

FROM: Head, Market Reporting
LOCATION: MR/86/GY5
EXTENSION: 5129
DATE: 27 March 2003
REFERENCE: G:ms\premium income\Y3017
SUBJECT: PREMIUM INCOME DATA COLLECTION
ATTACHMENTS: Yes
ACTION POINTS: **Managing agents to comment on proposed new reporting arrangements**
Managing agents to prepare for proposed reporting
DEADLINE: **Comments on new reporting arrangements by 12 April 2003**
New reporting arrangements to come into effect from 1 June 2003: first return due 9 July 2003

A review of the premium income details currently collected from Managing Agents has been undertaken, and a view taken on the continued need for each return. The areas of duplicate and unnecessary data requirements have been identified and a number of returns will be discontinued or replaced.

Appendix A shows the current returns completed by Managing Agents in respect of the collection of premium income data. It also details how this information will be collected in the future.

Appendix B details the information required under the new monthly reporting arrangements.

The new reporting requirements proposed will be effective from 1 June 2003. The deadline for submission of the monthly return is seven working days from the end of each month. i.e. the first return will be due for submission by 9 July 2003. The data collection will be via the Market Returns website. The format of the return is as an excel spreadsheet. The data will be collected by Market Reporting, analysed and queried where necessary, before internal distribution to the Franchise Executive.

The requirements of the return are to report written premiums in the month, and cumulative premiums to date as follows:

1. By class of business: This will enable the franchise director to monitor the written premium by syndicate against the business plan, and also provide the information to monitor the premium income by class for Lloyd's in aggregate.
2. Gross of brokerage: The CSG proposals firmly stated Lloyd's intention to progress towards annual accounting under GAAP by 1 January 2005. Further, the LMA has confirmed that managing agents should prepare for the move to accounting gross of brokerage and commissions by 1 January 2004. Indeed, managing agents are already required to report gross written premiums for the regulatory annual and interim annual accounting returns. The analysis by class of business is a necessary extension of this. This data will enable the franchise executive to analyse the level of acquisition costs borne by the Lloyd's market and the relative costs borne by each franchisee by class of business. This analysis will form part of the data feedback to agents to assist them in their understanding of their relative performance against the benchmark.
3. Net of brokerage: Lloyd's will use this information for premium income monitoring purposes. Consequently, form PIM5 will be discontinued.

Managing agents should report using the month end exchange rates. PIM exchange rates will not apply.

Managing Agents are invited to comment on the proposed reporting requirements by 12 April 2003. In particular;

- i. The format of the return.
- ii. The deadline for submission of each month's return. Agents' assessment of the ability of their systems and resources to meet the reporting requirements both from 1 June and in the medium term.
- iii. Whether the reporting of total brokerage and commission can be extended to analyse other acquisition expenses, profit sharing arrangements or other forms of agreement with brokers.
- iv. Whether the return is easier to complete at risk code level, with Lloyd's aggregating up to class of business level centrally.
- v. Whether reporting written premiums in the main settlement currencies is as simple to complete as reporting in converted sterling, where the exchange rate applicable will change quarterly (or monthly).

Any comments concerning the content of this bulletin should be addressed to either Mike Steer (extension 5709, email: mike.steer@lloyds.com) or John Parry (extension 5129, email: john.parry@lloyds.com). This bulletin is being sent to the compliance officer of all managing agents, members' agents and to recognised accountants.

John Parry

APPENDIX A

Report Name	Description	Current Use	Usage post 1 June 2003
PIM 3	cumulative syndicate premium income credited for motor business only	Data collected is used for RBC calculations.	This data will be collected from the syndicate return, PIM 3 will no longer be required.
PIM 5	forecast gross signed premium income	Signed premium income is unique to Lloyd's and therefore has limited value externally.	Collection of PIM5 data will cease.
PIM 6	QQS Reinsurance premiums	This data enables Risk Management to monitor and control the use of QQS.	The form will continue to be used in its current format.
PIM 7	forecast written premium income	This is used to monitor actual written premium income against forecast for possible overwriting.	The forecast information should be included in the syndicate business plans and the current form discontinued.
PIM 8	actual written premium income	Premium income is compared with the formulae provided in PIM 7 to monitor for overwriting purposes.	To be replaced by the new return detailed in the bulletin and Appendix B.
SQR	written, gross signed to date and signed net of QQS to date, and forecast signed at 36 months	This is used by various departments at Lloyd's e.g. Market Analysis, Market Reporting and by capital providers.	The written premium figures will be entered centrally by Lloyd's from the new PI return. Signed premiums by class not required. Forecast written entered from business plans and adjusted only as and when business plan amended
Annual Accounting	for syndicate as a whole, gross of brokerage and net written and signed	This return is used for Lloyd's to produce its annual accounting result in line with other insurance companies.	Continue to be collected in its current format.
Syndicate Return	ultimate gross and net premiums for syndicate yoa and signed gross and net premiums	This meets the specific regulatory requirements as set by the FSA.	Continue to be collected in its current format.
FSA Return	annual signed premium gross of brokerage by FSA accounting class	This meets the specific regulatory requirements as set by the FSA.	Continue to be collected in its current format.

