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FROM: Head, Market Reporting
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REFERENCE: G:nw\marketbulletin\qmr\Y3063
SUBJECT: FRANCHISE QUARTERLY MONITORING
SUBJECT AREA(S):
ATTACHMENTS: Yes
ACTION POINTS: **Managing agents to note proposed arrangements in respect of franchise quarterly reporting**
DEADLINE: **Comments required by 13th June 2003**
Line of business data for Q2 2003 by 21st August 2003

The purpose of this Bulletin is to advise managing agents of detailed proposals relating to the rationalisation and enhancement of reporting requirements as outlined in the Franchise Proposals document issued last August.

Background

A key objective within the franchise proposals document was monitoring individual syndicate performance against annual franchisee business plans (AFBP) on a quarterly basis. The information sought in the business plans has been designed around the planned classes of business used by syndicates and it is at this level that quarterly monitoring will take place.

Current reporting suffers from inconsistencies through the use of data fields which do not coincide from one return to another, varying rates of exchange - such that some returns request data in core currencies whilst others use fixed rates of exchange. In addition, returns are completed in a variety of incompatible software formats; Word, Excel and Access.

As a result, the aim of this exercise is to ensure that data is captured consistently, in terms of currency and software, using the minimum number of returns and where possible avoiding duplication.

Proposal

Franchise quarterly reporting will comprise two key elements;

- Rationalised quarterly returns, namely the new Quarterly Monitoring Return (QMR), incorporating much of the existing SQR and the RD returns, which themselves will cease

- Line of Business Underwriting Performance Data

QMR

Where previously the combined SQR/PIM returns comprised at least 20 separate Forms, the QMR will comprise 9 forms which are detailed in Appendix II. In addition to a reduction in the number of separate Forms, the number of data fields to be completed has been reduced. This has been achieved through the deletion of fields deemed no longer necessary, and through the pre-population of fields where data is captured elsewhere.

In addition to the rationalisation of the SQR/PIM Forms, a new syndicate cashflow analysis form and a syndicate reinsurance creditor form will require completion. This latter form will only be required annually and is intended to assist in evaluating market-wide counterparty exposures. We acknowledge that this data is requested within the audited FSA return and work is currently in progress to assess the value of this means of data capture. There will also be the requirement for franchisees to submit confidential year of account forecasts of results earlier and more frequently than has been the case hitherto. Publication of forecasts will follow current procedures i.e. the earliest will be released only at 18 months.

A key change will be that the Syndicate Annual Return (2002 returns submitted 27th February 2003) will be extended to capture ALL the data necessary to satisfy the new QMR, so franchisees will not face the double deadline for Q4. In particular, the revised return will capture data at core currency level.

Consultation with users of SQR/PIM data has taken place in recent weeks and broad-based support has been forthcoming for changes aimed at simplifying, rationalising and improving the consistency of Lloyd's returns. Lloyd's will use the QMR, PIM and AFBP to reproduce the SQR data-feed to Members' Agents which will remain substantially as before.

Line of Business data

In the Business Plan Meetings conducted last September and October, Lloyd's intention to commence this data collection as at Q2 2003 was discussed with each managing agent. A key aim has been that this exercise would involve the least cost and administration possible on the part of managing agents. We have been in discussion with a number of managing agents and software houses concerning practicalities and it is Lloyd's intention to source this data as direct downloads from underwriting systems. The data needed for line of business benchmarking is the planning lines of business used in the Annual Franchise Business Plans (AFBP) and will be the same as, or a simple aggregation of, planning lines employed in syndicates' underwriting systems.

Market Analysis used data by line of business from the AFBP to create benchmarks by line of business, as presented during last autumn's AFBP meetings with managing agents. Capturing paid and incurred data by line of business will enable us to provide managing agents with these benchmarks updated for actual performance and will help focus management's attention swiftly on any areas of concern.

For the purposes of this data capture, we require data for the 2002 and subsequent years of account of all syndicates; we can also investigate the possibility of supplying benchmarks for earlier years if managing agents so wish. For the avoidance of doubt, data must be supplied

for syndicates which ceased trading during 2002 or which were merged during the year, ie all lines of business written during that underwriting year must be reported. **It is important to note that the sum of paid and outstanding claims MUST reconcile with the data in the Summary Underwriting Account (QMR Form 1, replaces SQR Form 2) for the relevant currencies.**

Data will be captured on the Market Reporting Website and is required as a Microsoft Access table in the format attached in Appendix 1.

Timetable/Delivery

The new reporting requirements will be phased in over the remainder of 2003. The new PIM and the Line of Business data-feed will apply as of the end of June (1st PIM return due 10th July and 1st Line of Business data feed deadline 21st August). It is proposed that SQR's remain as is until Q3, 2003. The final phase of revised reporting will be the QMR and revised Syndicate Annual Return which will come on stream for Q4, 2003. **An important development will be the revisions to the Syndicate Annual Return, which will incorporate all necessary data for Q4 reporting.** As a result, managing agents will have to complete only one return rather than two at the year-end. The deadlines for Q1 to Q3 data will be the same as currently for SQR (8 weeks after quarter end).

Action / Deadline

Managing agents are asked for their comments on this by Friday 13th of June. A further Market Bulletin incorporating agents' suggestions along with the final formats for data submission will be issued by Monday 30th of June.

Queries

Any queries regarding the contents of this bulletin should be directed to John Parry (john.parry@lloyds.com), Doug Morton (douglas.morton@lloyds.com) or Quentin Moore (quentin.moore@lloyds.com)

John Parry
Head, Market Reporting

Syndicate	YoA	LoB Number	Gross/Net	Paid/Incurred	Quarter	Currency	Claims'000
9999	2002	1	G	I	1	1	100
9999	2002	1	G	I	2	1	200
9999	2002	1	G	I	3	1	250
9999	2002	1	G	I	4	1	300
9999	2002	1	G	I	5	1	350
9999	2002	1	G	I	6	1	400
9999	2003	1	G	I	1	1	100
9999	2003	1	G	I	2	1	200
9999	2002	1	G	P	1	1	50
9999	2002	1	G	P	2	1	100
9999	2002	1	G	P	3	1	125
9999	2002	1	G	P	4	1	150
9999	2002	1	G	P	5	1	175
9999	2002	1	G	P	6	1	200
9999	2003	1	G	P	1	1	50
9999	2003	1	G	P	2	1	100
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N.B.

The Line of Business (LoB) Number must correspond to the relevant line of business as disclosed in the AFBP for the relevant syndicate.

Whilst we require this data on a Gross basis, we can produce benchmarks for Net data as well if supplied with relevant data.

We require both Paid and Incurred data.

The Quarter is the development quarter from the inception of the relevant year of account and will number from 1 to 12.

Currency number is : 1 = £, 2 = US\$, 3 = Can\$, 4 = Euro.

Amounts should be reported in 000's.

FRANCHISE PERFORMANCE MANAGEMENT

QUARTERLY MONITORING RETURN REPORTING PACK

SYNDICATE NUMBER

XXXX

MANAGING AGENT

QUARTER ENDING

DD/MM

REPORTING YEAR

YYYY

CAPACITY

YOA	£
2001	XXXXXXXXXXXX
2002	XXXXXXXXXXXX
2003	XXXXXXXXXXXX
2004	XXXXXXXXXXXX

SIGNED OFF BY
POSITION

APPROVAL DATE

DD/MM/YYYY

SUBMISSION DATE

DD/MM/YYYY

QMR CONTENTS

Syndicate	As at QX 200Y	Year
xxxx	DD/MM	YYYY

Section	Topic	Page No.
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ALL FIGURES TO BE FILLED IN CCY000'S

1.0	SUMMARY UNDERWRITING ACCOUNT & FORECASTS
2.0	BALANCE SHEET
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4.0	SYNDICATE OPERATING EXPENSES
5.0	MAJOR LOSSES
6.0	CASHFLOW SUMMARY
7.0	TRUST FUND ANALYSIS
8.0	REINSURANCE RECOVERABLES
9.0	REINSURANCE CREDITORS

Key

	Automatic calculation (NB. Not formatted within QMR)
	Information from AFBP or other direct source

1.0 SUMMARY UNDERWRITING ACCOUNT

Syndicate	As at	Year
xxxx	DD/MM	YOA

select from dropdown

- 26 EACH OPEN YEAR OF ACCOUNT REQUIRED
 26 POINT ESTIMATE FORECASTS REQUIRED AT EACH QUARTER FROM Q1
 26 RANGE OF EXPECTATIONS WILL DEFAULT TO 2.5% IF NOT FILLED IN

	Year to Date Actual	Year to Date Actual	Year to Date Actual	Year to Date Actual	Best Case Expectation	Latest Full Year of Account Forecast	Worst Case Expectation
	GBP'000s	USD'000s	CAN'000s	CNV £'000s	CNV £'000s	CNV £'000s	CNV £'000s
Premiums							
Gross written premiums					A		
Brokerage & Commissions					B		
Gross Premium (net of brokerage & commission)					E-B=C		
Written but not Signed Gross Premium					D		
Written reinsurance ceded to QQS					E		
Written reinsurance ceded other					F		
Written reinsurance premium					E+F=G		
Written but not signed or accrued reinsurance					H		
Net written premiums					C-G		
Signed gross premium					C-D=I		
Signed reinsurance					G-H=J		
Signed net premium					I-J=K		
Paid Claims							
Gross paid claims							
QQS reinsurance recoveries							
Other reinsurance recoveries							
Net paid claims							
Underwriting Balance							
Syndicate operating expenses							
Investment return							
Investment expenses							
Profit / (Loss) on exchange							
Currency Purchase / (Sales)							
Standard personal expenses							
Members agents fees							
Overall Balance							
after personal expenses							
Notified Outstanding Claims							
Gross outstanding claims							
QQS reinsurance recoveries							
Other reinsurance recoveries							
Net outstanding claims							
IBNR Claims on Written Premium (Solvency)							
Gross IBNR							
QQS reinsurance recoveries							
Other reinsurance recoveries							
Net IBNR							
Total Ultimate Claims							
Gross ultimate claims							
QQS reinsurance recoveries							
Other reinsurance recoveries							
Net							
Forecast Solvency Result							
Forecast Pure Year Result							
Forecast Prior Year Result							
Forecast Result							

Comment on Forecast

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2.0 BALANCE SHEET

Syndicate xxxx	As at DD/MM	Year ALL
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	£'000s	US \$'000s	CAN \$'000s	CNV £'000s
Cash & Investments				
Regulated funds				
Non-regulated funds				
Sub-total				
Debtors				
Reinsurance recoveries due but not received				
Exchange accounts balances				
Other debtors				
Sub-total				
Insurance Creditors				
Insurance creditors				
Other creditors				
Sub-total				
Total Net Assets				
Open pure year of account balances				
2001				
2002				
2003				
Balance of RITC B/Fwd / run-off year balances				
TOTAL				

3.0 RESERVING

Syndicate	As at	Year
xxxx	DD/MM	XXXX

3.0 IBNR Utilisation - Old Years Development Analysis

- ⌕ EACH PURE YEAR OF ACCOUNT REQUIRED
- ⌕ REINSURANCE RECOVERABLES SHOULD BE NET OF BAD DEBT PROVISIONS AND WRITE-OFFS

		YOA	dropdown			
		GBP'000s	USD'000s	CAN'000s	CNV £'000s	
RITC B/Fwd						from Syndicate Annual Return
	Gross IBNR					
	Reinsurance Recoverables on IBNR					
	Net IBNR					
	Gross Outstanding Claims					
	Reinsurance Recoverables on Outstandings					
	Net Outstanding Claims					
	Run-Off Expense Provisions					
	Sub Total					
Settled in the Year						
Premiums	Gross					
	Reinsurance					
	Net					
Claims	Gross					
	Reinsurance					
	Net					
	Sub Total					
Outstandings C/Fwd						
	Gross Outstanding					
	Reinsurance Recoverable					
	Net Outstanding Claims					
Gross IBNR Utilised in Year						
Net IBNR Utilised in Year						

Opinion on IBNR Surplus / Deficit

4.0 SYNDICATE OPERATING EXPENSES

Syndicate xxxx	As at DD/MM	Year ALL
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USE QUARTER END RATES OF EXCHANGE

Salaries and related costs
Accommodation costs
Processing costs
Overseas operating expenses
Auditor's remuneration
Legal and professional, including other fees to auditors
Computer costs
Travel and entertainment
Lloyd's Premium Levy
Interest payable
Other expenses

Calendar Year to date Actual CNV£'000s	Calendar Full Year Forecast Per Business Plan CNV£'000s	Calendar Latest Full Year Forecast CNV£'000s

Expenses Sub-Total

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Credits Against Expenses
QQS over-riders
Other

Credits Sub-Total

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Total Expenses

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Explanation of Variances

5.0 MAJOR LOSSES

Syndicate xxxx	As at DD/MM	Year ALL
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- Ⓞ PLEASE PROVIDE GROSS AND NET LOSS INFORMATION FOR THE TOP 10 NAMED LOSSES, PLUS ANY MATERIAL LOSSES TO THE SYNDICATE
- Ⓞ DATA FOR THE ABOVEMENTIONED LOSSES SHOULD BE SUPPLIED FOR ALL 3 ACCOUNTING CURRENCIES AND OVER ALL YEARS OF ACCOUNT AFFECTED

[illegible]

Comments

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6.0 CASHFLOW SUMMARY

Syndicate xxxx	As at DD/MM	Year CALENDAR
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	Actual CNV£'000s	Current period Per plan CNV£'000s	Variance %	Actual CNV£'000s	Year to date Per plan CNV£'000s	Variance %
Opening "Free Funds"						
Operating Cashflows						
Premium income						
(Claims paid)						
Reinsurance recoveries						
(Reinsurance premiums)						
Other Trust fund inflows/(outflows)						
Syndicate & personal expenses						
Other income						
Net Cash Flow						
Intersyndicate loan received/(repaid)						
Bank facility/(repaid)						
Parent support utilisation/(repaid)						
Cash call receipts and Distribution						
Total Cash Flow						
Closing "FreeFunds"						
Change in "Free Funds"						

Explanation of Variances

7.0 TRUST FUND ANALYSIS

Syndicate xxxx	As at DD/MM	Year ALL
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7.0 Trust Fund Analysis

- ☞ Figures should be provided in Sterling £ using the Quarter End conversion rates provided at appendix x
- ☞ Cash amounts should include Money Market Deposits
- ☞ Notes:
 1. Including ASL, Lloyd's Japan Inc, Kentucky Sub A/c
 2. Including Transitional / Joint Asset Trust Funds

Investments

Sterling Premium Trust Fund ¹
 Lloyd's American Trust Fund
 Lloyd's Dollar Trust Fund
 Surplus Lines Trust Fund
 Credit for Reinsurance Trust Fund
 Lloyd's Canadian Trust Fund

Cash CNV£'000s	Securities CNV£'000s	Letters of Credit CNV£'000s	Total CNV£'000s

Joint Asset Trust Fund
 Illinois Trust Fund
 Kentucky Trust Fund ²
 Lloyd's Australian Trust Fund ²
 Lloyd's South Africa Trust Fund ²

TOTAL FUNDS

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8.0 REINSURANCE RECOVERABLES

Syndicate xxxxx	As at DD/MM	UW Year ALL
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- ☞ Please provide details of reinsurance recoverables and bad debt data position at the quarter end
 ☞ For detailed instructions please see appendix x or Market Bulletin Y2474
 ☞ All numbers in CNV£000's

[illegible]

TOTAL - ALL REINSURERS

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8.0 REINSURANCE RECOVERABLES

Syndicate xxxx	As at DD/MM	UW Year ALL
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[illegible]

TOTAL

[illegible]

Syndicate xxxx	As at DD/MM	UW Year ALL
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- 🔗 Please provide details of reinsurance creditors included within Ultimate Gross Claims estimates
- 🔗 All numbers in CNV£000's

LORS Code	Inwards claims payable - Notified Outstanding	Inwards claims payable - IBNR
A	L1	L2