

# SYNDICATE ACCOUNTING BYELAW

---

## Purpose

The purpose of this byelaw is to set out the principal requirements in connection with the closing of years of account, accounting records, the form and content of syndicate underwriting year accounts, personal accounts and syndicate MAPA accounts and related matters.

## Notes

This byelaw revokes the Syndicate Accounting Byelaw (No. 18 of 1994).

Words and terms shown in italics have the meaning set out in the Definitions Byelaw (No. 7 of 2005).

This byelaw was made by the Council on 7 December 2005 in exercise of its powers under section 6(2) of, and paragraph (16) of Schedule 2 to, Lloyd's Act 1982 and may be referred to as the Syndicate Accounting Byelaw (No. 8 of 2005).

These notes, and the notes setting out the purpose of this byelaw, are for guidance only and do not form part of the Syndicate Accounting Byelaw.

The Council of Lloyd's in exercise of its powers under section 6(2) of, and paragraph (16) of Schedule 2 to, Lloyd's Act 1982 by special resolution hereby makes the following byelaw.

## Contents

---

### **Part A Preliminary**

1. Closing of years of account

### **Part B Accounting records**

2. Accounting records

### **Part C Accounts**

3. Syndicate underwriting year accounts
4. Run-off accounts
5. Approval of underwriting year accounts
6. Managing agent's report
7. Personal accounts and syndicate MAPA accounts
8. Audit of run-off accounts, personal accounts and syndicate MAPA accounts
9. Duties of auditors
10. Preparation of accounts and reports
11. Distribution of accounts and reports

### **Part D Availability of documents**

12. Central file

### **Part E Further reporting**

13. Provision of information to corporate members

### **Part F Miscellaneous and supplementary**

14. Powers to prescribe
15. Time limits
16. Revocation and amendments
17. Commencement and application

## Schedules

1. Additional provisions about accounting records
2. Underwriting year accounts - fundamental principles and statement of accounting policies
3. Additional provisions about form and content of underwriting year accounts
4. Personal accounts and syndicate MAPA accounts

## Part A - Preliminary

1. Closing of years of account
  - (1) Every year of account of a *syndicate* shall be kept open for not less than three years from the beginning of that year of account.
  - (2) The *Council* may require that the content or form of any contract of *reinsurance to close* be such as the *Council* may prescribe; and any requirements so made may apply generally or in relation to any particular case or class of cases.

## Part B - Accounting Records

2. Accounting records
  - (1) Every *managing agent* shall cause accounting records to be kept in accordance with this paragraph in respect of each *syndicate* for the time being managed by it.
  - (2) The accounting records shall be sufficient to show and explain the transactions entered into on behalf of the *members* of the *syndicate*.
  - (3) The accounting records shall be such as to -
    - (a) be capable of disclosing with reasonable accuracy at any time the financial position at that time of each *member* of the *syndicate*; and
    - (b) enable the *managing agent* to ensure that any *syndicate* annual accounts, underwriting year accounts and personal accounts prepared by it comply with the requirements of the *Lloyd's Syndicate Accounts Regulations* or this byelaw, as applicable.
  - (4) The provisions of Schedule 1 to this byelaw (additional provisions about accounting records) shall have effect.

## Part C - Accounts

3. Syndicate underwriting year accounts
  - (1) The following provisions shall apply with respect to underwriting year accounts prepared under the *Lloyd's Syndicate Accounts Regulations*.
  - (2) The underwriting year accounts shall be prepared for the *members* of the *syndicate* for the closed year of account in respect of which the accounts are required to be prepared.
  - (3) The underwriting year accounts shall comprise -
    - (a) a balance sheet in respect of the closed year of account at the date as at which the year of account is closed;
    - (b) a profit and loss account in respect of the year of account at closure;
    - (c) an explanation of the *managing agent's* responsibility to prepare underwriting year accounts for the *members* of the *syndicate*; and
    - (d) such other information as is necessary for a proper understanding of the underwriting year accounts

and may include any such further information (not being misleading or inconsistent with the remainder of the underwriting year accounts) as the *managing agent* may consider appropriate.

- (4) The underwriting year accounts shall comply with the provisions of Schedule 3 to this byelaw as to the form and content of the balance sheet and profit and loss account and additional information to be given by way of notes to the accounts.
- (5) Where compliance with the provisions of that Schedule, and the other provisions of this byelaw as to the matters to be included in the underwriting year accounts or notes to those accounts would not be sufficient to give a true and fair view of the profit or loss of the year of account at closure, the necessary additional information shall be given in those accounts or in a note to them.
- (6) If in special circumstances compliance with any of those provisions is inconsistent with the requirement under the *Lloyd's Syndicate Accounts Regulations* to give a true and fair view of the profit or loss of the year of account at closure, the *managing agent*

preparing those underwriting year accounts shall depart from that provision to the extent necessary to give a true and fair view.

- (7) Where a *managing agent* departs under sub-paragraph (6) from any principle or requirement specified in this byelaw, particulars of the departure the reasons for it and its effect shall be given in the notes to the accounts.
- (8) Subject to sub-paragraphs (4), (5) and (6) and to the following provisions of this paragraph, the amounts to be included in respect of all items shown in the underwriting year accounts shall be determined in accordance with the principles set out in paragraphs 1 to 4 of Schedule 2 to this byelaw, the provisions of Schedule 9A to the Companies Act 1985 (as modified by the *Lloyd's Syndicate Accounts Regulations*) and *accounting standards* applicable to the *syndicate's* underwriting year accounts as if the *syndicate* were an insurance company formed and registered under the Companies Act 1985.
- (9) Premiums and claims in respect of insurance contracts underwritten by the *members* of a *syndicate* and *syndicate* operating expenses shall be allocated to years of account in accordance with paragraphs 5 and 6 of Schedule 2 to this byelaw.
- (10) The accounting policies adopted in determining the amounts to be included in respect of items shown in the balance sheet and in determining the profit or loss of the year of account at closure shall be stated in the notes to the accounts, and shall comply with the provisions of paragraph 7 of Schedule 2 to this byelaw (disclosure of accounting policies).
- (11) It shall be stated whether the accounts have been prepared in accordance with applicable *accounting standards* and particulars of any material departure from those standards and the reasons for it shall be given.
- (12) References in this paragraph and in paragraph 4 to *accounting standards* applicable to a *syndicate's* underwriting year accounts are to such standards as are, in accordance with their terms, relevant to the *syndicate's* circumstances and to the accounts.

#### 4. Run-off accounts

- (1) Every *managing agent* shall in respect of each *syndicate* that it manages as at 31 December that has a *run-off account*, prepare underwriting year accounts in respect of that *run-off account* for the *members* of the *syndicate* for that year of account unless those *members* agree unanimously in writing that no underwriting

year accounts for that *run-off account* shall be prepared in respect of that *syndicate*.

- (2) Underwriting year accounts in respect of a *run-off account* shall be prepared on an underwriting year basis.
- (3) The provisions of paragraphs 3(3) and 3(4) of this byelaw shall apply to underwriting year accounts prepared in respect of a run-off account, with the modifications set out in this paragraph.
- (4) In the balance sheet format –
  - (a) Asset item 3 shall refer to “*reinsurance recoveries* anticipated on gross amounts retained to meet all known and unknown outstanding liabilities”; and
  - (b) Liabilities item 2 shall refer to “amounts retained to meet all known and unknown outstanding liabilities – gross amount”.
- (5) In relation to underwriting year accounts prepared at the date at which the *run-off account* would normally have been closed -
  - (a) item 4(b) in the profit and loss account format (technical account) shall refer to “the amount retained to meet all known and unknown outstanding liabilities, net of reinsurance”; and
  - (b) item 10 in the profit and loss account format (non-technical account) shall refer to “the result for the three years ended 31 December...for the...*run-off account*”.
- (6) All subsequent underwriting year accounts prepared in respect of that *run-off account* while it remains open shall show the transactions in respect of that *run-off account* in the year ended on the *reference date* under the headings listed in the format except that -
  - (a) for items 2 and 4(b) in the profit and loss account format there shall be substituted “the amount retained to meet all known and unknown outstanding liabilities, net of reinsurance” at the beginning and at the end of that year respectively;
  - (b) item 10 in the profit and loss account format (non-technical account) shall refer to “the result for the year ended 31 December...for the ...*run-off account*”;

and shall also show the cumulative transactions as at the *reference date* under the headings listed in the format, with the modifications specified in sub-paragraph (5)(a) and (b).



- (7) Where a *syndicate* has more than one *run-off account*, the *managing agent* may instead of preparing separate underwriting year accounts for each *run-off account*, prepare combined underwriting year accounts in respect of those *run-off accounts* showing –
  - (a) a separate profit and loss account for each *run-off account*; and
  - (b) a combined balance sheet in respect of those *run-off accounts* as at the *reference date*.
- (8) The amounts to be included in respect of all items shown in the underwriting year accounts prepared in respect of a *run-off account* shall be determined in accordance with the principles set out in paragraphs 1 to 4 of Schedule 2 to this byelaw, the provisions of Schedule 9A to the Companies Act 1985 (as modified by the *Lloyd's Syndicate Accounts Regulations*) and *accounting standards* applicable to the *syndicate's* underwriting year accounts as if the *syndicate* were an insurance company formed and registered under the Companies Act 1985.
- (9) Premiums and claims in respect of insurance contracts underwritten by the *members* of a *syndicate* and *syndicate* operating expenses shall be allocated to years of account in accordance with paragraphs 5 and 6 of Schedule 2 to this byelaw.
- (10) The accounting policies adopted in determining the amounts to be included in respect of items shown in the underwriting year accounts in respect of a *run-off account* shall be stated in the notes to the accounts, and shall comply with the provisions of paragraph 7 of Schedule 2 to this byelaw (disclosure of accounting policies).
- (11) It shall be stated whether the accounts have been prepared in accordance with applicable *accounting standards* and particulars of any material departure from those standards and the reasons for it shall be given.

5. Approval of underwriting year accounts

- (1) A *syndicate's* underwriting year accounts shall be approved by the *syndicate's* *managing agent* and signed by a director or partner of the *managing agent* on its behalf.
- (2) The signature shall be on the *syndicate's* balance sheet.
- (3) Every copy of the balance sheet which is issued by the *managing agent* shall state the name of the person who signed the balance sheet on behalf of the *managing agent*.

6. Managing agent's report

- (1) Every *managing agent* shall in respect of each *syndicate* managed by it at 31 December of the preceding year for which it is required by the *Lloyd's Syndicate Accounts Regulations* or this byelaw to prepare underwriting year accounts, prepare a managing agent's report.
- (2) Every managing agent's report prepared under sub-paragraph (1) shall –
  - (a) include –
    - (i) in the case of a year of account closed at the *reference date*, a review of that year of account, including an explanation of any material surplus or deficiency which is attributable to an earlier year of account which has been reinsured into the year of account closed at the *reference date*, specifying the earlier year of account concerned;
    - (ii) in the case of a *run-off account* -
      - (aa) an explanation as to why that year of account has been kept open; and
      - (bb) a review of that year of account, including the *managing agent's* current evaluation of its expected outcome;
    - (iii) any other matters which the *managing agent* considers it appropriate to include in its report; and
  - (b) be approved by the syndicate's *managing agent* and signed by a director or partner of the *managing agent* on its behalf.
- (3) The particulars contained in a managing agent's report shall be consistent with the underwriting year accounts to which it relates and shall not be misleading.

7. Personal accounts and syndicate MAPA accounts

- (1) Every *managing agent* shall, in respect of each *syndicate* managed by it at 31 December of the preceding year for which it is required to prepare underwriting year accounts, prepare personal accounts (and, where applicable, syndicate MAPA accounts) complying with the following provisions of this paragraph.
- (2) Except to the extent that he is a *member* of the *syndicate* by virtue of his participation in a *MAPA*, a personal account shall be prepared for each *member* for whom underwriting

year accounts in respect of a closed year of account or a *run-off account* is required to be prepared at the *reference date*.

- (3) In relation to each *MAPA* through which *members* of the *syndicate* participate in the *syndicate* the *managing agent* shall prepare for the *members' agent* concerned a syndicate *MAPA* account giving in relation to those *members* in aggregate in respect of such participations like information as is required to be given in a personal account prepared for a single *member* of a *syndicate* in respect of his participation otherwise than through a *MAPA*.
- (4) The provisions of Schedule 4 to this byelaw (form and content of personal accounts and syndicate *MAPA* accounts) shall have effect.

8. Audit of run-off accounts, personal accounts and syndicate *MAPA* accounts

- (1) Every *managing agent* shall cause to be prepared a *syndicate auditor's* report on -
  - (a) the underwriting year accounts prepared by it under paragraph 4 of this byelaw; and
  - (b) the personal accounts and syndicate *MAPA* accounts prepared by it under paragraph 7 of this byelaw.
- (2) The *syndicate auditor's* report shall be made to the *members* of the *syndicate* for whom the accounts are prepared and shall state whether in the *syndicate auditor's* opinion –
  - (a) the underwriting year accounts in respect of the *run-off account*, personal accounts or syndicate *MAPA* accounts (as the case may be) have been properly prepared in accordance with this byelaw; and
  - (b) in the case of any personal or syndicate *MAPA* account, whether the profit or loss or *run-off account result* for any year of account to which it relates and each adjustment made thereto in calculating the *net result* of the *member* or *MAPA* in respect of whom it has been prepared has been calculated in accordance with the terms of the standard managing agent's agreement governing that *member's* membership of, or *MAPA* participation in, the *syndicate* to which the personal account or syndicate *MAPA* account relates.
- (3) In this paragraph and in Schedule 4 to this byelaw, “net result” means, in relation to a personal account and a member's participation in the *syndicate* otherwise than through a *MAPA*, the aggregate of the profit or loss of a *member* of a *syndicate* for the closed year or years of account to which the personal account relates and of a member's *run-off account result* for any *run-off account* to which the personal account relates,

adjusted in each case for the charges and expenses referred to in paragraph 2(a)(ii) to (vii) and (ix) and (b) of Schedule 4.

9. Duties of auditors

(1) The *syndicate auditor* shall in preparing any report under paragraph 8 of this byelaw or under Regulation 4(4) of the *Lloyd's Syndicate Accounts Regulations*, carry out such investigations as will enable him to form an opinion as to the following matters -

- (a) whether the *managing agent* has kept proper accounting records in respect of the *syndicate*; and
- (b) whether the underwriting year accounts, personal accounts or syndicate MAPA accounts to which his report relates are in agreement with the accounting records,

and if the *syndicate auditor* is of the opinion that the *managing agent* has not kept proper accounting records in respect of the *syndicate* or if the underwriting year accounts, personal accounts or syndicate MAPA accounts to which the *syndicate auditor's* report relates are not in agreement with the accounting records, the *syndicate auditor* shall state that fact in his report.

10. Preparation of accounts and reports

The underwriting year accounts and managing agent's report required by this byelaw shall be prepared within 3 months after the end of the *syndicate's financial year*.

11. Distribution of accounts and reports

(1) Every *managing agent* shall, free of charge, send a copy of the underwriting year accounts prepared under paragraph 4 and a copy of the managing agent's report that relates to those accounts prepared under paragraph 6 to each *member* to whom they relate, or to his *members' agent*, within 3 months after the end of the *syndicate's financial year*.

(2) Every *managing agent* shall not later than the prescribed date in each year send to the *Society* –

- (a) a copy of the underwriting year accounts which it is required by paragraph 4 to prepare in that year; and

- (b) in the prescribed format, a copy of every personal account and syndicate MAPA account prepared by it under paragraph 7 and the *syndicate auditor's* report that relates to those accounts.
  
- (3) The *Society* shall, within one month (or such other period as the *Council* may specify) after the date prescribed for the purposes of sub-paragraph (2), send to every *members' agent*, for each *member* for whom it acts as such in relation to any *syndicate*, and to every corporate member which has no members' agent, a combined personal account in respect of all such *syndicates*, showing –
  - (a) separately in respect of each *syndicate* the particulars specified in Schedule 4 to this byelaw; and
  - (b) in respect of all such *syndicates* in aggregate the particulars specified in paragraph 2 of Schedule 4 to this byelaw.
  
- (4) The *Society* shall, within one month (or such other period as the *Council* may specify) after the date prescribed for the purposes of sub-paragraph (2), send to each *members' agent* operating a *MAPA* the syndicate MAPA account prepared for the *members' agent* under paragraph 7(4).
  
- (5) Every *members' agent* which receives copies of any document under sub-paragraph (3) shall, not later than the *prescribed date*, send one copy to the *member* for whom it has been prepared.
  
- (6) In this paragraph –
  - (a) “the prescribed date” means such date in each year as the *Council* may from time to time prescribe for the purpose of the provision in which the reference occurs;
  - (b) “the prescribed format” means such format as the *Council* may from time to time prescribe for the purpose of the provision in which the reference occurs; and
  - (c) references to underwriting year accounts include the syndicate auditor's report which relates to those underwriting year accounts.

## Part D - Availability Of Documents

12. Central file
  - (1) The *Council* shall continue to maintain the *central file* of *syndicate* annual reports originally constituted pursuant to the 1983 Annual Reports of Syndicates Byelaw (No. 2 of 1984).
  - (2) The *central file* shall contain a separate section in respect of each syndicate.
  - (3) One copy of the underwriting year accounts received by the *Society* under paragraph 11(2)(a) of this byelaw shall be placed on the *central file*, and every copy of a syndicate annual report placed on the *central file* under the 1983 Annual Reports of Syndicates Byelaw (No.2 of 1984), the Syndicate Accounting Byelaw (No. 7 of 1984), the Syndicate Accounting Byelaw (No. 11 of 1987) or the Syndicate Accounting Byelaw (No. 18 of 1994) shall continue to be kept on the *central file*.
  - (4) The *central file* should be kept at the premises of the *Society* in the City of London.
  - (5) The *central file* shall be open to inspection at such times as the *Council* may from time to time prescribe.
  - (6) Any person may require a copy of any particulars inscribed in the *central file* or of any document placed on the *central file*, or any part of it, on payment of such sum (not exceeding its administrative cost) as the *Council* may from time to time prescribe.

## Part E — Further Reporting

13. Provision of information to corporate members
  - (1) Subject to sub-paragraph (11), every *managing agent* shall in each year, in respect of each *syndicate* managed by it at 31 December of the preceding year in which a *corporate member* participates other than as the sole *member* of that *syndicate*, prepare a syndicate report containing such accounting information as the *Council* may from time to time specify (the “Schedule 9A data”).
  - (2) The syndicate report shall be made up to the *reference date*.
  - (3) Every *managing agent* shall procure that every syndicate report prepared by it under sub-paragraph (1) be audited and reported upon by the *syndicate auditor* of the *syndicate* to which it relates.
  - (4) The *syndicate auditor* shall make a report on every syndicate report audited by him to the *corporate members* of the *syndicate* in respect of which the syndicate report is prepared.
  - (5) The report prepared under sub-paragraph (4) shall state whether in the opinion of the *syndicate auditor* the syndicate report has been properly prepared in accordance with such requirements as the *Council* may specify from time to time.
  - (6) Every *managing agent* shall send to the *Society* a copy of every syndicate report prepared by it under sub-paragraph (1) together with the *syndicate auditor’s* report which relates to that syndicate report by such date and in such form and manner as the *Council* may from time to time specify.
  - (7) Subject to sub-paragraph (8), the *Society* shall, by such date as the *Council* may specify, send to every *corporate member* concerned a statement showing, in respect of every *syndicate* in which that *member* participates and in respect of which a syndicate report has been received by the *Society*, that *member’s* share of the Schedule 9A data contained in that report.
  - (8) The *Society* shall not be obliged to send to a *corporate member* a statement under sub-paragraph (7) unless the *Society* has received from the *corporate member* by such date as the *Council* may from time to time specify -
    - (a) a request in writing from that *member* for such a statement; and

- (b) payment of such sum in respect of or on account of such fees as the *Council* may from time to time specify.
- (9) Every *corporate member* that makes a request for a statement under sub-paragraph (8) shall pay to the *Society* such fees as the *Council* may from time to time specify in connection with the preparation and provision of such statement.
- (10) The *Council* may grant to a *managing agent* such dispensation from the requirements of this paragraph as it considers appropriate.
- (11) The provisions of this paragraph shall not apply in relation to a *syndicate* consisting only of a single *corporate member*.



## Part F - Miscellaneous And Supplementary

### 14. Powers to prescribe

The *Council* shall have the power to prescribe -

- (a) the dates referred to in paragraphs 11 and 13;
- (b) the format referred to in paragraph 11(2);
- (c) the times and sums referred to in paragraph 12;
- (d) the information, form and manner of transmission referred to in paragraph 13;
- (e) the fees (including the amount of any payment on account of such fees) referred to in paragraph 13(9).

### 15. Time limits

The *Council* may upon application extend as it thinks fit any time limit in this byelaw.

### 16. Revocation and amendments

- (1) The Syndicate Accounting Byelaw (No.18 of 1994) is revoked.
- (2) Any provision in any other byelaw which defines any word or expression by reference to the Syndicate Accounting Byelaw (No.18 of 1994) shall be construed instead by reference to the definition in the Definitions Byelaw (No. 7 of 2005).

### 17. Commencement and application

This byelaw shall come into force on 7 December 2005 and shall apply with respect to accounts required to be made up to a *reference date* after 31 December 2004.

## Schedule 1

(Paragraph 2)

### Additional Provisions about Accounting Records

1. Without limiting the generality of paragraph 2(2) and (3) of this byelaw, the accounting records shall contain -
  - (a) entries from day to day of all sums of money received and expended by the *managing agent* for the account of the *members* of the *syndicate* and the matters in respect of which the receipt or expenditure took place;
  - (b) entries from day to day, identified by year of account and by class of business, of transactions processed which affect the profit and loss account;
  - (c) a record of the assets and liabilities of the *members* of the *syndicate*; and
  - (d) calculations and other relevant information relating to each *reinsurance to close* and each amount retained to meet known and unknown liabilities.
  
2. All accounting records which a *managing agent* is required by this byelaw to keep shall be preserved by it for not less than the appropriate period; and for this purpose “the appropriate period” means, in relation to any such accounting records, the period for which a prudent *underwriting agent* in the position of the *managing agent* would consider it necessary to preserve those accounting records in order properly to fulfil its obligations to *members* for whom it acts as *underwriting agent* at Lloyd’s and in any case, not less than six years from the date on which they are made.

## Schedule 2

(Paragraph 3)

### Underwriting Year Accounts - Fundamental Principles and Statement of Accounting Policies

1. Items which affect more than one year of account shall be accounted for so as to ensure a treatment which is equitable as between the *members* of the *syndicate* affected; and in particular the amount charged by way of premium in respect of *reinsurance to close* shall, where the reinsuring *members* and the reinsured *members* are *members* of the same *syndicate* for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured.
2. Accounting policies shall be applied so as to ensure uniform treatment of like items in respect of each year of account and shall be applied consistently throughout each year of account and from one year of account to the next.
3. The amount of any item included in underwriting year accounts shall be determined on a prudent basis.
4. All income and charges relating to a closed year of account or *run-off account* shall be taken into account in the underwriting year accounts prepared in respect of that year of account, without regard to the date of receipt or payment.
5. Premiums and claims in respect of insurance contracts underwritten by *members* of the *syndicate* shall be allocated to the year of account corresponding to the calendar year in which the contract incepts, except as follows -
  - (a) premiums and claims in respect of insurance contracts underwritten under a *binding authority*, line slip or consortium arrangement shall be allocated to the year of account corresponding to the calendar year of inception of the *binding authority*, line slip or consortium arrangement;
  - (b) premiums and claims in respect of insurance contracts of which the inception date is unknown at the date when the contract is concluded shall be allocated to such year of account as the lead underwriter shall specify;
  - (c) premiums and claims in respect of insurance contracts underwritten by *provisional insurers* for which there are subsequently no other *definitive insurers* shall be allocated in such a way as to be equitable as between the *members* of the *syndicate* concerned;
  - (d) premiums and claims in respect of *reinsurance to close* contracts shall be allocated to the year of account into which the *reinsurance to close* is effected.

6. *Syndicate* operating expenses shall be allocated to the year of account for which they are incurred.
7. Without prejudice to the generality of paragraphs 3(10) and 4(10) of the byelaw, underwriting year accounts shall include a statement of the following policies (or such of them as may be applicable to the *syndicate* concerned) -
  - (a) the basis on which premiums and claims (including any related reinsurance premiums and recoveries) are allocated to a particular year of account;
  - (b) the basis on which underwriting transactions are included in the particular underwriting year accounts;
  - (c) the year of account into which the *reinsurance to close* of each year of account is effected;
  - (d) the basis on which investment income and investment appreciation or depreciation are computed and are apportioned over different years of account, and the reasons for any changes in that basis;
  - (e) the basis on which syndicate expenses are apportioned over different years of account, and the reasons for any changes in that basis; and
  - (f) the basis of translation of foreign currency items.

## Schedule 3

(Paragraphs 3 and 4)

### Additional Provisions About Form And Content Of Underwriting Year Accounts

#### General Rules And Formats

##### Section A — General Rules

1. Subject to the following provisions of this Schedule -
  - (a) every balance sheet included in the underwriting year accounts shall show the items listed in the balance sheet format set out in paragraph 7 of this Schedule, and
  - (b) every profit and loss account included in the underwriting year accounts shall show the items listed in the profit and loss format set out in paragraph 12 of this Schedule,

in either case in the order and under the headings and sub-headings given in the format.
2. Any item required in accordance with paragraph 1 to be shown in a profit or loss account or balance sheet may be shown in greater detail than so required.
3. A profit and loss account or balance sheet may include an item representing or covering the amount of any asset or liability, income or expenditure not specifically covered by any of the items listed in the profit and loss account or balance sheet format.
4. Items to which letters are assigned in the balance sheet format and profit and loss account format may be combined in the underwriting year accounts but the individual amounts of any items so combined shall be disclosed in a note to the accounts and any notes required by this Schedule to the items so combined shall be given notwithstanding the combination.
5. A heading or sub-heading corresponding to an item listed in the format shall not be included if there is no amount to be shown for that item for the *financial year* to which the balance sheet or profit and loss account relates.
6. Subject to the provisions of this Schedule, amounts in respect of items representing income or assets may not be set off against amounts in respect of items representing expenditure or liabilities (as the case may be), or vice versa.

## Section B — Required Formats

### 7. Balance sheet format

#### ASSETS

1. Investments
  - (a) shares and other variable-yield securities and units in unit trusts
  - (b) debt securities and other fixed-income securities
  - (c) participation in investment pools
  - (d) loans secured by mortgage
  - (e) other loans
  - (f) deposits with credit institutions
  - (g) other
2. Debtors
  - (a) debtors arising out of direct insurance operations
    - (aa) policyholders
    - (bb) intermediaries
  - (b) debtors arising out of reinsurance operations
  - (c) other debtors
3. *Reinsurance recoveries* anticipated on gross reinsurance to close premiums payable to close the account
4. Other assets
  - (a) tangible assets
  - (b) cash at bank and in hand
  - (c) other
5. Prepayments and accrued income

## LIABILITIES

1. Amounts due to (from) *members*
2. Reinsurance to close premiums payable to close the account – gross amount
3. Creditors
  - (a) creditors arising out of direct operations
  - (b) creditors arising out of reinsurance operations
  - (c) amounts owed to credit institutions
  - (d) other creditors
4. Accruals and deferred income
  
8. All the items listed in the format shall be expressed in sterling.
9. (1) Details of any amount borrowed for the account of the *members* of the *syndicate* for that year of account shall be given if the borrowing is material in amount and for a material period, including particulars of any such amounts borrowed from the *members* of any other *syndicate*.
  - (2) For the purpose of sub-paragraph (1) -
    - (a) an amount shall be deemed to be material if it exceeds 5 per cent. of the *syndicate allocated capacity* of the year of account to which the underwriting year accounts relate; and
    - (b) a period shall be deemed to be material if it exceeds 14 days.
10. If any of the assets included in the balance sheet is subject to any mortgage or charge, that fact shall be stated in the accounts.
11. Where the *managing agent* has made a *cash call* on the *members* of the *syndicate* in relation to the year of account concerned the amounts remaining unpaid of a *cash call* made in relation to that year of account shall be included in Liabilities item 1 (amounts due from *members*) and shown separately in a note for that item.

## 12. Profit and loss account format

(1) In the profit and loss account format set out below -

- (a) the heading “Technical account—General business” shall apply to *general business*; and
- (b) the heading “Technical account—Long term business” shall apply to *long term business*

(2) Profit and loss account format

### *I* Technical account — General business

- 1. Earned premiums, net of reinsurance
  - (a) *gross premiums* written
  - (b) *outward reinsurance premiums*
  - (c) change in the gross provision for unearned premiums
  - (d) change in the provision for unearned premiums, reinsurers’ share
- 2. Reinsurance to close premiums received, net of reinsurance
- 3. Allocated investment return transferred from the non-technical account
- 4. Claims incurred, net of reinsurance
  - (a) claims paid
    - (aa) gross amount
    - (bb) reinsurers’ share
  - (b) reinsurance to close premium payable, net of reinsurance
- 5. Net operating expenses
  - (a) acquisition costs
  - (b) change in deferred acquisition costs
  - (c) administrative expenses
  - (d) reinsurance commissions and profit participation



6. Balance on the technical account for general business

## *II Technical account — Long term business*

1. Earned premiums, net of reinsurance
  - (a) *gross premiums* written
  - (b) *outward reinsurance premiums*
  - (c) change in the provision for unearned premiums, net of reinsurance
2. Reinsurance to close premiums received, net of reinsurance
3. Investment income
  - (a) income from investments
  - (b) gains on realisation of investments
4. Unrealised gains on investments
5. Claims incurred, net of reinsurance
  - (a) claims paid
    - (aa) gross amount
    - (bb) reinsurers' share
  - (b) reinsurance to close premium payable, net of reinsurance
6. Net operating expenses
  - (a) acquisition costs
  - (b) change in deferred acquisition costs
  - (c) administrative expenses
  - (d) reinsurance commissions and profit participation
7. Investment expenses and charges
  - (a) investment management expenses, including interest
  - (b) value adjustments on investments
  - (c) losses on realisation of investments

8. Unrealised losses on investments
9. Allocated investment return transferred to the non-technical account
10. Balance on the technical account – long term business

*III Non-technical account*

1. Balance on the general business technical account
  2. Balance on the long term business technical account
  3. Investment income
    - (a) income from investments
    - (b) gains on realisation of investments
  4. Unrealised gains on investments
  5. Allocated investment return transferred from the long term business technical account
  6. Investment expenses and charges
    - (a) investment management expenses, including interest
    - (b) value adjustments on investments
    - (c) losses on realisation of investments
  7. Unrealised losses on investments
  8. Allocated investment return transferred to the general business technical account
  9. Other income
  10. Other charges
  11. Profit or loss for the closed year of account
13. All the items listed in the format shall be expressed in sterling and shall show the cumulative figures as at the *reference date* in respect of the year of account to which the underwriting year accounts relate.

## NOTES TO THE ACCOUNTS

### *Information supplementing the profit and loss account*

#### 14. Particulars of business

- (1) As regards *general business*, a note to the profit and loss account shall disclose -
  - (a) *gross premiums* written,
  - (b) *gross premiums* earned,
  - (c) *gross claims* incurred,
  - (d) gross operating expenses, and
  - (e) the reinsurance balance.
- (2) The amounts required to be disclosed by sub-paragraph (1) shall be analysed between direct insurance and reinsurance acceptances, if reinsurance acceptances amount to 10 per cent or more of *gross premiums* written.
- (3) Subject to sub-paragraph (4), the amounts required to be disclosed by sub-paragraphs (1) and (2) with respect to direct insurance shall be further analysed into the following groups of classes -
  - (a) accident and health,
  - (b) motor (third party liability),
  - (c) motor (other classes),
  - (d) marine, aviation and transport,
  - (e) fire and other damage to property,
  - (f) third-party liability,
  - (g) credit and suretyship,
  - (h) legal expenses,
  - (i) assistance, and
  - (j) miscellaneous,

where the amount of *gross premiums* written in direct insurance for the group in question exceeds 10 million Euros.
- (4) The note shall in any event disclose the amounts relating to the three largest groups of classes in the *syndicate's* business.

15. Long term business

- (1) As regards *long term business*, a note to the profit and loss account shall disclose -
  - (a) *gross premiums* written; and
  - (b) the reinsurance balance.
- (2) Subject to sub-paragraph (3) -
  - (a) *gross premiums* written shall be analysed between direct insurance and reinsurance acceptances; and
  - (b) *gross premiums* written by way of direct insurance shall be analysed -
    - (i) between individual premiums and premiums under group contracts; and
    - (ii) between periodic premiums and single premiums.
- (3) Disclosure of any amount referred to in sub-paragraph (2)(a) or (2)(b)(i) or (ii) shall not be required if it does not exceed 10 per cent. of the *gross premiums* written or (as the case may be) of the *gross premiums* written by way of direct insurance.

16. Geographical origin of business

- (1) There shall be disclosed as regards both *general* and *long term business* the total gross direct insurance premiums resulting from contracts concluded by the *syndicate* -
  - (a) in the United Kingdom;
  - (b) in any other Member State of the European Union; and
  - (c) in other countries.
- (2) Disclosure of any amount referred to in sub-paragraph (1) shall not be required if it does not exceed 5 per cent of total *gross premiums*.

17. Analysis of result

- (1) An analysis shall be provided of the amount shown -
  - (a) as regards *general business*, in respect of item [I.6] (balance on technical account), excluding net operating expenses and allocated investment return transferred from the non-technical account; and

(b) as regards *long term business*, in respect of item [II.10] (balance on technical account), excluding –

- (i) investment income;
- (ii) unrealised gains on investments;
- (iii) net operating expenses;
- (iv) investment expenses and charges;
- (v) unrealised losses on investments; and
- (vi) allocated investment return transferred to the non-technical account,

so as to show separately –

- (A) the amount attributable to business allocated to the year of account to which the underwriting year accounts relate (other than business referred to in (B)); and
- (B) the amount attributable to business which is included in the result for that year of account by virtue of *reinsurance to close* an earlier year of account.

## Schedule 4

(Paragraph 7)

### Personal Accounts and Syndicate Mapa Accounts

1. (1) Every personal account prepared for a *member* shall state the amount of such part of his *member's syndicate premium limit* as is not allocated through a *MAPA* for each closed year of account or *run-off account* included in the annual report made up to the same *reference date* and the proportion which that amount bears to the *syndicate allocated capacity*, expressed as a percentage.
- (2) Every syndicate *MAPA* account prepared for a *members' agent* in respect of a *MAPA* shall state the aggregate amount of the *members' member's syndicate premium limits* allocated through the *MAPA* for each closed year of account or *run-off account* included in the annual report made up to the same *reference date* and the proportion which that amount bears to the *syndicate allocated capacity*, expressed as a percentage.
2. Every personal account shall as a minimum contain the following information in relation to the *member's* participation in the *syndicate* otherwise than through a *MAPA* -
  - (a) in respect of each closed year of account to which the personal account relates:
    - (i) the *member's* profit or loss;
    - (ii) the amount charged to the *member* by way of *underwriting agent's* salary or fee;
    - (iii) the amount of profit commission charged to the *member*, and how that profit commission has been calculated;
    - (iv) the amount of the Lloyd's subscription paid on behalf of the *member*;
    - (v) the amount of any contributions to the *New Central Fund* made on behalf of the *member*, analysed between contributions made under paragraphs 4(1) and 4(2) respectively of the New Central Fund Byelaw (No. 23 of 1996);
    - (vi) any other expenses charged to the *member*;
    - (vii) the *member's* result before overseas taxation;
    - (viii) the amount of overseas taxation charged to the *member*; and
    - (ix) the *member's* result after overseas taxation;
  - (b) in respect of each *run-off account* to which the personal account relates -
    - (i) in the case of the personal account made up to the date at which that *run-off account* would normally have been closed, the *member's run-off account*

*result* and any amounts charged to or paid on behalf of the *member* in respect of the items specified in sub-paragraph (a)(ii) to (vi) and (viii);

- (ii) in any other case, the *member's run-off account result* and any amounts charged to or paid on behalf of the *member* in respect of the items specified in sub-paragraph (a)(ii) to (vi) and (viii) during the year; and

(c) the *member's net result*.

3. Every syndicate MAPA account shall as a minimum contain like information in relation to the aggregate of the *members' member's syndicate premium limits* allocated through the *MAPA* as is required by paragraph 2 in respect of a single *member's* participation otherwise than through a *MAPA*.
4. The information required by paragraphs 2 and 3 above may be presented in whatever format the *managing agent* may consider appropriate including electronic means.