required by PRU 4.2.53R</u>	<u>covered by matching syndicate assets as required by PRU 4.2.53R</u>	

Lloyd's

Schedule 4

Lloyd's sourcebook – Powers exercised

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- 1 ...
- 2 The *rules* in *LLD 3* to *LLD 5* and *LLD 7* to *LLD 45 25* are made under section 138 of ~~the Act~~ (General rule-making power), section 141 (Insurance business rules), section 150(2) (Actions for damages) and section 156 (General supplementary powers) and section 340 (Appointment) of the Act.
- 3 ...
- 4 The directions in *LLD 6* ~~is~~ and *LLD 18* are given under section 316 of the *Act* (Direction by Authority).
- 5 ...

Lloyd's

Schedule 5

Lloyd's sourcebook – Rights of action for damages

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- 1 ...
- 2 ...
- 3 ...
- 4 Table Rights of action for damages

Chapter/Appendix		Section/ Annex		Paragraph		Right of action under section 150			
						For private Person?	Removed?	For other Person?	
...	
9	Rules requiring the Society to have or maintain adequate financial resources					No	No		No
9	All other rules					No	Yes	LLD 9.1.3R	No
10	Rules requiring the Society to have or maintain adequate financial resources					No	No	-	No
10	All other rules					No	Yes	LLD 10.1.2R	No
11	Rules requiring the Society to have or maintain adequate financial resources					No	No	-	No
11	All other rules					No	Yes	LLD 11.1.2R	No
12	Rules requiring the Society to have or maintain adequate financial resources					No	No		No
12	All other rules					No	Yes	LLD 12.1.2R	No
13	Rules requiring the Society to have or maintain adequate financial resources					No	No		No
13	All other rules					No	Yes	LLD 13.1.2R	No
14	Rules requiring the Society to have or maintain adequate financial resources					No	No		No

Chapter/Appendix	Section/ Annex	Paragraph	Right of action under section 150					
			For private Person?	Removed?	For other Person?			
14	<u>All other rules</u>			No	Yes	<u>LLD</u> 14.1.2R	No	
15	<u>Rules requiring the Society, managing agents or members to have or maintain adequate financial resources</u>			No	No	-	No	
15	<u>All other rules</u>			No	Yes	<u>LLD</u> 15.2.1R		
16	<u>Rules requiring the Society, managing agents or members to have or maintain adequate financial resources</u>			<u>No</u>	<u>No</u>	=	<u>No</u>	
16	<u>All other rules</u>			<u>No</u>	<u>Yes</u>	<u>LLD</u> 16.1.1R		
17	<u>Rules requiring the Society, managing agents or members to have or maintain adequate financial resources</u>			<u>No</u>	<u>No</u>	=	<u>No</u>	
17	<u>All other rules</u>			<u>No</u>	<u>Yes</u>	<u>LLD</u> 17.1.1R		
18	<u>Rules requiring the Society, managing agents or members to have or maintain adequate financial resources</u>			<u>No</u>	<u>No</u>	=	<u>No</u>	
18	<u>All other rules</u>			<u>No</u>	<u>Yes</u>	<u>LLD</u> 18.1.1R		
19	<u>Rules requiring the Society, managing</u>			<u>No</u>	<u>No</u>	=	<u>No</u>	

Chapter/Appendix	Section/ Annex	Paragraph	Right of action under section 150						
			For private Person?	Removed?	For other Person?				
	<u>agents or members to have or maintain adequate financial resources</u>								
<u>19</u>	<u>All other rules</u>				<u>No</u>	<u>Yes</u>	<u>LLD</u> <u>19.1.1R</u>		
<u>20</u>	<u>Rules requiring the Society, managing agents or members to have or maintain adequate financial resources</u>				<u>No</u>	<u>No</u>	-	<u>No</u>	
<u>20</u>	<u>All other rules</u>				<u>No</u>	<u>Yes</u>	<u>LLD</u> <u>20.1.1R</u>		
<u>21</u>	<u>Rules requiring the Society, managing agents or members to have or maintain adequate financial resources</u>				<u>No</u>	<u>No</u>	-	<u>No</u>	
<u>21</u>	<u>All other rules</u>				<u>No</u>	<u>Yes</u>	<u>LLD</u> <u>21.1.1R</u>	<u>No</u>	
<u>22</u>	<u>Rules requiring the Society, managing agents or members to have or maintain adequate financial resources</u>				<u>No</u>	<u>No</u>	-	<u>No</u>	
<u>22</u>	<u>All other rules</u>				<u>No</u>	<u>Yes</u>	<u>LLD</u> <u>22.1.1R</u>		
<u>23</u>	<u>Rules requiring the Society, managing agents or members to have or maintain adequate financial resources</u>				<u>No</u>	<u>No</u>	-	<u>No</u>	
<u>23</u>	<u>All other rules</u>				<u>No</u>	<u>Yes</u>	<u>LLD</u>		

Chapter/Appendix	Section/ Annex	Paragraph	Right of action under section 150				
			For private Person?	Removed?	For other Person?		
					<u>23.1.1R</u>		
<u>24</u>	<u>Rules requiring the Society, managing agents or members to have or maintain adequate financial resources</u>			<u>No</u>	<u>No</u>	<u>-</u>	<u>No</u>
<u>24</u>	<u>All other rules</u>			<u>No</u>	<u>Yes</u>	<u>LLD 24.1.1R</u>	
<u>25</u>	<u>Rules requiring the Society, managing agents or members to have or maintain adequate financial resources</u>			<u>No</u>	<u>No</u>	<u>=</u>	<u>No</u>
<u>25</u>	<u>All other rules</u>			<u>No</u>	<u>Yes</u>	<u>LLD 25.1.1R</u>	

Lloyd's

Schedule 6

Lloyd's sourcebook – Rules that can be waived

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- 1 The rules in *LLD 3* to *LLD 5* and *LLD 7* to *LLD 25* can be waived by the *FSA* under section 148 of the *Act* (Modification or waiver of rules).

Annex C

Amendments to the Lloyd's Sourcebook (LLD 15 Ann 1R Forms)

In this Annex, underlining indicates new text and striking through indicates deleted text. Where a body of text is deleted and replaced by new text, this is noted in the Annex and the text is not underlined.

Form

- 1 Statement of solvency - general insurance business
- 2 Statement of solvency - long-term insurance business
- 3 Components of capital resources
- ~~9 Statement of solvency~~
- ~~40 Statement of net assets~~
- 13 Analysis of admissible assets
- 14 Long-term insurance business liabilities
- 15 Liabilities (other than long-term insurance business)
- 16 Profit and loss account
- 17 Analysis of derivative contracts
- 20 Underwriting: Summary of underwriting movements
 - General insurance business (underwriting year accounting): Analysis of premiums, claims and
 - 24 expenses
- 25 General insurance business (underwriting year accounting): Analysis of technical provisions
 - General insurance business (underwriting year accounting): Analysis of premiums, claims and
 - 28 expenses by category for treaty reinsurance
- General insurance business (underwriting year accounting): Analysis of technical provisions by
- 29 category for treaty reinsurance
- General insurance business (underwriting year accounting): Analysis of gross claims and premiums
- 34 by risk group for direct insurance and facultative reinsurance
- General insurance business (underwriting year accounting): Reconciliation of gross claims and
- 35 premiums for direct insurance and facultative reinsurance
- 36 Currency rates
- 37 Credit equalisation provisions
- 40 Long-term insurance business: Revenue account
- 41 Long-term insurance business: Analysis of premiums and expenses
- 42 Long-term insurance business: Analysis of claims
 - Long-term insurance business: Valuation summary of non-linked contracts (other than accumulating
 - 51 with profit policies)
- ~~60 Long-term insurance business: mathematical reserves and capital at risk~~ capital requirement

[All of form 1 is new, and therefore new text is not shown underlined.]

Lloyd's return

Form 1

Statement of solvency - general insurance business

The Society of Lloyd's

	L1	Global	Financial year ended			units £000
			day 31	month 12	year 20XX	
			As at the end of this <i>financial</i> year 1	As at the end of the previous <i>financial</i> year 1		
Capital resources						
<i>Capital resources</i> arising outside the long-term insurance fund		11				
<i>Capital resources</i> allocated towards <i>long-term insurance business</i> arising outside the long-term insurance fund		12				
<i>Capital resources</i> available to cover <i>general insurance business capital resources requirement</i> (11-12)		13				
Guarantee fund						
<i>Guarantee fund</i> requirement		21				
Excess (deficiency) of available <i>capital resources</i> to cover <i>guarantee fund</i> requirement		22				
Minimum capital requirement						
<i>Society GICR</i>		31				
Aggregate of <i>members' minimum capital requirements</i>		32				
Overall <i>minimum capital requirement</i> (= <i>capital resources requirement</i>)		33				
Excess (deficiency) of available <i>capital resources</i> to cover 50% of <i>MCR</i>		34				
Excess (deficiency) of available <i>capital resources</i> to cover 75% of <i>MCR</i>		35				
Capital resources requirement						
<i>Capital resources requirement</i>		41				
Amount by which <i>members' capital resources</i> exceed <i>capital resource requirements</i>		42				
Amount by which <i>members' capital resources</i> are less than <i>capital resource requirements</i>		43				
<i>Society's own capital resources</i> available to meet <i>members' shortfalls on capital resource requirements</i>		44				
Other <i>capital resources</i> (particulars to be specified by way of a supplementary note)		45				
Amount by which <i>Society's own capital resources</i> and other <i>capital resources</i> exceed (are less than) <i>members' shortfalls on capital resource requirements</i>		46				
Contingent liabilities						
Quantifiable contingent liabilities in respect of other than <i>long-term insurance business</i> as shown in a supplementary note to Form 15		51				

[All of the instructions for the completion of Form 1 are new, and are therefore not shown underlin

Instructions for completion of Form 1

- 1 The *guarantee fund* requirement at line 21 should be completed in accordance with *LLD19.3.4R* and *PRU 2.2.18R*.
- 2 The *Society GICR* at line 31 should be calculated in line with *LLD19.2.13R*.
- 3 The *minimum capital requirement (MCR)* at line 33 is the higher of lines 31 and 32.
- 4 The *capital resources requirement* at line 41 is equal to the *MCR* at line 33.
- 5 The surplus at line 42 is the aggregate of, for all *members*, the extent to which each individual *member's capital resources* are in excess of his own *capital resources requirement*. Where the *Society GICR* (line 31) is greater than the aggregate of the *members' MCRs* (line 32), the *capital resources requirement* applicable to each *member* is his apportioned share of the *Society GICR*.
- 6 The deficiency at line 43 is the aggregate of, for all *members*, the extent to which each individual *member's capital resources* are less than his own *capital resources requirement*. Where the *Society GICR* (line 31) is greater than the aggregate of the *members' MCRs* (line 32), the *capital resources requirement* applicable to each *member* is his apportioned share of the *Society GICR*.

[All of Form 2 is new, and therefore new text is not shown underlined.]

Lloyd's return

Form 2

Statement of solvency - long-term insurance business

The Society of Lloyd's

	L2	Global	Financial year ended			units £000
			day 31	month 12	year 20XX	
			As at the end of this <i>financial</i> year	As at the end of the previous <i>financial</i> year		
			1	1		
Capital resources						
<i>Capital resources</i> arising within the long-term insurance fund		11				
<i>Capital resources</i> allocated towards <i>long-term insurance business</i> arising outside the long-term insurance fund		12				
<i>Capital resources</i> available to cover <i>long-term insurance business capital resources requirement</i> (11+12)		13				
Guarantee fund						
<i>Guarantee fund</i> requirement		21				
Excess (deficiency) of available <i>capital resources</i> to cover <i>guarantee fund</i> requirement		22				
Minimum capital requirement						
Aggregate of <i>members' minimum capital requirements</i>		31				
Excess (deficiency) of available <i>capital resources</i> to cover 50% of aggregate of <i>members' MCRs</i>		35				
Excess (deficiency) of available <i>capital resources</i> to cover 75% of aggregate of <i>members' MCRs</i>		36				
Capital resources requirement						
<i>Capital resources</i> requirement		41				
Amount by which <i>members' capital resources</i> exceed <i>capital resource requirements</i>		42				
Amount by which <i>members' capital resources</i> are less than <i>capital resource requirements</i>		43				
<i>Society's own capital resources</i> available to meet <i>members' shortfalls on capital resource requirements</i>		44				
Other <i>capital resources</i> (particulars to be specified by way of a supplementary note)		45				
Amount by which <i>Society's own capital resources</i> and other <i>capital resources</i> exceed (are less than) <i>members' shortfalls on capital resource requirements</i>		46				
Contingent liabilities						
Quantifiable contingent liabilities in respect of <i>long-term insurance business</i> as shown in a supplementary note to Form 14		51				

[All of the instructions for the completion of Form 2 are new, and are therefore not shown underlined.]

Instructions for completion of Form 2

- 1 The *guarantee fund* requirement at line 21 should be completed in accordance with *LLD19.3.4R* and *PRU2.2.17R*.
- 2 The *capital resources requirement* at line 41 is equal to the aggregate of the *members' MCRs* at line 31.
- 3 The surplus at line 42 is the aggregate of, for all *members*, the extent to which each individual *member's capital resources* are in excess of his own *capital resources requirement*.
- 4 The deficiency at line 43 is the aggregate of, for all *members*, the extent to which each individual *member's capital resources* are less than his own *capital resources requirement*.

[All of Form 3 is new, and therefore new text is not shown underlined.]

Lloyd's return

Form 3
(Sheet 1)

Components of capital resources

The Society of Lloyd's

	L3	Global	Financial year ended			units £000
			day 31	month 12	year 20XX	
			<i>General insurance business at the end of this financial year</i>	<i>Long term insurance business at the end of this financial year</i>	Total as at the end of this financial year	Total as at the end of the previous financial year
Core tier one capital						
<i>Lloyd's members' contributions</i>		11				
Profit and loss account and other reserves		12				
Positive valuation differences		13				
Fund for future appropriations		14				
<i>Core tier one in related undertakings</i>		15				
<i>Core tier one capital (sum of 11 to 16)</i>		16				
Tier one waivers						
Implicit items		21				
<i>Tier one waivers in related undertakings</i>		22				
Total <i>tier one waivers</i> as restricted (21 + 22)		23				
Other tier one						
<i>Innovative tier one capital as restricted</i>		24				
<i>Innovative tier one capital in related undertakings</i>		25				
Total tier one capital before deductions (16 + 23 + 24 + 25)		31				
Intangible assets		32				
Amounts deducted from <i>technical provisions</i> for discounting		33				
Other negative valuation differences		34				
Deductions in related undertakings		35				
Deductions in tier one (total 32 to 35)		36				
Total tier one capital after deductions (31-36)		37				

Components of capital resources

The Society of Lloyd's

	L3	Global	Financial year ended			units £000
			day 31	month 12	year 20XX	
			<i>General insurance business at the end of this financial year</i>	<i>Long term insurance business at the end of this financial year</i>	Total as at the end of this financial year	Total as at the end of the previous financial year
Tier two capital						
Implicit items (<i>tier two waivers</i> and amounts excluded from line 21)			41			
<i>Innovative tier one capital</i> excluded from line 24			42			
<i>Tier two waivers</i> and <i>innovative tier one capital</i> treated as tier two (41 + 42)			43			
Perpetual <i>subordinated debt</i> and securities			44			
<i>Upper tier two capital</i> in related undertakings			45			
Upper tier two capital (43 to 45)			46			
Other tier two instruments			51			
<i>Lower tier two capital</i> in related undertakings			52			
Lower tier two capital (47 + 48)			53			
Total tier two capital before restrictions (46 + 53)			61			
Excess <i>tier two capital</i>			62			
Further excess <i>lower tier two capital</i>			63			
Total tier two capital after restrictions, before deductions (61-62-63)			64			

Components of capital resources

The Society of Lloyd's

		<i>Financial year ended</i>			units
		day	month	year	
L3	Global	31	12	2005	£000
		<i>General insurance business at the end of this financial year</i>	<i>Long term insurance business at the end of this financial year</i>	Total as at the end of this financial year	Total as at the end of the previous financial year
Total capital resources					
Positive adjustments for <i>non-insurance related undertakings</i>		71			
Total capital resources before deductions (37 + 64 + 71)		72			
<i>Inadmissible assets other than intangibles</i>		73			
Assets in excess of market risk and counterparty limits		74			
Deductions for <i>related ancillary services undertakings</i>		75			
Deductions for regulated <i>non-insurance related undertakings</i>		76			
Total deductions of ineligible surplus		77			
Total capital resources after deductions (72-73-74-75-76-77)		78			
Available capital resources for PRU tests					
Available <i>capital resources</i> for <i>guarantee fund</i> requirement		81			
Available <i>capital resources</i> for 50% MCR requirement		82			
Available <i>capital resources</i> for 75% MCR requirement		83			

[All of the instructions for the completion of Form 2 are new, and are therefore not shown underlined.]

Instructions for completion of Form 3

- 1 Entries must only appear at lines 21 and 22 if the FSA has granted a *waiver* permitting these amounts to count as *tier one capital* (tier one waivers). These amounts are restricted by PRU2.2.20R(1), so that amounts in line 23 may not be greater than corresponding amounts in line 16.
- 2 Entries at line 24 must be restricted to comply with PRU2.2.20R, so that the total of the amounts in lines 23, 24 and 25 is not greater than the amount in line 16.
- 3 For the purpose of completing line 32, refer to PRU2.2.84R and PRU2.2.85G.
- 4 The amounts in line 33 should be calculated in accordance with PRU2.2.80R and PRU2.2.81R.
- 5 The entry at line 44 for perpetual *subordinated debt* and *securities* must be the total, unrestricted amounts that the *firm* can include in *upper tier two capital* in accordance with PRU2.2.100G to PRU2.2.106G.
- 6 The types of capital instrument that can be included as *lower tier two capital* are set out in PRU2.2.107G to PRU2.2.111G.
- 7 The effect of the restrictions at PRU2.2.23R applying to *tier two capital* are shown at lines 62 and 63. Line 62 relates to *tier two capital* as a whole and equals the excess (if any) of line 61 over line 37. Line 63 relates to *lower tier two capital* and equals the excess (if any) of line 53 over the sum of line 62 and ½ line 37.
- 8 Line 71 must show positive adjustments for *related undertakings* that are *regulated related undertakings* (other than *insurance undertakings*) required by PRU2.2.90R.
- 9 Line 73 must show the deductions for assets that are not *admissible assets* required by PRU2.2.86R.

Form 9

[Form 9 is deleted in its entirety, and is therefore not shown struck through.]

Instructions for completion of form 9

[The instructions for the completion of form 9 are deleted in their entirety, and are therefore not shown struck through.]

Form 10

[Form 10 is deleted in its entirety, and is therefore not shown struck through.]

Instructions for the completion of form 10

[The instructions for the completion of form 10 are deleted in their entirety, and are therefore not shown struck through.]

Analysis of admissible assets

The Society of Lloyd's

Category of assets

		Financial year ended			Units	Code		
		day	month	year				
		L13	Global	31	12	20XX	£000	
Investments							As at the end of this financial year	As at the end of the previous financial year
Land and buildings							11	
Investments in group undertakings and participating interests	UK Insurance dependants	Shares				21		
		Debt securities issued by, and loans to, dependants				22		
	Other insurance dependants	Shares				23		
		Debt securities issued by, and loans to, dependants				24		
	Non-insurance dependants	Shares				25		
		Debt securities issued by, and loans to, dependants				26		
	Other group undertakings and participating interests	Shares				27		
		Debt securities issued by, and loans to, group undertakings				28		
		Participating interests				29		
		Debt securities issued by, and loans to, undertakings in which there is a participating interest.				30		
Total sheet 1 (11 to 30)							39	

Analysis of admissible assets

The Society of Lloyd's

Category of assets

		Financial year ended			Units	Code			
		day	month	year					
		L13	Global	31	12	20XX	£000		
Investments									
Deposits with ceding undertakings							As at the end of this financial year	As at the end of the previous financial year	
Other financial investments	Equity shares						41		
	Other shares and other variable yield securities						42		
	Holdings in collective investment schemes						43		
	Rights under derivative contracts						44		
	Debt securities and other fixed income securities	Fixed interest	Approved securities				45		
			Other				46		
		Variable interest	Approved securities				47		
			Other				48		
	Participation in investment pools						49		
	Loans secured by mortgages						50		
	Other loans	Loans to public or local authorities and nationalised industries or undertakings				51			
		Loans secured by policies of insurance issued by the insurer				52			
		Other				53			
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less				54			
		Withdrawal subject to a time restriction of more than one month				55			
	Other						56		
Deposits with ceding undertakings						57			
Reinsurers' share of technical provisions	Provision for unearned premiums				60				
	Claims outstanding				61				
	Provision for unexpired risks				62				
	Other				63				
Total sheet 2 (41 to 63)						69			

Analysis of admissible assets

The Society of Lloyd's

Category of assets

		Financial year ended			Units	Code			
		day	month	year					
		L13	Global	31	12	20XX	£000		
					As at the end of this financial year	As at the end of the previous financial year			
Debtors									
Other assets									
Debtors arising out of direct insurance operations									
<i>Policyholders</i>					71				
<i>Intermediaries</i>					72				
Salvage and subrogation recoveries					73				
Debtors arising out of reinsurance operations									
Due from ceding insurers and <i>intermediaries</i> under reinsurance business					74				
Due from <i>reinsurers</i> and <i>intermediaries</i> under <i>reinsurance contracts ceded</i>					75				
Other debtors					<i>Members</i>				
					Due in 12 months or less after the end of the <i>financial year</i>		76		
					Due more than 12 months after the end of the <i>financial year</i>		77		
					<i>Other</i>				
Due in 12 months or less after the end of the <i>financial year</i>					78				
Due more than 12 months after the end of the <i>financial year</i>					79				
Tangible assets					80				
Cash at bank and in hand									
Deposits not subject to time restriction on withdrawal, with <i>approved credit institutions</i> and <i>approved financial institutions</i> and local authorities					81				
Cash in hand					82				
Other assets (particulars to be specified by way of supplementary note)					83				
Prepayments and accrued income					Accrued interest and rent		84		
					<i>Deferred acquisition costs</i>		85		
					Other prepayments and accrued income		86		
Deductions <u>under LLD</u> from the aggregate value of assets					87				
Total sheet 3 (71 to 86 less 87)					88				
Grand total of <i>admissible assets</i> (39 + 69 + 88)					89				
Reconciliation to asset values in <i>global accounts</i>									
Total <i>admissible assets</i> (as per line 89 above)					91				
Total assets in excess of the <i>admissibility limits</i>					92				
Other differences in the valuation of assets (other than for assets not valued above)					94				
Assets of a type not valued above					95				
Total					99				

Instructions for completion of form 13

1 ...

3 In lines 11 to 86:

- (a) for the purpose of classifying (but not valuing) assets, headings and descriptions used above, wherever they also occur in the balance sheet format in Schedule 9A to the Companies Act, (as if that schedule applied to Lloyd's and as if the Corporation was a company) must have the same meaning as in that schedule;
- (b) assets must be valued in accordance with the appropriate rules in LLD and PRU LLD13 (~~Assets: valuation and realisability risk~~); and
- (c) assets of any particular description should be shown after deduction of assets of that description which (for any reason) fall to be left out of account under ~~LLD13.4, LLD14.5 and LLD14.6~~ the appropriate provisions in LLD and PRU.

4 Lines 92 to 95 provide a reconciliation of amounts valued in accordance with LLD916 to ~~4524~~ to the amounts that appear in published accounts.

5 The aggregate value of those investments which are:

- (a) unlisted investments falling within any of lines 41, 42, 46 or 48 which have been valued as an interest in a limited liability partnership in accordance with PRU 1.3 LLD13.14; or
- (b) listed investments falling within any of lines 41, 42, 46 or 48 which have been valued as an interest in a limited liability partnership in accordance with PRU 1.3 LLD13.14 and which are not readily realisable; or
- (c) *units* or other beneficial interests in *collective investment schemes* ~~falling within LLD13.12.2R~~; or
- (d) reversionary interests or remainders in property other than land or buildings,

must be stated by way of a supplementary note to this form, together with a description of such investments.

6 ...

8 In line 95 "Assets of a type not valued above" refers to assets left out of account under ~~LLD13.4.1R~~19.3.7R

9 ...

Long term insurance business liabilities

The Society of Lloyd's

Category of assets

		Financial year ended			Units	Category of asset			
		day	month	year					
L14		Global	31	12	20XX	£000			
					As at the end of this financial year	As at the end of the previous financial year	Source		
							Form	Line	Column
Technical provisions (net amount)	Reinsurance to close for closing year of account				11				
	Open years of account				12				
	Run off years of account				13				
	Other				14				
	Total (11 to 14)				15				
Claims outstanding which had fallen due for payment before the end of the financial year not included in line 15	Gross amount				16				
	Reinsurers' share				17				
	Net (16 - 17)				18				
Provision for other risks and charges	Taxation				21				
	Other				22				
Deposits received from reinsurers					23				
Creditors and other liabilities	Arising out of insurance operations	Direct business				31			
		Reinsurance accepted				32			
		Reinsurance ceded				33			
	Debenture loans	Secured				34			
		Unsecured				35			
	Amounts owed to credit institutions				36				
	Other creditors	Taxation				37			
		Other				38			
Accruals and deferred income					39				
Total other insurance and non-insurance liabilities (18 to 39)					49				
Total liabilities (15 + 49)					59				

Liabilities (other than long term insurance business)

The Society of Lloyd's

		Financial year ended			Units £000	Category of liability				
		day	month	year		As at the end of this financial year	As at the end of the previous financial year	Source		
		L15	Global	31	12			20XX		
Technical provisions (gross amount)		Provision for <i>unearned premiums</i> for closing year of account			11					
		Provision for <i>unearned premiums</i> for open years of account			12					
		Provision for <i>unearned premiums</i> for run off years of account			13					
		Claims outstanding & unexpired risks for closing year of account			114					
		Claims outstanding & unexpired risks for open years of account			115					
		Claims outstanding & unexpired risks for run off years of account			116					
		Provision for <i>unexpired risks</i> for closing year of account			17					
		Provision for <i>unexpired risks</i> for open years of account			18					
		Provision for <i>unexpired risks</i> for run off years of account			19					
		Credit equalisation provisions			1520					
		Other (particulars to be specified by way of supplementary note)			1621					
		Total (11 to 1621)			1922					
		Provisions for other risks and charges		Taxation			2123			
Other				2224						
Deposits received from <i>reinsurers</i>				31						
Creditors	Arising out of insurance operations	Direct business			41					
		Reinsurance accepted			42					
		Reinsurance ceded			43					
	Amounts owed to <i>credit institutions</i>				46					
	Other creditors	Taxation			47					
		Other			49					
Accruals and deferred income				51						
Total liabilities (19 to 51)				69						

Instructions for the completion of form 15

- 1 Line ~~41~~14 Column 1 corresponds to the sum of 25.11 + 25.13 + 25.15 + ~~25.30~~ for the closing year.
- 2 Line ~~42~~15 Column 1 corresponds to the sum of 25.11 + 25.13 + 25.15 + ~~25.30~~ for naturally open years.
- 3 Line ~~43~~16 Column 1 corresponds to the sum of 25.11 + 25.13 + 25.15 + ~~25.30~~ for run-off years.
- 4 ...
- 6 No entries arise in lines 11 to ~~43~~19, ~~46~~21 to ~~49~~22 or 31 to 43 for the central liabilities of the *Society*.
- 7 Aggregate *members'* liabilities include aggregate net surpluses in *open syndicate years* (for those *members* with surpluses) to be shown at line ~~46~~21 and *credit equalisation provisions* at line ~~45~~20. Nothing arises in lines 11 to ~~43~~19 or 31 to 46.
- 8 Amounts in lines 11 to ~~43~~19 and ~~46~~21 must be stated gross of reinsurers' share.
- 9 The amounts at lines 11, 14 and 17 should include the amount relating to future years of account shown in a footnote as required by instruction 3 to form 20 and exclude any amounts included in lines 12, 15 and 18.
- 10 The amounts at lines 12, 15 and 18 should include amounts relating to *syndicate years* reinsured into the latest two years of account before the year end, but must exclude any *reinsurance to close* as at the end of the year since these amounts are included in lines 11, 14 and 17.

Profit and loss account

The Society of Lloyd's

[Summary / run off years / other years]

		Financial year ended			Units	Year of account
		day	month	year	£000	
L16	Global	31	12	2005		Source
					As at the end of this financial year	As at the end of the previous financial year
						Form
						Line
						Column
Transfer (to)/from the <i>general insurance business</i> technical account from Form 20 line 59			11			20. 59 See Instruction 2
Transfer to (from) <i>credit equalisation provision</i>			12			See Instruction 3
Transfer from the <i>long term insurance business</i> revenue account			13			40. 26
Investment income	Income		14			
	Value re-adjustments on investments		15			
	Gains on the realisation of investments		16			
Investment charges	Investment management charges, including interest		17			
	Value re-adjustments on investments		18			
	Loss on the realisation of investments		19			
Other income and charges (particulars to be specified by way of a supplementary note)			21			
Result on ordinary activities (11 -12 + 13 +14 + 15 + 16 - 17 -18 - 19 +21)			39			
Extraordinary profit or loss (particulars to be specified by way of a supplementary note)			41			
Personal expenses Other charges (particulars to be specified by way of a supplementary note)			42			
Sub-total (39 + 41 - 42)			49			
Other surpluses and deficiencies	Corporation (particulars to be specified by way of a supplementary note)		50			
	<i>Central Fund</i> (particulars to be specified by way of a supplementary note)		51			
Result for the <i>financial year</i> (49 + 50 + 51)			59			

[Addition of new column to following table.]

Lloyd's Return

Form 20

Underwriting: Summary of underwriting movements

The Society of Lloyd's

	L20	Global	Financial year ended			Units
			Run-off year of account	31 YY	12 First YY	20XX Latest YY
PART 1						
Accounting class:						
Movement in financial year (see Instruction 2)						
Accident and health	11					
Motor	12					
Aviation	13					
Marine	14					
Transport	15					
Property damage	16					
Third party liability	17					
Miscellaneous and pecuniary loss	18					
Non-proportional treaty reinsurance	19					
Proportional treaty reinsurance	20					
Marine, aviation and transport reinsurance	21					
<i>General insurance business</i> (Lines 11 to 21)	59					
<i>Long term insurance business</i> (Form 40 line 26)	60					
Total business (lines 59 + 60)	61					
PART 2						
Reconciliation of movement in financial year with declared result for financial year						
This financial year (Form 16 line 49)	80					
Preceding financial year	84					
Previous financial year	82					
Add run-off years of account (80.1 + 86.1)	83					
Sub total (80 to 83)	84					
Other surpluses and deficiencies (form 16, lines 50+51)	85					
Other adjustments (particulars to be specified by way of a supplementary note)	86					
Declared result (80 + 84 + 85 + 86)	99					

General insurance business (underwriting year accounting): Analysis of technical provisions

The Society of Lloyd's

[Summary / run off years / naturally open years]
Accounting class

Underwriting year ended		Prior underwriting years		Financial year ended																Units		Accounting class	
				day		month				year				£000		Total all previous columns							
				MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY		
		29	29																			99	99
Reported <i>claims</i> outstanding	Gross amount	11																					
	Reinsurers' share	12																					
Unexpired risks and <i>claims</i> incurred but not reported	Gross amount	13																					
	Reinsurers' share	14																					
Claims management costs		15																					
Sub-total <i>Claims outstanding</i> (11 - 12 + 13 - 14 + 15)		20																					
<i>Provision for unearned premiums</i>		21																					
<i>Provision for unexpired risks</i>		23																					
<i>Deferred acquisition costs</i>		24																					
Other <i>technical provisions</i> (particulars to be specified by way of supplementary note)		30																					
Total (20 + 21 + 23 - 24 + 30)		31																					

General insurance business (underwriting year accounting): Analysis of technical provisions by category for treaty reinsurance

The Society of Lloyd's

[Summary / run off years / naturally open years]

Accounting class

Category

Underwriting year ended		Prior underwriting years		Financial year ended												Units		Business category		Accounting class		Currency		
				L29		Global		31		12		20XX												
				MM	YY	MM	YY	MM	YY	MM	YY	MM	YY	MM	YY									
		29	29																			99	99	
Reported <i>claims</i> outstanding	Gross amount	11																						
	<i>Reinsurers'</i> share	12																						
<i>Claims</i> incurred but not reported	Gross amount	13																						
	<i>Reinsurers'</i> share	14																						
<i>Claims</i> management costs		15																						
<u><i>Claims outstanding</i></u> Sub-total (11 - 12 + 13 - 14 + 15)		20																						
<u>Provision for <i>unearned premiums</i></u>		21																						
<u>Provision for <i>unexpired risks</i></u>		23																						
<u><i>Deferred acquisition costs</i></u>		24																						
Other <i>technical provisions</i> (particulars to be specified by way of supplementary note)		30																						
Total (20 + 21 + 22 + 23 - 24 + 30)		31																						

General insurance business (underwriting year accounting): Reconciliation of gross claims and premiums for direct insurance and facultative reinsurance

The Society of Lloyd's

		<i>Financial year ended</i>				Units	
				31	12	20XX	
				day	month	year	
Accounting class	Gross claims paid in this financial year	Unexpired risks and gross claims outstanding carried forward		Unexpired risks and gross claims outstanding brought forward		Balance for this financial year (1+2+3-4-5)	Gross written premiums
		Reported	Unexpired risks and incurred but not reported	Reported	Unexpired risks and incurred but not reported		
	1	2	3	4	5	6	7
Accident and health	11						
Motor	12						
Aviation	13						
Marine	14						
Transport	15						
Property	16						
Third party liability	17						
Miscellaneous and pecuniary loss	18						

Long term insurance business: Revenue account

The Society of Lloyd's

Summary / year of account

	Financial year ended			Units	No. of fund/ summary	No. of part of fund	
	day	month	year				
L40	Global	31	12	20XX	£000		
Items to be shown net of reinsurance ceded					This <i>financial year</i>	The previous <i>financial year</i>	Source Form Line Column
<u>Earned <i>p</i>-<i>P</i>remiums</u>					11		See Instruction 1
Investment income before deduction of tax					12		See Instruction 2
Increase (decrease) in the value of non-linked assets brought into account					13		See Instruction 2
Other income					15		See Instruction 3
Total income (11 to 15)					19		
<i>Claims</i> incurred					21		See Instructions 1 & 4
Expenses payable					22		See Instructions 1 & 4
Interest payable before deduction of tax					23		
Taxation					24		
Other expenditure including personal expenses					25		See Instruction 3
Transfers to (from) <i>members</i>					26		See Instruction 5
Total expenditure (21 to 26)					29		
Increase (decrease) in fund in financial year (19 - 29)					39		
Fund brought forward					49		
Fund carried forward (39 + 49)					59		

[The previous form 60 is deleted in its entirety and replaced by the version below. Text is not shown struck through or underlined.]

Lloyd's Return

Form 60

Long term insurance capital requirement

The Society of Lloyd's

	LTICR factor	Gross reserves / capital at risk	Net reserves / capital at risk	Reinsurance factor	Financial year ended			Units £000
					31	12	20XX	
					day	month	year	
	1	2	3	4	LTICR Financial year		LTICR Previous year	
					5		6	
Insurance death risk capital component								
Classes I, II and IX	11	0.1%						
Classes I, II and IX	12	0.15%						
Classes I, II and IX	13	0.3%						
Classes III, VII and VIII	14	0.3%						
Total	15							
Insurance health risk capital component								
Class IV and supplementary classes 1 and 2	21							
Insurance expense risk capital component								
Classes I, II and IX	31	1%						
Classes III, VII and VIII (investment risk)	32	1%						
Classes III, VII and VIII (expenses fixed 5 yrs+)	33	1%						
Classes III, VII and VIII (other)	34	25%						
Class IV	35	1%						
Class V	36	1%						
Class VI	37	1%						
Total	38							
Insurance market risk capital component								
Classes I, II and IX	41	3%						
Classes III, VII and VIII (investment risk)	42	3%						
Classes III, VII and VIII (expenses fixed 5 yrs+)	43	0%						
Classes III, VII and VIII (other)	44	0%						
Class IV	45	3%						
Class V	46	0%						
Class VI	47	3%						
Total	48							
Long term insurance capital requirement	51							

[All of the instructions here are new, and are therefore not shown underlined.]

Instructions for the completion of form 60

- 1 The *insurance death risk capital component* in lines 11-14 column 5 is based on capital at risk for those contracts where it is not negative. Capital at risk is the benefit payable as a result of death less the *mathematical reserves* after distribution of surplus. Business in *classes* I, II and IX must be split between lines 11, 12 and 13 in accordance with *PRU 7.2.82R*. Line 11 is for temporary insurance on death where the original term of the contract is 3 years or less or for a *pure reinsurer*. Line 12 is for temporary insurance where the original term is 5 years or less but more than 3 years. Line 13 is for other *class* I, II or IX business. For a *pure reinsurer* the factor of 0.3% in column 1 of line 14 should be replaced by 0.1%.
- 2 In lines 11-14 columns 2 and 3 are the gross and net capital at risk in accordance with *PRU 7.2.83R*. For lines 11-13 the reinsurance factor is calculated in aggregate, so column 4 is the sum of lines 11-13 column 3 divided by the sum of lines 11-13 column 2, subject to a minimum of 0.5 in accordance with *PRU 7.2.81R*. For line 14 column 4 is column 3 divided by column 2, subject to a minimum of 0.5 in accordance with *PRU 7.2.81R*. Column 5 is column 1 x column 2 x column 4
- 3 For the purpose of calculating the *insurance expense risk capital component* and the *insurance market risk capital component* linked contracts should be allocated to:
 - lines 32 and 42 where the *firm* bears an investment risk,
 - lines 33 and 43 where the *firm* does not bear an investment risk but where the allocation to cover *management expenses* is fixed for a period exceeding 5 years from the commencement of the contract, and
 - lines 34 and 44, otherwise.
- 4 The *insurance expense risk capital component* for linked contracts where the *firm* bears no investment risk and the allocation to cover *management expenses* does not have a fixed upper limit for a period exceeding 5 years from the commencement of the contract in line 34 is 25% of net *administrative expenses* in accordance with *PRU 7.2.88R(1)*.
- 5 The *insurance expense risk capital component* for *class V* in line 36 column 5 is 1% of the assets of the tontine in accordance with *PRU 7.2.88R(2)*.
- 6 The *insurance expense risk capital component* for other business in lines 31, 32, 33, 35 and 37 column 5 is 1% of adjusted *mathematical reserves* after distribution of surplus in accordance with *PRU 7.2.88R(3)*. Column 4 is column 3 divided by column 2, subject to a minimum of 85% (50% for a pure reinsurer) in accordance with *PRU 7.2.90R*. Column 5 is column 1 x column 2 x column 4.
- 7 The *insurance market risk capital component* in lines 43 and 44 column 5 for class III, VII and VIII contracts where the *firm* does not bear any investment risk and in line 45 for *class V* contracts is nil in accordance with *PRU 7.2.89R*.
- 8 The *insurance market risk capital component* in line 41, 42, 45 and 47 column 5 is 3% of adjusted *mathematical reserves* after distribution of surplus in accordance with *PRU 7.2.89R*. Column 4 is column 3 divided by column 2 subject to a minimum of 85% (50% for a *pure reinsurer*) in accordance with *PRU 7.2.90R*. Column 5 is column 1 x column 2 x column 4.
- 9 The *long term insurance capital requirement* in line 51 column 5 is the sum of column 5 in lines 15, 21, 38 and 48.
- 10 For *financial years* starting before 1 January 2005 lines 11 to 48 of column 6 must be blank.

Annex D

In this Annex, underlining indicates new text and striking through indicates deleted text.

Amendments to Supervision Manual

SUP Schedule 2 – Notification requirements

G

- 1 ...
- 2 Table ...

Handbook reference	Matter to be notified	Contents of notification	Trigger event	Time allowed
...				
<i>SUP 4.5.11G</i>
<u><i>SUP 4.6.1R</i></u>	<u>Vacancy in the office of <i>Lloyd's</i> <i>actuary</i> will arise or has arisen</u>	<u>Fact of the vacancy and the reason for the vacancy</u>	<u>The <i>Society of Lloyd's</i> becomes aware that a vacancy will arise or has arisen</u>	<u>Without delay</u>
<u><i>SUP 4.6.17R</i></u>	<u><i>Syndicate actuary</i> of a <i>general insurance business syndicate</i> will or may be unable to produce an <i>unqualified opinion</i> under <i>SUP 4.6.16R</i></u>	<u>Fact that the <i>syndicate actuary</i> will or may be unable to produce an <i>unqualified opinion</i> (to be notified by the <i>managing agent</i> to the <i>FSA</i>)</u>	<u>The <i>managing agent</i> becomes aware that the <i>syndicate actuary</i> will or may be unable to produce an <i>unqualified opinion</i></u>	<u>Notification to be made promptly</u>
<i>SUP 5.4.12G</i>

SUP Schedule 4 – Powers exercised

G

- 1 ...

2 ...

3 Table

The following powers and related provisions in or under the <i>Act</i> have been exercised by the <i>FSA</i> in <i>SUP</i> to direct or require:	
(1)	...
(2)	...
(3)	...
(4)	...
(5)	...
(6)	Section 318 (Exercise of powers through Council) <u>Section 317 (Direction by Authority)</u>
(7)	...