

LLOYD'S MARKET ASSOCIATION



DIRECTORS' REPORT AND FINANCIAL STATEMENTS

YEAR ENDED

31 DECEMBER 2009

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LLOYD'S MARKET ASSOCIATION

DIRECTORS' REPORT AND FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009

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LLOYD'S MARKET ASSOCIATION

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Paul Jardine	Chairman
Barnabas Hurst-Bannister	Deputy Chairman
David Gittings	Chief Executive
David Constable	
Tom Corfield	
Edward Creasy	(resigned 10.06.2009)
Charles Franks	(appointed 10.06.2009)
Nicholas Furlonge	
Richard Hextall	
Lawrence Holder	
Andrew Kendrick	
Nick Marsh	
Jeremy Pinchin	(appointed 10.06.2009)
Bob Stuchbery	

SECRETARY

Patricia Hakong

REGISTERED OFFICE

Suite 358
One Lime Street
London
EC3M 7DQ

BANKERS

National Westminster Bank Plc
1st Floor
65 Piccadilly
London
W1A 2PP

AUDITORS

KPMG LLP
One Canada Square
London
E14 5AG

LLOYD'S MARKET ASSOCIATION

CHAIRMAN'S STATEMENT

The Lloyd's Market Association (LMA) provides professional, technical support to the Lloyd's underwriting community. The LMA's purpose is to identify and resolve issues of particular interest to its members and, working in partnership with Lloyd's and with other associations, to influence the course of future market initiatives. All Managing Agents at Lloyd's are members, together writing in excess of £20bn of premiums.

The Underwriting Team has continued to provide technical support to the Lloyd's (and to the wider London) underwriting community. This support is provided primarily by the LMA's structure of Panels, Committees and Working Parties representing the interests of underwriters across all sectors of the market. These activities are overseen by the LMA Underwriting Committee, which has direct representation on the LMA Board, and which includes members drawn from the LMA's Non-Marine, Marine, Aviation and Motor Committees. In total, the Underwriting Team provides Executive support to 71 committees or panels comprising around 720 individuals drawn from all of the LMA's membership.

The LMA Committee structure allows it to represent the interests of sector underwriters both to Lloyd's Corporation and to external stakeholders, including Governments and regulators both in the UK and overseas. Perhaps the most visible end products of this work are the various wordings and clauses issued by the Panels and Committees. During 2009 the LMA made 53 clauses available for use in the market across all classes of business.

Members of the Underwriting Team have also been involved in briefing various Governmental and legislative bodies as well as shipowner associations on maritime piracy in the Gulf of Aden which continued to be an item of considerable interest to these organisations and to the media.

In the Claims area, the pace of reform has continued throughout 2009. The Claims Business Requirements Working Group, chaired by Nick Furlonge (Beazley) with significant LMA representation, produced the Lloyd's Claims Transformation Programme (CTP). The key issues were dealt with in market working groups to enable the CTP pilots to go live at 1 January 2010. The LMA Claims Committee (LMACC), chaired by Jeremy Pinchin (Hiscox) and a market working group continue to provide validation, input and feedback to the Claims Implementation Board which has responsibility for delivering CTP. The implications for the market's service requirements from Xchanging Claims Services (XCS) are being considered with the involvement of LMACC, the Claims Service Review Board, Lloyd's and XCS itself.

Throughout 2009, the LMA also provided the project management to lead the London market activity to enhance and improve Electronic Claims Files (ECF). ECF2 is part of the "Finish What We Started" (FWWS) work for the London Market Group (LMG) and provides functionality that includes workflow and significant improvement in reporting and search capability. The Associations' Administration Committee (AAC), chaired by Simon Cooper (Atrium) has responsibility for the FWWS delivery for the London market as well as managing Xchanging's provision of the Insurers' Market Repository services.

The LMA and managing agents continued to work closely with the Corporation to ensure a successful implementation of Solvency II in order to protect and enhance the efficiency of the Lloyd's capital structure. Significant resources are being invested by both managing agents and the Corporation in Solvency II and there should be opportunities to obtain real commercial benefits from implementation.

LLOYD'S MARKET ASSOCIATION

CHAIRMAN'S STATEMENT (continued)

In common with many UK insurers, Lloyd's is conducting a dry run exercise (for internal model approval) for all active syndicates. This process started in late 2009 with the submission of syndicate implementation plans and will continue throughout a number of phases during 2010. To assist managing agents with their dry run preparations, the LMA Solvency II Committee, through its nine working groups, has been involved in producing and reviewing practical guidance which was issued by Lloyd's at the end of March 2010. The LMA Solvency II Senior Level Group, chaired by Richard Hextall (Amlin), continued to work closely with Lloyd's to consider the high level policy issues. Throughout 2009, the previous LMA Solvency II Working Group was involved in producing, in conjunction with Lloyd's, detailed responses to many of the consultation papers issued by CEIOPS on Level 2 implementing measures.

On business process reforms, the LMA continues to lead and coordinate the market's adoption of electronic placing on behalf of LMG. In particular, all relevant agents have committed to a market pilot to use electronic processes to support the transaction of endorsements due to start on 1 June. With similar commitment from thirteen major brokers, this has every prospect of achieving a step change in our use of electronic processes in placing and I encourage you all to ensure that your underwriters understand the importance of and benefits available from this work.


At the end of 2009, the market concluded the initial phase of its work to define a future process model and has now moved on to undertake more detailed work across placing, accounting & settlement, claims, and binders & facilities. Operations staff from agencies participate on all these groups and a primary objective of this work is to identify the future role of centralised processing services. Recognising the implications of current reform work for managing agents' relationship with Xchanging Ins-sure Services, the LMA has taken steps to strengthen our Xchanging Review Board and improve its focus on continuing to ensure an optimal relationship between service level and price in a changing environment.

The European Commission has published a revised Insurance Block Exemption Regulation effective from 1 April 2010, which omits standard policy wordings. The LMA has carried out a comprehensive review of its template Terms of Reference for its committees and expanded its competition law guidance for participation on LMA committees and panels to ensure that those involved are fully aware of competition law.

The Professional Standards Committee (PSC) continued to offer guidance on business education for LMA Member firms by working closely with the Chartered Insurance Institute (CII) in order to ensure that the CII's evolving General Insurance framework for future examinations is appropriate for the Lloyd's Market. The academic highlight of 2009 was the *Inspirational Leadership* seminar at the Saïd Business School, University of Oxford (the second of its kind) which continues to break new ground in its approach to developing senior managers among LMA members. Other events funded by the LMA's Training and Education Trust included Master Classes on *Financial Crisis Claims*, *Solvency II*, *Earthquake Adjusting*, *Reinsurance Legal Issues*, *Lloyd's Enforcement Byelaw* and *Fraud Claims* as well as a well-attended seminar on *London Flood*, co-hosted with Willis Research Network.

My thanks go to David Gittings, his team, my fellow Board members and all Committee, Business Panel and Working Group members for their time, hard work and commitment to support the LMA and the Lloyd's market.

Paul Jardine
Chairman



LLOYD'S MARKET ASSOCIATION

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2009.

Principal activity

The Lloyd's Market Association (LMA) is a company limited by guarantee whose members include all underwriting agents operating in the insurance market of Lloyd's, with a majority of its Board directly elected. The LMA represents the Lloyd's underwriting community on all market issues. Through the LMA, the interests of Lloyd's underwriters, managing agents and members' agents are represented wherever decisions need to be made that affect the market.

Business review

In 2009, the company achieved a profit before taxation of £18,093 (2008: loss £8,218). Its net current assets at 31 December 2009 of £983,993 (2008: £944,310) represented 21% of budgeted outgoings in 2010.

The Board's Key Performance Indicators are that the LMA must operate within budget and retain liquidity equivalent to no less than three months' turnover so as to ensure continuous solvency and the ability to respond to an unexpected or urgent challenge without recourse to a special collection of funds from its members.

It is considered that the major risk to the ongoing operation of the LMA is the possibility of members either not joining or not renewing their membership each year which would lead to a shortfall in subscription income. All managing and members' agents either renewed their membership, or in the case of newly established agencies, joined the LMA for 2008 and 2009.

Since the year end, the company has received a contribution of £5m from the Corporation of Lloyd's towards the funding of the Lloyd's market share of the London Market Group's "Finish What We Started" programme of work in 2010 and 2011.

Directors

The company's constitution provides for a maximum of 16 directors, nine of whom are elected directly by its members. All directors who held office during the year are listed on page 1.

Messrs Corfield and Stuchbery are directors nominated by the Underwriting Standing Committees until the next annual general meeting and are eligible to be nominated for subsequent terms of office.

Mr Pinchin was co-opted to the Board on 10 June 2009.

Governance

The Board reviews the services and activities of the LMA regularly to ensure that they meet the needs of members and are delivered in a cost effective manner. The Board also has a Remuneration Committee which gives independent scrutiny of the company's employment costs. Since these costs account for the majority of the LMA's total expenditure, the Board considers the governance arrangements of the company to be sufficient and appropriate.

LLOYD'S MARKET ASSOCIATION

DIRECTORS' REPORT (continued)

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with Section 489 of the Companies Act 2006 a resolution for the reappointment of KPMG LLP as auditors of the company will be proposed at the forthcoming annual general meeting.



Paul Jardine
Chairman

10 May 2010

LLOYD'S MARKET ASSOCIATION

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with the Financial Reporting Standard for Smaller Entities (Effective April 2008) and applicable law (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

LLOYD'S MARKET ASSOCIATION

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYD'S MARKET ASSOCIATION

We have audited the financial statements of the Lloyd's Market Association for the year ended 31 December 2009 set out on pages 9 to 16. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (Effective April 2008) (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/UKNP

Opinion on financial statements

In our opinion the financial statements.

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to Smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

LLOYD'S MARKET ASSOCIATION

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LLOYD'S MARKET ASSOCIATION (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime.



A P Hulse (Senior Statutory Auditor)

for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants

One Canada Square
London
E14 5AG

10 May 2010

LLOYD'S MARKET ASSOCIATION

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

		2009 £	2008 £
	Notes		
TURNOVER	2	4,168,749	3,937,135
Administration and operating expenses		<u>(4,185,873)</u>	<u>(4,081,821)</u>
OPERATING LOSS	3	(17,124)	(144,686)
Interest receivable and similar income	6	<u>35,217</u>	<u>136,468</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		18,093	(8,218)
Tax on profit on ordinary activities	7	<u>(3,992)</u>	<u>1,339</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR AFTER TAXATION		<u>14,101</u>	<u>(6,879)</u>
PROFIT/(LOSS) FOR THE FINANCIAL YEAR	11	<u>14,101</u>	<u>(6,879)</u>

All the amounts above are in respect of continuing operations.

LLOYD'S MARKET ASSOCIATION

BALANCE SHEET AS AT 31 DECEMBER 2009

	Notes	2009 £	2009 £	2008 £	2008 £
FIXED ASSETS					
Tangible assets	8		39,162		64,744
CURRENT ASSETS					
Debtors	9	369,264		130,903	
Cash at bank and in hand		1,101,179		1,156,979	
		<u>1,470,443</u>		<u>1,287,882</u>	
CREDITORS: Amounts falling due within one year	10	(212,809)		(176,467)	
Accruals and deferred income		(273,641)		(167,105)	
		<u>(486,450)</u>		<u>(343,572)</u>	
NET CURRENT ASSETS			983,993		944,310
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>1,023,155</u>		<u>1,009,054</u>
CAPITAL AND RESERVES					
Profit and loss account	11		1,023,155		1,009,054

The financial statements were approved by the Board of Directors on 10 May 2010 and were signed on its behalf by:


Paul Jardine
Chairman

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2009

1 ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the Financial Reporting Standard for Smaller Entities. The particular accounting policies adopted by the directors are described below.

1.1 Basis of accounting

The financial statements are prepared under the historical cost convention and on a going concern basis

1.2 Turnover

Subscription income from members is credited to the profit and loss account on an accruals basis.

Proceeds from the sale of electronic and hardcopy publications are also included in turnover. These are credited to the profit and loss account on an accruals basis.

1.3 Tangible fixed assets

All tangible fixed assets are recorded at cost less depreciation.

Depreciation is provided on all tangible fixed assets on cost or revalued amounts in equal annual instalments over the estimated useful lives of the assets. The rates of depreciation are as follows.

Computer software	3 years
Computer equipment	3 years
Office equipment	3 years
Furniture and fittings	7 years

1.4 Operating and finance leases

Where the company has substantially all the risks and rewards of ownership of an asset subject to a lease, the lease is treated as a finance lease. All other leases are treated as operating leases.

Assets held under finance leases are capitalised at their fair value on the inception of the leases and depreciated over their estimated useful lives. Future instalments payable under finance leases, net of finance charges, are included in creditors - with the corresponding asset values recorded in tangible fixed assets and depreciated over the shorter of their estimated useful lives or their lease terms. Payments are apportioned between the finance element which is charged to the profit and loss account and the capital element which reduces the outstanding obligation for future instalments.

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

1 ACCOUNTING POLICIES (continued)

1.4 Operating and finance leases (continued)

Operating lease rentals are charged to the profit and loss account on a straight line basis over the lease term.

1.5 Taxation

The charge for taxation is provided at rates of corporation tax ruling during the financial year.

Deferred tax has been recognised in full on all timing differences that have originated but not reversed by the balance sheet date and are more likely than not to reverse in the future.

1.6 Pensions and other post retirement benefits

Beginning 1 October 1998, the company established a new money purchase pension scheme for directors and staff on a defined contribution basis. The profit and loss account charge from this commencement date reflects the defined contribution scales and these are charged to the profit and loss account in the period in which contributions are paid. The scheme's funds are independent of the company's finances.

2 TURNOVER

Turnover is solely in respect of continuing activities undertaken in the United Kingdom. This is stated net of value added tax and consists principally of subscription income from members.

3 OPERATING LOSS

	2009 £	2008 £
Operating loss is stated after charging:		
Auditors' remuneration	10,800	11,500
Other auditors' fees: tax computation	6,000	6,000
Depreciation of tangible fixed assets:		
- Owned	25,582	43,917
Operating lease rentals on land and buildings	155,400	155,400
	<hr/>	<hr/>

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

4 STAFF NUMBERS AND COSTS

The average number of persons employed by the company (including directors) during the year were:

	2009 Number	2008 Number
Administration	29	28
Director	1	1
	<u> </u>	<u> </u>

The aggregate payroll costs were as follows:

	2009 £	2008 £
Wages and salaries	2,283,871	2,067,768
Social security costs	282,857	256,055
Other pension costs	297,748	280,715
	<u> </u>	<u> </u>
	2,864,476	2,604,538
	<u> </u>	<u> </u>

5 REMUNERATION OF DIRECTORS

	2009 £	2008 £
Directors' emoluments	262,000	225,400
Company contributions to money purchase pension schemes	42,000	37,080
	<u> </u>	<u> </u>
	304,000	262,480
	<u> </u>	<u> </u>

One of the directors in 2009 (2008 - One) listed on page 1 was a full time salaried executive of the company and received pension benefits. No other directors received any emoluments during the year.

6 INTEREST RECEIVABLE AND SIMILAR INCOME

	2009 £	2008 £
Interest on bank deposit	35,217	136,468
	<u> </u>	<u> </u>

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

7 TAX ON PROFIT ON ORDINARY ACTIVITIES

(a) Analysis of charge in period:

	2009 £	2008 £
Current tax		
- UK corporation tax	(3,128)	(6,988)
- adjustment in respect of prior years	-	(435)
Total current tax (note 7 (b))	<u>(3,128)</u>	<u>(7,423)</u>
Deferred tax		
- origination and reversal of timing differences	(672)	9,216
- effect of increased tax rate on opening liability	(192)	(454)
Total deferred tax credit	<u>(864)</u>	<u>8,762</u>
Tax on profit on ordinary activities	<u>(3,992)</u>	<u>1,339</u>

(b) Factors affecting the current tax charge:

The tax assessed for the period is higher than the small companies rate of corporation tax in the UK.

The differences are explained below:

	2009 £	2008 £
Profit/(Loss) on ordinary activities before tax	<u>18,093</u>	<u>(8,218)</u>
At 21% (2008: 20.75%)	(3,800)	1,705
Expenses not allowable for tax purposes	3,150	(3,113)
Depreciation in excess of capital allowances	(2,478)	(5,580)
Adjustment in respect of prior years	-	(435)
Total current tax (note 7 (a))	<u>(3,128)</u>	<u>(7,423)</u>

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

8 TANGIBLE FIXED ASSETS

	Computer software £	Furniture and fittings £	Computer and office equipment £	Equipment held under finance leases £	Total £
Cost					
At 1 January 2009	133,555	218,898	185,202	27,822	565,477
Additions	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	133,555	218,898	185,202	27,822	565,477
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2009	111,018	182,186	179,707	27,822	500,733
Charge for year	11,758	9,443	4,381	-	25,582
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2009	122,776	191,629	184,088	27,822	526,315
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2009	10,779	27,269	1,114	-	39,162
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2008	22,537	36,712	5,495	-	64,744
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

9 DEBTORS - AMOUNTS DUE WITHIN ONE YEAR

	2009 £	2008 £
Other debtors	196,607	67,500
Prepayments and accrued income	172,657	63,403
	<hr/>	<hr/>
	369,264	130,903
	<hr/>	<hr/>

Included in other debtors is a deferred tax asset amounting to £3,354 (2008: £4,218) which represents the tax effect of the excess of depreciation over capital allowances as at 31 December 2009.

LLOYD'S MARKET ASSOCIATION

NOTES TO THE FINANCIAL STATEMENTS (continued)

10 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009	2008
	£	£
Corporation tax	3,128	6,988
Other taxation and social security	209,681	169,479
	<u>212,809</u>	<u>176,467</u>

11 RECONCILIATION OF MOVEMENT IN RESERVES

	2009	2008
	£	£
Reserves at 1 January	1,009,054	1,015,933
Profit/(loss) for the financial year	14,101	(6,879)
	<u>1,023,155</u>	<u>1,009,054</u>

12 OPERATING LEASE COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings
	2009
	£
Operating leases which expire:	
Between one and five years	<u>155,400</u>

The company entered into an agreement on 9 January 2002 for a lease which expires in September 2011.

13 RELATED PARTY TRANSACTIONS

Apart from the Chief Executive, all directors are executives of LMA members. Subscription income derived during 2009 from their membership was transacted on an arm's length basis, at the same rate as any other member.

14 GUARANTEE

The company is limited by the guarantees of all its members.