London Market insurance principles and practices

LM2: 2016–17 edition

Web update 5: 21 July 2017

Please note the following update to your copy of the **LM2** study text:

Chapter 4, section C, page 4/6

Please amend the final row of table 4.3 and example 4.1 as follows (amendments in **bold**):

Central assets	What happens once the members' funds have been depleted? By this time, an insurance company would potentially have gone into liquidation with limited recourse for any policyholders who had outstanding valid claims. However, the Lloyd's Market has the Central Fund available as a last resort for use in case all other sources of funds for the payment of any valid claims are exhausted. It is fed by contributions from all the written premium in the market and the basic rate of contribution for all existing members is **0.35%** for **2017**. Lloyd's can set the levy for Central Fund as it deems appropriate. New corporate members in **2017** have to pay 1.4% for the first three years of their involvement in the market. 'New' means that they are supporting new syndicates starting to trade in **2015**, **2016** or **2017**.

Example 4.1

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If a member had written premiums of £500,000 in a year, the contribution that it would make to the Central Fund would be **£1,750 (i.e. 0.35% × £500,000)**.

The member does not need to pay this as a separate levy but it is taken from the premiums.

This web update is intended to replace the relevant text in the March 2016 update bulletin.