

**FROM:** Head, Market Reporting  
**LOCATION:** MR/86/G5  
**EXTENSION:** 5129  
**DATE:** 28 April 2003  
**REFERENCE:** Y3044  
**SUBJECT:** 2002 FSA RETURN – RECOVERY OF  
DEVELOPMENT COSTS FOR NEW FSA DATA  
CAPTURE AND REPORTING SERVICE

**SUBJECT AREA(S):**  
**ATTACHMENTS:**  
**ACTION POINTS:** None  
**DEADLINE:** **Thursday 22 May 2003 (recovery of XIS charges  
incurred by Lloyd's through ARCS system)**

The Xchanging Ins-sure Services (XIS) market communication entitled 'The Xchanging Ins-sure Services FSA Reporting Service', reference 2002/091, dated 18 November 2002, set out the various arrangements associated with the provision of data and reports to Market Reporting and managing agents to enable them to complete the 2002 FSA returns to Lloyd's, now due for submission on 8 May 2003. Your attention is drawn to the section entitled 'Reporting Services Costs' on page 4 of the communication, which advised that the various costs associated with the development and provision of this service would be met by Lloyd's, and then subsequently passed on to the market. The provision of this service was agreed by the Lloyd's Market Association (LMA).

The total charges to Lloyd's for setting up the new reporting arrangements to enable the market to meet the reporting requirements of the FSA return, including the provision of reports to the market as at 31 December 2002, are £532,183. This is analysed as follows:

Development of systems and processes	359,652
Collection of additional data	82,389
Provision of reporting service	79,506
XIS 'cost of money' charges	10,636
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	532,183
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This amount has now been invoiced by XIS to Lloyd's and needs to be recovered from the market.

The following formula has been agreed for the recovery of these charges, in consultation with the LMA Finance Committee:

- i) 50% of the charges (ie £266,092) will be recovered from syndicates underwriting for the 2002 year of account. The amounts will be charged to the 2002 year of account of each syndicate pro rata to capacity, and will represent approximately 0.00200987% of total capacity of £13,239m.
- ii) 50% of the charges (ie £266,091) will be recovered by a flat rate charge for each syndicate for which data was provided by XIS. 'Syndicate' for this purpose means LPSO syndicate and includes various syndicates which are treated as sub-syndicates or incidental syndicates for the purpose of 'normal' syndicate reporting. These include syndicates now fully closed by RITC as information is reported by XIS on an originating pure syndicate year basis. There are 414 such syndicates in respect of which XIS provided data at 31 December 2002. This equates to a charge of £643 for each syndicate. This amount will be charged to the earliest year of account of the syndicate concerned and thus will ultimately fall on the currently open year of account accepting the RITC of the previously closed years.

The amounts will be collected from the market using the ARCS system, on 22 May 2003. However, managing agents will be advised of the amounts to be charged in advance, by early May. Please note that these charges (except for the XIS 'cost of money' element which is exempt) attract VAT at the rate of 17.5%.

Any queries regarding this bulletin should be addressed to Kirsty Macarthur on extension 6420 or Paul Appleton on extension 6433.

This bulletin is being sent to the compliance officers of all managing agents and to the LMA for information.

John Parry