Market Bulletin

LLOYD'S

One Lime Street London EC3M 7HA

FROM:	Head, Market Reporting
LOCATION:	86/G5
EXTENSION:	5129
DATE:	19 June 2003
REFERENCE:	Y3078
SUBJECT:	2003 INTERIM ANNUAL ACCOUNTING RETURN
ATTACHMENTS:	None
ACTION POINTS:	Complete return
DEADLINE:	4 September 2003

Further to the market bulletin dated Y3062 dated 23 May 2003 I attach the instructions and forms for the interim annual accounting return (attached as Appendices 1 and 2) and advise you that the software is available for download from the MSU Market Returns web site.

The interim annual accounting return covers the first six months of the calendar year 2003: no comparative information is required.

Key points to note are:

(i) the return is not subject to audit;
(ii) transactions in the technical account are to be reported using average exchange rates for the period;
(iii) forms AA1 and AA2 include a new column (12a) to make the adjustment from period end (per Sch 9a) to average exchange rates;
(iv) Cells in AA2, line 23, exchange movements, have been opened in the annual accounting adjustment columns;
(v) AA2 includes a new line (26a) for the movement on deferred acquisition costs;
(vi) In AA3(page 2) line 25 has been expanded to pick up amounts due on reinsurance recoverables and other insurance debtors;
(vii) In AA4 there is no longer a requirement for a geographical breakdown of gross premiums written;
(viii) The opening balance sheet, AA8, downloads data from the syndicate's 31 December 2002 return, no further adjustments can be made to those figures;

(ix) AA9 has been amended so that the figures are input by the system, agents simply have to note the reasons for any material movements.

The average rates of exchange for the first six months of 2003 will be included in the quarterly exchange rate bulletin. Agents may use this rate to complete the technical account or the average rate for the actual transactions of the syndicate. The exchange rate bulletin will be issued in the first few days of July.

The return may be completed on an abridged or full basis. For the latter the full version of the return includes all the SSR adjustment columns for consistency of approach with the year-end. However, they do not necessarily have to be completed in full, eg there is no need in the interim return to make the claims adjustment to give a zero Schedule 9A result only to reverse that adjustment a few columns later.

The software for the return is available for download from the Market Return web site and the completed electronic version of the return should be submitted back via that site. There is no need to provide a hard copy of all the forms in the return. However, a signed hardcopy of the managing agent's report, AA11, must be submitted, either direct to the department or by fax (ie original copies are not required).

Excel versions of the forms are available. If you require a set please e-mail Robert Smith (robert.smith@lloyds.com).

Workshops are to be held on Wednesday 2 July and Tuesday 22 July. If any agents do still require a place on either of these workshops please e-mail Robert Smith with the names of those wishing to attend. The workshops will again use the model syndicate return. If you do not wish to attend the workshop but would like copies of the slides and model return then please contact Robert Smith.

Agents are reminded that there will be a central review of the returns in September. This may generate queries: your assistance may be required for the resolution of these queries.

If you have any questions on this bulletin please contact Robert Smith as above. However, if you have any technical questions on the instructions and/or software, please e-mail lloyds-MRD-ReturnQueries@lloyds.com. You will receive a response to your query by, at the latest, close of play the following day. If you do not receive a response in that timescale, please e-mail the original query to john.parry@lloyds.com and the issue will be dealt with urgently.

This bulletin is being sent to all managing agents and recognised accountants.

John Parry

Appendix 1

INTERIM
ANNUAL ACCOUNTING RETURN
30 JUNE 2003

Forms AAFront to AA11

Instructions

Deadline for submission to Lloyd's:
12.00 noon Thursday 4 September 2003

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SUMMARY OF KEY CHANGES TO THE RETURN SINCE 31 DECEMBER 2002

The key differences between the 30 June 2003 return and that for 31 December 2002 are:

1. the return is not subject to audit;
2. transactions in the technical account are to be reported using average exchange rates for the period;
3. forms AA1 and AA2 include a new column (12a) to make the adjustment from period end (per Sch 9a) to average exchange rates;
4. Cells in AA2, line 23, exchange movements, have been opened in the annual accounting adjustment columns;
5. AA2 includes a new line (26a) for the movement on deferred acquisition costs;
6. In AA3(page 2) line 25 has been expanded to pick up amounts due on reinsurance recoverables and other insurance debtors;
7. In AA4 there is no longer a requirement for a geographical breakdown of gross premiums written;
8. The opening balance sheet, AA8, downloads data from the syndicate's 31 December 2002 return, no further adjustments can be made to those figures;
9. AA9 has been amended so that the results and combined ratios are reported by the system, agents simply have to note the reasons for any material movements.

The average rates of exchange for the first six months of 2003 will be included in the quarterly exchange rate bulletin. Agents may use this rate to complete the technical account or the average rate for the actual transactions of the syndicate. The exchange rate bulletin will be issued in the first few days of July.

The return may be completed on an abridged or full basis. For the latter the full version of the return includes all the SSR adjustment columns for consistency of approach with the year-end. However, they do not necessarily have to be completed in full, eg there is no need in the interim return to make the claims adjustment to give a zero Schedule 9A result only to reverse that adjustment a few columns later.

Annual accounting return

1 Overview of return

1.1 A separate return must be submitted in respect of each syndicate. In the case of a mirror syndicate (ie a syndicate which is identical to another in respect of constitution, shares and members' agents participating therein) both syndicates must be included in one return. Where a syndicate has been established purely to accept the Qualifying Quota Share of another managed syndicate then a separate interim annual accounting return is required unless prior agreement has been obtained from Market Reporting.

1.2 Parallel corporate syndicates must complete and submit a separate syndicate return.

1.3 The return must be completed in respect of all open years of account, all run-off years of account and those closing during 2003 but before 30 June 2003 (ie those where 'mid year closure' has occurred), in order to reflect the total insurance business transacted by underwriting members of Lloyd's.

1.4 The annual accounting return (AAR) may be completed on either a full or abridged basis.

1.5 In the full return a separate page is to be completed for each year of account for the technical account and balance sheet. When setting up a return on the electronic system, the user will be asked to provide various information concerning the syndicate; eg. the applicable years of account, status of 2000 and prior years (whether they are closed or in run-off at 30 June 2003) and whether the syndicate is non-life or life, etc. You should also state whether the return is to be completed on a full or abridged basis. The system will then generate the forms to be completed, and establish the validation rules to be adhered to, as appropriate to that syndicate's circumstances.

1.6 The AAR must be prepared on the basis of information available to the managing agent at the time of preparation of the return.

1.7 Dealing with closure of a year of account in the 6 months to 30 June 2003:

1.7.1 A number of run-off years may close in the 6 months to 30 June. An AAR is still required from such syndicates because there will have been a movement in the annual accounting result since 31 December 2002.

1.7.2 The return must be completed using average rates of exchange for the technical account and the closing rates of exchange as at 30 June 2003 for the balance sheet.

<u>Syndicates accepting the RITC from another syndicate which has closed during the first 6 months of 2003:</u>

1.7.3 A syndicate that has accepted the RITC from another syndicate that has closed during the first 6 months of 2003 must reflect the premium receivable for accepting the RITC in the annual accounting return. Depending on the individual circumstances of the transaction, the premium will be accounted for as either RITC received or gross premiums in the recipient syndicate's books. The transactions arising on the reinsured syndicate's liabilities subsequent to the reinsuring syndicate assuming them, up to 30

June 2003, and the value of the assumed liabilities as at that date must also be accounted for in the return. Syndicates in these circumstances should contact Market Reporting for specific help in the completion of the return (lloyds-MRD-ReturnQueries@lloyds.com)

2 Equitas

2.1 This return must be prepared on a basis of recognising the reinsurance to close of all 1992 and prior non-life business into Equitas, effective as at 31 December 1995. In particular, only transactions, assets and liabilities relating to 1993 and post non-life business (and ALL life business) must be reported in the return. Any transactions occurring in 2003 relating to 1992 and prior non-life business must NOT be reported in this return.

3 Electronic reporting

3.1 The return **MUST** be completed electronically, and is to be submitted via the MSU Market Return web-site. The software and manual, which will enable agents to do this, will be provided to the market on 19 June 2003. Managing agents are therefore advised not to reproduce any of the forms relating to the return themselves as the software provided will do this. If required, Excel versions of the forms are available on the Market Return website. There is no requirement for a hard copy of the return to be filed but a hard copy of the managing agent's report, AA11, must be provided. The managing agent's report should either be delivered to Market Reporting or faxed (7327 6178), ie an original is not required.

3.2 A return will only be considered valid if it has both a print date and a version date on the AA11, and that the version date and time agrees with the version date and time which is hard coded in the website submission. The version date is generated when the syndicate return is 'locked' on the system. (Please refer to the software manual, to be provided with the software, for more detailed instructions). If a return is printed from an unlocked pack the system will generate a heading of 'DRAFT'. If a draft return is submitted or if the version date and time is not exactly the same as the version date and time within the electronic file, the return will be invalid and a resubmission will be required.

4 Signing and page numbering of interim annual accounting return

4.1 Managing Agent's Report

The managing agent's report must be signed and dated on behalf of the directors of the managing agent by at least one director and by the compliance officer. The same person must not sign in both capacities. All pages, including additional analysis schedules, must be covered by the managing agent's report and must be included in the page numbers shown on the form.

The managing agent's reports may need to be amended as a result of resubmissions of the return.

5 Submission of the annual accounting return

Deadlines

5.1 **The annual accounting return must be submitted by 12.00 noon on Thursday 4 September 2003.**

5.2 Scope of the returns

5.2.1 The return may be completed on a full or abridged basis.

Full return

5.2.2 The full return comprises:

AAFront
AA1(year)
AA1(sum)
AA2(year)
AA2(sum)
AA3 pages 1-3(year)
AA3 pages 1-3 (sum)
AA4 Segmental reporting
AA5 Reconciliations
AA6 Pro forma technical account
AA7 Pro forma balance sheet
AA8 Opening balance sheet
AA9 Analysis of result after personal expenses
AA10 Basis of preparation
AA11 Managing agent's report

The forms are required to be reported by whole account only (except AA4).

Abridged return

5.2.3 The abridged return comprises the same forms as the full return (ie AAFront to AA11) except that there are no AA3(year) forms. Syndicates completing the abridged return are required to complete column 17 of the AA1(year) and AA2(year) forms. This is to enable a more complete analysis of the market's annual accounting return by year of account. The balance sheet is not required by year of account hence the abridged return requires the completion of just column 5 of AA3(sum). The forms must be reported by whole account only (except AA4).

5.3 Submission

The electronic annual accounting return in respect of each managed syndicate must be submitted by the managing agent via the MSU Market Returns website. The hard copy of the managing agents' report may be either delivered to Market Reporting or faxed (020 7327 5459), an original version is not required.

Late submissions

5.4 A resubmission of the return after the deadline will be considered a late submission.

5.5 Managing agents will be subject to disciplinary proceedings and fines may be imposed if

the return is submitted after the due deadline.

6 Assistance in completing forms

6.1 Any queries about the completion of the AAR should be directed by email to Market Reporting at lloyds-MRD-ReturnQueries@lloyds.com. All queries will be responded to by the end of the following working day. If your query has not been responded to within this timescale, please e-mail the original query to john.parry@lloyds.com and the issue will be dealt with urgently.

7 Exchange rates

7.1 For annual accounting purposes the average rate of exchange is to be used for the technical account and the closing rate for the balance sheet (the opening balance sheet, AA8, remains at 31.12.02 rates).

8 Interpretation

8.1 The meaning given to expressions used in these instructions and in the AAR is as defined in the Solvency and Reporting Byelaw, the Syndicate Accounting Byelaw or the Lloyd's Sourcebook (LLD) unless otherwise stated.

9 Reporting configuration

9.1 All forms are to be completed in £000s.

10 Completion of forms

10.1 All amounts on each form must be completed as indicated on the form. If there is no amount, please insert '0'. Additional guidance is provided in respect of each form in these instructions.

'Other' Items

10.2 Where there is a reference on a form to an amount relating to 'other', analysis of material amounts must be provided in the space provided (ie a description and details of the material amount must be disclosed). The software will not allow an entry in "other" without including the required analysis. Where such analysis is given the system will generate a sequentially numbered continuation sheet.

11 Additional notes

11.1 Bases of Accounting

11.1.1 The purpose of the annual accounting return is to enable Lloyd's to produce a market result that is similar in style and basis of preparation to a UK insurance company. As such all figures should be completed in accordance with these instructions and on the basis of the current ABI SORP under UK GAAP unless the instructions state otherwise. Certain features of syndicate three year funded accounting are not relevant to annual accounting: eg signed premium is not relevant but written and earned premiums are and RITC must be eliminated in the return.

11.1.2 Under Lloyd's funded accounting, results are deferred for future recognition, ie. as at 36 months of development of a year of account. Under annual accounting there is no such deferral, and full recognition is made of the result for the reporting period. Normally, as at 36 months, the cumulative result for a year of account will be the same under both bases.

11.1.3 For the purposes of completing the annual accounting columns, explicit discounting of reserves is prohibited.

11.2 Inwards underwriting transactions

11.2.1 Under annual accounting, inwards underwriting transactions are recognised on an earned basis that is apportioned on an appropriate basis over policy periods. This reflects the exposure during each policy period. The AAR will reflect the amounts of earned business during the accounting period and carry forward the unearned element.

11.2.2 Under Lloyd's fund accounting, underwriting transaction accruals are, with a few exceptions, only recognised as at the normal date of closure. Under annual accounting, accruals are recognised as they arise. Where the syndicate is completing the full return these accruals are recognised within columns 4 to 9.

11.2.3 In order to distinguish between earned and unearned inwards business, managing agents will need to establish an **earnings profile** for each class of syndicate premium income. Different profiles apply to different classes of business and syndicates and it is up to the managing agent to establish patterns that are most relevant to the syndicate's circumstances.

11.2.4 In the first instance managing agents must establish the level of gross written premiums, which should reflect the estimated ultimate premiums receivable in respect of all risks incepting in the calendar year. It should be noted that the estimated premium income for premium income monitoring purposes will include the whole of gross written premium estimated under a facility (binding authority or lineslip) in the underwriting year in which the facility incepts. For annual accounting, an adjustment should be made for any attachments not incepting in the current calendar year (see 11.2.8 below).

11.2.5 In developing an appropriate profile for earned premium, regard should be had to, inter alia, the following criteria;

- inception dates of the underlying policies;
- periods of cover;
- nature of the business written; and
- distorting factors, eg, where the risk exposure is not constant throughout the policy period.

11.2.6 Managing agents must satisfy themselves as to the quality of syndicate records and the effectiveness of the appropriate systems and controls.

11.2.7 In completing the annual accounting return, managing agents will need to develop earnings profiles for each class of business for all relevant years of account in order to determine the amount earned during the six months to 30 June 2003 and the amounts unearned as at 30 June 2003. Profiles which are to be apportioned on a straight line basis over time are usually determined on the 365th method or the 24th method, ie, based on analysing inwards premium on a daily or monthly basis respectively. Any other method of apportionment would need to be agreed with the syndicate's auditors.

Binding authorities

11.2.8 Binding authorities present specific problems which agents will need to consider:

- accurately estimating premiums written under a binding authority, given that the underwriting authority has been delegated to a third party. Premium is not normally recognised as written until the underlying risk incepts, not when the binder incepts; it is common for a significant number of revisions to be applied to the estimated premium figures reported by the brokers;

- estimating the earnings pattern applicable to contracts incepting under a binding authority; the normal assumption is that risks incept evenly under the binder and that estimated premiums are earned over a two-year period. Where a syndicate writes a significant amount of business under binding authorities, this assumption must be considered carefully in view of the particular circumstances of the syndicate's business; and

- the basis of recognition of inception of business written under binding authorities is different for companies under UK GAAP compared to the Syndicate Accounting Byelaw. Normally, UK companies account for policies signed under a binding authority by reference to the inception date of the underlying policy. Syndicates are required to identify all such policies by reference to the inception date of the binding authority.

11.2.9 There are several differing methods currently being used to determine an earnings pattern for binding authority business. These patterns recognise that the inception dates of policies written under the authority are normally spread over the period of that authority. Methods include earning the premiums over a 24 month period, using the 1/144th method, other statistical bases or by reviewing the underlying policy exposures. In the absence of any information that directs the agent to a different treatment, the section on the case study includes an example showing the preferred accounting treatment for inclusion in the AAR.

Longer-term or multi-year contracts

11.2.10 A syndicate will need to undertake detailed work to understand the terms and conditions of these contracts with a view to formulating the appropriate assumptions for estimating the earning period of estimated written premium; e.g. construction and satellite policies.

Treaty reinsurance

11.2.11 Where a reinsurance account is written and claims payable under these policies trigger reinstatement premiums receivable, the preferred accounting treatment is to accrue for the expected reinstatements within gross written premiums. When the reinsurance

programme is written, an estimate should be made for reinstatements receivable. The reinstatements will be earned in the same pattern as the initial gross premium. As claims are paid and gross technical provisions are established in respect of earned premiums, the estimates for reinstatements written and earned will be reviewed and amended as necessary. When reinstatements are received or become payable through a gross claim provision, this does not create any entries in the technical account, provided the initial estimates remain valid. The only entries are in the balance sheet, as cash receipts reduce the amount due from intermediaries. The gross technical provision will, therefore, be for the full amount payable under the reinsurance policy written with no reduction for the reinstatement receivable.

11.2.12 The same treatment applies to all business written, where additional premiums are expected in accordance with the expected claims cost.

11.2.12 Where a reinsurance policy is written on either a LOD or RAD basis and is projected to be exhausted by claims incurred that are within the technical account, the premium should be treated as fully earned. As an example, a treaty is written providing cover for twelve months from 1 April 2003, offering one limit only and a loss is incurred on 1 May. If the full policy limit is reserved for in the technical account the gross premium should be treated as 100% earned.

11.3 Deferred acquisition costs

11.3.1 The apportionment of inwards business between earned and unearned elements usually gives rise to a matching apportionment of related acquisition costs, with the unearned element carried forward in the financial statements as “deferred acquisition costs”.

11.3.2 The same earnings profiles need to be applied to the acquisition costs applicable to that premium income on a matching basis in order to determine “earned” and “deferred” acquisition costs. Such costs should include brokerage, commission and certain other expenses (11.9 below) relating to the acquisition of the business.

11.3.3 Where different classes of business have distinct earnings patterns, the acquisition costs applicable need to be considered for each class of business. It is not appropriate to establish an overall average level of acquisition costs and apply deferment at whole account level only.

11.4 Reinsurance outward premiums

11.4.1 As with syndicate accounting, outward underwriting transactions are recognised on a basis most appropriate to the nature and effect of the arrangements.

11.4.2 Where material, eg qualifying quota share contracts, the effect of profit commission and ceding / overriding commission should be accounted for.

11.4.3 Proportional reinsurance contracts – premiums under these policies should normally be earned in line with the inward gross premiums to which they relate.

11.4.4 Non-proportional reinsurance contracts – premiums under these policies need to be expensed in line with the cover provided. Where a risks attaching contract is purchased the premiums are likely to be expensed in line with the earnings pattern of the inwards premiums of the business so protected.

11.4.5 Most, if not all, Lloyd's proportional treaties (e.g. qualifying quota share) are ceded based on premiums net of commission. If the reinsurance premium ceded under annual accounting is shown as the net premium ceded only, this will usually give an incorrect statement of the true cost of acquiring business. Accordingly, the correct accounting treatment is to show the reinsurance premium ceded inclusive of the related acquisition costs. The acquisition costs within the technical account will be reduced commensurately. The same treatment should apply to the unearned premium reserve and deferred acquisition costs in the balance sheet. An example is attached.

11.4.5 LOD policies are designed to give protection on all valid claims that occur during the policy period rather than to risks attaching during that period. The LOD premiums are normally earned over the period of cover provided by that policy.

11.4.6 Where reinsurance recoveries expected against gross claims trigger reinstatement premiums payable, the preferred accounting treatment is to accrue for reinstatements within written reinsurance premiums. When the reinsurance programme is placed, an estimate should be made for reinstatements payable. The reinstatements will be earned in the same pattern as the initial reinsurance premium paid. As claims are paid and gross technical provisions are established in respect of earned premiums, the estimates for reinstatements written and earned will be reviewed and amended as necessary. When reinstatements are paid or incurred, this does not create any entries in the technical account, provided the initial estimates remain valid. The only entries are in the balance sheet, as cash payments reduce the amount due to intermediaries. The reinsurance recovery credited within technical provisions will, therefore, be for the full recovery with no reduction for the reinstatement payable.

11.4.7 Where a reinsurance policy purchased on either a LOD or RAD basis is projected to be exhausted by claims incurred that are within the technical account, the reinsurance premium should be treated as fully earned. As an example, a cover is purchased for twelve months from 1 April 2003, offering one limit only and a loss is incurred on 1 May. If the full policy limit is taken credit for in the technical account the reinsurance premium should be treated as 100% earned.

11.5 Claims paid and reinsurance recoveries

11.5.1 There should be no need to make any adjustments to claims paid and related reinsurance recoveries as these are normally the same under both the funded basis of accounting and the annual basis of accounting.

11.6 Claims provisions

11.6.1 Claims provisions, under annual accounting, are recognised in respect of the earned inwards business in the period (ie. not the full written amount) together with any adjustments to ultimates in respect of prior years' reserves established at the end of the previous accounting period. No claims provisions are recognised in respect of unearned inwards business carried forward except where, as at the balance sheet date, such business is considered to be loss making, in which case an unexpired risk provision ("URP") must be made for that loss in respect of the unearned premiums carried forward (see 11.8 below).

11.7 Ultimate loss ratios

11.7.1 Syndicate funded accounting recognises underwriting transactions by the year of account in which they incept; ultimate loss ratios for that business are normally developed on the same basis. Annual accounting recognises underwriting transactions on the basis of amounts earned and incurred during the reporting entities' accounting periods; in this case, ultimate loss ratios should be developed on an accident year basis.

11.7.2 These differing loss ratios may be determined by maintaining development statistics on both an underwriting year and an accident year basis. If it is not practical to derive loss ratios on both an underwriting year basis and on accident year basis, then annualised ultimate loss ratios should be developed by analysing premiums earned in the accounting period by the underwriting years from which they derive and applying the ultimate loss ratios of each underwriting year to the relevant element. In applying this methodology, managing agents will need to consider:

- whether there are any additional factors (including the effect of the seasonality of losses) which should be taken into account in determining loss ratios (for example, the absence of material losses at the accounting date on an annual accounting basis than might otherwise be expected on the underwriting year basis);

- whether the gross and net loss ratios developed for the open years of account have been determined on a basis which is appropriate for preparing the annual accounting return (ratios established purely to satisfy annual solvency test requirements in respect of open years of account may not meet this criteria); and

- the potential effect of adjustable features of primary policies and reinsurance contracts (as regards recoveries, additional premiums, profit commissions, etc) when developing loss ratios on an earned basis.

11.7.3 It should be noted that while syndicate funded loss ratios for solvency need to be adjusted for losses arising post balance sheet, such adjustments are prohibited under the current ABI SORP. Where such an event would result in the expected loss ratio on unearned premium to exceed 100%, no URP should be set up.

11.7.4 Where a post balance sheet event occurs, which provides better reserving information (e.g. major failure of a reinsurer) in respect of loss events occurring prior to the period end, the technical provisions should be adjusted.

11.8 Unexpired risk provisions

11.8.1 A URP should be provided where the expected value of claims and claims management expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies after deduction of any acquisition costs deferred. An assessment of whether a URP is necessary should be made for each grouping of business which is managed together with any unexpired risks surpluses and deficits within that grouping being offset. Further guidance on the definition of "managed together" is given in paragraph 99 of the ABI SORP. For the purposes of this return the correct treatment is to interpret managed together as the "syndicate as a whole" across all years of account combined.

11.8.2 The potential requirement for a URP should be assessed on the basis of information available as at the balance sheet date. Claims events occurring after the balance sheet date in relation to the unexpired period of policies in force at that time should not therefore be taken into account in assessing the need for a URP if they were not capable of prediction at the balance sheet date.

11.8.3 In calculating the URP, the future investment return arising on investments supporting the unearned premiums provision and the unexpired risks provision must not be taken into account.

11.8.4 Deferred acquisition costs should not be written off in whole or in part to the profit and loss account as being irrecoverable for the purpose of reducing or eliminating the need for a URP.

11.9 Investment return and Syndicate expenses

11.9.1 Earning profile adjustments are unlikely to apply to investment return figures. We expect the investment return in the accounting period to agree to the calendar year investment return for all open years of account in aggregate, subject to exchange rate adjustments.

11.9.2 In the case of syndicate expenses, however, it is appropriate to defer any portion of other expenses related to the acquisition of business, eg, underwriter's salary, box accommodation and computer costs, etc should be allocated from administrative costs to acquisition costs. The appropriate amount should be deferred in line with the associated premiums. The case study includes an example showing the preferred treatment.

11.10 Premium levy

11.10.1 The premium levy should be treated as an acquisition cost and deferred in line with the associated gross premiums.

11.11 Personal expenses

11.11.1 For the purposes of this return, the accounting treatment is to account for these as fixed costs and expensed in the calendar year in which they are paid (but see 11.11.3 and 11.11.4 below). These costs should not be treated as acquisition costs and should not be deferred.

11.11.2 The personal expenses relating to Lloyd's subscriptions and central fund contributions will be eliminated on "consolidation" with Lloyd's central assets and income.

11.11.3 Where a single managing agency fee is charged, which covers all costs normally charged as syndicate expenses, the element relating to acquisition costs should be identified and allocated to acquisition costs (see 11.9.2).

11.11.4 With respect to agent's profit commission, this will not be recognised in the syndicate accounts until the result is declared, usually at the end of 36 months of development. However, under the annual accounting basis, such commission, if any, must be recognised as earned pro rata to the recognition of results on an annualised basis, having regard to the impact of deficit clauses.

11.12 Exchange Rates

11.12.1 Syndicate assets and liabilities expressed in convertible currencies are to be translated at the rates of exchange ruling at 30 June 2003.

11.12.2 Income and expenditure transactions in 2003 are translated using the average rate of exchange over the 6 month period.

COMPLETION OF THE RETURN

1 Full or abridged basis

1.1 Forms AA1, AA2 and AA3 may be completed on a full or abridged basis. The abridged basis requires the completion of just one column in each of these forms. All other forms in the return must be completed in full.

2 Front sheet

2.1 This asks the managing agent to confirm that the return is complete and the pages of the return have been numbered correctly. The return must have both a print date and time, and a version date and time. The latter must match the version date and time encoded within the electronic submission via the market returns web site. This is to ensure that data in the electronic submission is the same as the data that has been signed off by the managing agent.

3 AA1(year) – Profit and loss account

SR download

3.1 There is no SR download facility for the interim annual accounting return, and therefore lines 2 to 9, columns 1 to 12 will need to be manually input into the return, or uploaded from a csv file.

Lines 2 to 5 - Investment return

3.2 Syndicate accounting includes all investment gains and losses, whether realised or unrealised within the underwriting account. For the purpose of preparing this return, all gains and losses will be treated as realised.

3.3 It is anticipated that the investment return figures for the annual accounting return will not be adjusted from those that would be reported in the Q2 SQR. Columns 13 to 16 have therefore been closed. If an adjustment is required this should be included in column 18 with an explanation of why the adjustment is required.

Lines 7 and 9 - Personal expenses

3.4 Where personal expenses are to be treated as acquisition costs and deferred (ie where a single managing agent fee is charged in lieu of normal syndicate expenses (see para 11.10 in previous section)), the adjustment should be entered in line 7 of column 14.

3.5 Adjustments to recognise managing agent profit commission in line with annual accounting results should be entered in line 7 column 18.

Column 12a – Exchange Adjustments

3.6 The effect of retranslating profit and loss account items to use average rates of exchange, as required for the AAR, should be entered in this column.

Abridged return

3.7 Where the abridged return is being completed, the figures should be entered in column 17. The figures to be entered will normally be the 6 month equivalent to those that would be entered in column 2 of the syndicate's SR but adjusted so that the figures are at average rates of exchange, not period end.

3.8 Furthermore, on personal expenses the figures entered in column 17 should be the annualised charge for personal expenses, ie after any adjustment for transfers to acquisition costs (ie where a single managing agent fee is charged in lieu of normal syndicate expenses) and managing agent profit commission.

4 AA1(sum) – Profit and loss account

4.1 The software will derive the figures for AA1(sum) from AA1(year). If any further adjustments are required these may be entered in column 5: an explanation is required of any such adjustments.

Abridged return

4.2 AA1(sum) is completed in the same way as for the full return.

5 AA2(year) – General Insurance Business

All lines - SR download

5.1 Lines 1 to 25, columns 1 to 12 need to be manually entered into the annual accounting return, or uploaded from a csv file. There is no SR download facility.

Column 12a – Exchange Adjustments

5.2 The effect of retranslating profit and loss account items to use average rates of exchange, as required for the AAR, should be entered in this column. Please note however, that no entries should be made in column 12a for the exchange adjustment on lines 13 to 14a due to the claims reversal in column 15. The adjustments to average rates of exchange will be made in column 16 lines 13 to 14a and line 23.

Lines 4 and 5 - Unearned premium

5.3 Enter into line 4, column 13, the change in the gross provision for unearned premium. The amount to be reported is net of brokerage (see 5.4). Furthermore, it must exclude any exchange movement (see 5.5). The figure for the 2003 year of account will be the closing unearned premium reserve shown in the balance sheet in AA3(2003). The change in the reinsurers' share must be entered into line 5 of column 13. If the unearned premium reserve has increased, then enter as a positive figure for both gross and reinsurers' share.

5.4 Enter into line 4 of column 14 the brokerage element of the change in unearned premium figure. The opposite entry will be at line 25 of column 14. There would not

normally be an entry in line 5 of column 14 unless an adjustment is to be made in respect of reinsurers' commissions and profit participations (with the opposite entry being made at line 27).

5.5 The exchange difference that arises on the provision for unearned premium should be included in line 23, profit/(loss) on exchange (see example of exchange difference calculation in the last section of this document).

Lines 13 to 18 – Claims reserves

5.6 Where Schedule 9a adjustments have been made the software automatically makes the adjustment to reverse the gross claims reserve figure in line 13 and the reinsurers' share thereof in line 14.

5.7 The movement in the gross claims reserve figure, excluding gross unexpired risk provision (URP) and excluding exchange rate adjustment, is entered at line 13. At line 13a enter the movement in the URP, excluding any exchange rate movement. The movement in the reinsurers' share of these figures are to be entered at lines 14 and 14a.

5.8 The exchange movement that arises on the claims reserves to bring the technical account figures to average rates of exchange should be included in line 23, profit/(loss) on exchange (see example of exchange difference calculation in the last section of this document). No entries should be made in column 12a for lines 13 to 14a.

Line 23 – profit/(loss) on exchange

5.9 Any profit or loss on exchange that arises on the re-translation of annual accounting adjustment provisions brought forward from 31 December 2002, and/or between period end rates and average rates, should be entered in the relevant column in line 23. This profit/loss will form part of the reconciliations on AA5 (see example of exchange difference calculation in the last section of this document).

Lines 24, 26 & 26a – administrative expenses, other acquisition costs and change in deferred acquisition costs.

5.10 Where an element of administrative expenses is to be transferred to "other acquisition expenses" the adjustment in and out should be made in column 18 of lines 24 and 26. The movement in the provision for deferred acquisition costs is to be transferred to line 26a, column 14.

Abridged return

5.11 Where the abridged return is being completed, the figures should be entered in column 17. Consideration must be given to the disclosure requirements outlined above in 5.2 to 5.10, eg the reporting of movements in claims reserves on lines 13 to 14a, irrespective of the status of the year of account and the fact that amounts are to be at average rates of exchange, not period end.

Adjustments

5.12 The "other adjustments" column is to be used for any other adjustments that the syndicate needs to make to convert its year of account figures to an annual accounting basis. Any entry must include a description of the adjustment in the additional analysis schedule. The description should explain the nature of the adjustment and why it has been made.

6 AA2(sum) – General insurance business, all years

6.1 The figures from AA2(year) feed through to AA2(sum). If any further adjustments are required these may be entered in column 5, an explanation is required of any such adjustments.

6.2 One set of transactions that need further adjustment at the year –end are the payment and receipt of a reinsurance to close from one year of account to another of the same syndicate. For the interim return there will not normally be an RITC transaction to adjust. If you do think that a "same syndicate" RITC adjustment is required, please seek confirmation of how to treat the transaction by sending an e-mail to lloyds-mrd-ReturnQueries@lloyds.com.

6.3 Where a syndicate (A) closes into another syndicate (B) then no adjustment should be made in column 5 to lines 15 and 16 of the AA2(sum) of syndicate (A). In the AA2(sum) of the syndicate (B), there will normally be a balance representing the RITC received from syndicate (A) which will be reported in column 6 of lines 7a and 7b. The corresponding RITC paid and reported by (A) and RITC received and reported by (B) will be eliminated centrally on "consolidation".

Abridged return

6.4 AA2(sum) is completed in the same way as for the full return, ie as per 6.1 to 6.3.

7 AA3(year)(page 1) – Balance sheet - assets

Summary

7.1 Syndicates completing the full annual accounting return must complete the year of account version of this form and column 6 of the summary version as appropriate. Syndicates completing the abridged return should only complete columns 5 (and 6 if needed) of AA3(sum) page 1, having due regard for the disclosure requirements noted for the full return, in particular that the disclosure of investments should not be adjusted from that used under the syndicate accounting byelaw.

All lines – SR download

7.2 Lines 1 to 19, columns 1 to 6 need to be manually input into the annual accounting return, or uploaded from a csv file. There is no SR download facility.

Lines 1 to 17 - Investments

7.3 There should be no need to adjust the syndicate's investment figures for annual accounting purposes, other than the Schedule 9a adjustment made at line 14. If an adjustment is to be made in column 11 for lines 1 to 17 then an explanation should be given in the analysis schedule for the change ("adjustment to …" would not be sufficient).

Lines 18 to 19 - Reinsurers' share of technical provisions

7.4 At line 18, the reinsurers' share of claims outstanding, the software will automatically reverse, in column 9, any Schedule 9a calculated figure in column 6. The actual 30.06.03 provision, excluding unexpired risk provision (URP), must then be entered in column 10. The reinsurers' share of URP must be entered in line 18a of column 10. For the 2003 year of account this would agree to the figures reported in lines 14 and 14a of column 16 of AA2(2003) but for the adjustment to average exchange rates. For other years the balance sheet figures will be the movements as reported in AA2(year) aggregated with the opening balances as at 1.1.03, possibly with an adjustment for exchange rate movements.

7.5 The reinsurers' share of unearned premiums must be entered at line 18b. For the 2003 year of account this should agree to the figure reported in line 5, column 13 of AA2(2003) but for the adjustment to average exchange rates. For other years the balance sheet figure will be the movement as reported in AA2(year) aggregated with the opening balance as at 1.1.03 subject to exchange differences.

Other adjustments

7.6 This column can be used to make any additional adjustments to the figures: any such adjustment must be fully described in the analysis schedule.

Abridged return

7.7 This form is not to be completed for the abridged return.

8 AA3(year)(page 2) – Balance sheet - assets

Summary

8.1 Syndicates completing the full annual accounting return must complete the year of account version of this form and column 6 of the summary version as appropriate. Syndicates completing the abridged return should only complete columns 5 (and 6 if needed) of AA3(sum) page 2.

All lines

8.2 Lines 21 to 38, columns 1 to 6 need to be manually input into the annual accounting return, or uploaded from a csv file.

Line 24 – Inter syndicate loans

8.3 Inter-syndicate loans made to another syndicate must be reported on line 24.

Lines 25a to 25e – Amounts due from ceding insurer…

8.4 These lines have been included to report the gross reinsurance recoverable on paid claims, the bad debt provision thereon and the net recoverable. The figures should be entered net of reinstatement premiums so that they tie in to the 30 June 2003 reinsurance debtor return.

Lines 27 and 27a – Amounts due from members within 12 months

8.5 The annual accounting return includes an additional line, (27a). Cash calls due and unpaid should be reported on this line, separated out from other amounts due from members within 12 months. Where "Other debtors – members " includes an amount for cash calls then an adjustment will be needed in column 11 from line 27 to line 27a for the amount due in respect of unpaid cash calls separated from uncalled losses. This will enable a central reconciliation of cash calls made, paid and still outstanding.

Line 36 - Other assets, other

8.6 Inter-year loans made by the same syndicate must be reported on line 36, either as a positive or negative item dependent on the year of account concerned, so that on AA3(sum) these items balance out to zero.

8.7 The total of asset columns 7 to 12 must agree to the equivalent columns of AA3(year) page 3. This should be achieved without requiring an entry at line 36. However, if an entry is required in a specific column but cannot be made on the relevant row, then it may be included on line 36 provided an explanation is given in the analysis schedule of why the adjustment is necessary.

Line 38a – Deferred acquisition costs

8.8 This is an additional line for annual accounting purposes. The balance for deferred acquisition costs should be entered in column 8.

Other adjustments

8.9 If it is necessary to enter one or more figures in this column then an explanation of the entry must be given in the additional analysis schedule of the appropriate cell.

Abridged return

8.10 This form is not completed for the abridged return.

9 AA3(year)(page 3) – Balance sheet - liabilities

Summary

9.1 Syndicates completing the full annual accounting return should complete the year of account version of this form and column 6 of the summary version as appropriate. Syndicates completing the abridged return should only complete columns 5 (and 6 if needed) of AA3(sum) page 3 having due regard for the disclosure requirements noted for the full return, eg the disclosure of unexpired risk provision at line 51a (see para 9.4).

All lines

9.2 Lines 51 to 83, columns 1 to 6 need to be manually input into the annual accounting return, or uploaded from a csv file.

Line 51 - Gross claims provision

9.3 The AA return has just one line for the gross claims provision, 51.

9.4 Columns 2 and 3 of line 51 must be completed for the interim annual accounting return. The entries for these cells are the grossed up claims reserve figures from line 13, columns 5 and 6 of the AA2(2002 & 2003). For the 2003 year of account the figures in AA2(2003) line 51. These entries are necessary to ensure that the total of the liability columns 2 and 3 agree with the total of the asset columns 2 and 3.

9.5 In column 9, the software will automatically reverse any Schedule 9A balance in column 6. The year end technical provision amounts must then be entered at column 10 of line 51 and 51a (ie the claims outstanding figure is exclusive of the Unexpired Risk Provision reported at line 51a), irrespective of the status of the year of account.

Line 54 - Unearned premium

9.6 The closing balance of the gross unearned premiums should be entered at line 54, columns 7 and 8. The gross amount of unearned premiums is one of the categories included in the reconciliation tables.

Lines 60 to 69 - Amounts due to members

9.7.1 For the results due to members there are three lines splitting the annual accounting result between calendar years 2001, 2002 and 2003. Line 60, the result in the 6 months to 30 June 2003, is derived directly from line 6 of AA1(year).

AA3(2003)page 3

9.7.2 For the 2003 year of account, the amount derived from AA1(2003), line 6 will produce the balance sheet result before personal expenses for column 12 without further adjustment.

AA3(2002)page 3

9.7.3 For the 2002 year of account line 60 of AA3 will include, at column 11, a deduction for the Schedule 9a result, cumulative to 31 December 2002 as per line 6, column 11 of AA1(2002). Line 60, column 12, of AA3 will then report the balance sheet result before personal expenses. The balance as at 31 December 2002 must then be reported on line 60a of AA3. The reverse entry to line 60, column 11, must be entered at line 60a, column 11. Columns 7 to 10 of line 60a should then be completed using the entries for the result before personal expenses in the 31 December 2002 return.

AA3(2001)page 3

9.7.4 For the 2001 year of account line 60 of AA3 will include, at column 11, a deduction for the Schedule 9a result, cumulative to 31 December 2001 as per line 6, column 11 of AA1(2001). Line 60, column 12, of AA3 will then report the balance sheet result before personal expenses. The balance as at 31 December 2002 must then be reported on lines 60a and 60b of AA3. The reverse entry to line 60, column 11, must be entered at lines 60a and 60b, column 11, split as per the balances at the respective year ends. Columns 7 to 10 of line 60a should then be completed using the entries for the result before personal expenses in the 31 December 2002 return. Columns 7 to 10 of line 60b should then be completed using the entries for the result before personal expenses that would have been in the 31 December 2001 return (submitted as a comparative last year end).

AA3(run-off)page 3

9.7.5 For a run-off year of account, the cumulative cash calls to 30 June 2003 must be entered at line 65, column 1. The reason for this is that line 60, col 1, of AA3 picks up the cumulative amount from AA1 (line 6, col 3), not the uncalled amount as reported in SR12, col 1.

9.7.6 Line 60 of AA3(run-off), the result before personal expenses, for the 6 months to 30 June 2003, per AA1, will include, at column 11, a deduction for the Schedule 9a result, cumulative to 31 December 2002 as per line 6, column 11 of AA1(run-off). Column 12 of line 60 of AA3 then reports the 2003 result before personal expenses for the run-off year of account.

9.7.7 The current period result for 2002 is to be reported at line 60a. The relevant figure will be the current period result reported in the 31 December 2002 return. The amount must be entered in column 11 of line 60a.

9.7.8 The balance of the result before personal expenses, ie the amount as at 31 December 2001, must then be reported at line 60b. The amount must be entered in column 11. The aggregate of the amounts entered at lines 60a and 60b in column 11 should be equal to and opposite that included at line 60, column 11.

9.7.9 Columns 7 to 10 of lines 60a and 60b should be completed, if appropriate, using the entries for the result before personal expenses that would have been in the 31 December 2002 and 2001 returns.

Cash calls and other expenses

9.8 Personal expenses and cash calls are reported in lines 61 and 65. For run-off years of account the cash call figure to be entered in column 1 of line 65 is the aggregate amount of cash calls for that year, not just that in the reporting period. If there are other balances due to members these should be reported at line 69. However, this line should not be used to report a “loan” from a member to the syndicate, such items should be re-analysed to line 82.

Line 81 – Inter-syndicate loans

9.9 Inter-syndicate loans received from another syndicate must be reported on line 81.

Line 82 – Other creditors, other

9.10 The total of liability columns 7 to 12 must agree to the equivalent columns of AA3 page 2. If an entry is required in a specific column but cannot be made on the relevant row, then it may be included on line 82 but with an explanation in the analysis schedule of why the adjustment is necessary.

Other adjustments

9.11 If it is necessary to enter one or more figures in this column then an explanation of the entry must be given in the additional analysis schedule of the appropriate cell.

Abridged return

9.12 This form is not completed for the abridged return.

10 AA3(sum) – Balance sheet – all years

Full return

10.1 For syndicates completing the full return AA3(sum) picks up the year of account balance sheet information. Any further adjustments may be entered in column 6 if required.

Abridged return

10.2 For syndicates completing the abridged return, the syndicate balance sheet information should be input into column 5 of AA3(sum) but having regard for the disclosure requirements for AA3(year) set out in sections 7 to 9 above and summarised below.

AA3(sum)page 1

10.3 There should be no need to adjust the investment figures per the syndicate return. If adjustments are required, the figures to be entered in column 5 are the equivalent of those that would have been entered on the year end SR with the adjustments being made, and explained, in column 6.

10.4 The reinsurers' share of technical provisions must be split between claims outstanding, exclusive of unexpired risk provision (URP (line 18)), reinsurers' share of URP (line 18a) and unearned premiums (line 18b).

AA3(sum)page 2

10.5 Inter-syndicate loans made to another syndicate must be reported on line 24.

10.6 The amounts due from members within 12 months must be split between that for cash calls due but unpaid (line 27a) and other (line 27).

10.7 Inter-year loans made by the same syndicate would be reported on line 36, either as a positive or negative item dependent on the year of account concerned, but for the AA(sum) such entries should be unnecessary as they will cancel out.

10.8 Deferred acquisition costs are to be entered at line 38a.

AA3(sum)page 3

10.9 The balance on gross claims outstanding is to be reported at line 51 (the split by year of account status in the SR has been deleted for the AAR). The figure to be entered is exclusive of the provision for unexpired risk provision which should be entered at line 51a.

10.10 The gross provision for unearned premium is to be entered at line 54.

10.11 In the analysis of amounts due to members, line 60 must agree with line 6 of column 6 of AA1(sum), ie the current period result before personal expenses. The balance as at 31 December 2002 of the annual accounted result of 2002, 2001 and any run-off years is to be reported as a single figure at line 60c of AA3(sum).

10.12 Personal expenses and cash calls are reported in lines 61 and 65. If there are other balances due to members these should be reported at line 69. However, this line

should not be used to report a "loan" from a member to the syndicate, such items should be re-analysed to line 82.

10.13 Inter-syndicate loans received from another syndicate must be reported on line 81.

Other adjustments

10.14 Column 6 may be used for any adjustments that may be required to the figures in column 5.

11 AA4 – Segmental reporting

Introduction

11.1 This form replicates the disclosure, under UK GAAP, of a UK authorised insurer. This form must be completed for both the full and abridged returns. The figures are for all years of account combined. No comparative form is required.

11.2 For the split by business type facultative reinsurance must be included as part of reinsurance acceptances.

Line 1 – Gross premium written

11.3 The total of line 1, column 11 must agree to the total of gross premium written in AA6, the pro-forma technical account.

Line 2 - Gross premium earned

11.4 Line 2, column 11 must agree with gross premium earned in AA6, the pro-forma technical account.

Line 3 - Gross claims incurred

11.5 Line 3, column 11, must agree with gross claims paid plus the change in the gross claims provision amount in AA6, the pro-forma technical account (AA2(sum) lines 10+13+13a+15+17-7a-8a).

Line 4 - Operating expenses

11.6 Line 4, column 11 must agree with net operating expenses in AA6, the pro-forma technical account (AA2(sum) lines 22-23+24+25+26-27+AA1(sum) lines 7+9).

11.7 Line 7 – Net technical result

Line 7, column 11 must agree with the balance of the technical account for general business, less investment return (AA1(sum) lines 10 – 2-3+4+5)

Line 8 – Net technical provisions

11.8 Line 8, column 11 must agree with total technical provisions less total reinsurers' share of technical provisions in AA8, the pro-forma balance sheet (AA3(sum) lines 51+51a+54+55+57-18-18a-18b-19-58).

Abridged return

11.9 AA4 is completed in the same way as for the full return, ie as per 11.1 to 11.8.

12 AA5 – Reconciliations

12.1 There are six reconciliations to be completed:

Gross provision for claims
Gross provision for claims, reinsurers' share
Unearned premiums
Unearned premiums, reinsurers' share
Balance due to/(from) members
Deferred acquisiton costs

12.2 For each of these reconciliations the software derives the movement in period and period end balance as per the technical account in AA6 and the balance sheet in AA7. The specific lines from AA1, AA2 and AA3 that make up these balances are shown in AA6 and AA7. The opening balances are derived from columns 5 and 6 of the opening balance sheet, AA8.

12.3 Where a difference is reported on the reconciliation the reconciling items should be analysed in the additional rows at the end of each table. Those reconciling items that are expected have already been included in the tables and must be used where appropriate. If any other reconciling items are required then an explanation should be provided in the first column of the relevant table. If the difference cannot be reconciled please e-mail Market Reporting (lloyds-MRD-ReturnQueries@lloyds.com) to agree how the return should be submitted.

Abridged return
12.4 AA5 is completed in the same way as for the full return, ie as per 13.1 to 13.3.

13 AA6 and AA7 – Pro-forma technical account and balance sheet

13.1 These forms are entirely derived from the data input to the return. Their purpose is to report the syndicate figures on the same disclosure basis as used in the Global accounts and to assist in your review of the data.

Abridged return
13.2 AA6 and AA7 are completed in the same way as for the full return, ie as per 13.1.

14 AA8 – Opening balance sheet

14.1 The purpose of this form is to ensure that there is a full audit trail from the opening balance sheet, through the technical account to the closing balance sheet.

14.2 The figures reported in columns 1 and 2 are to be downloaded from those that were submitted to Lloyd's as the final figures for the 31 December 2002 exercise. The software instructions will tell you how to extract the data from the final locked version of the 31 December 2002 pack and the figures will be locked into columns 1 and 2. No other entries are to be made on this form, ie no adjustments are to be made to the figures in columns 1 and 2 or in any of the other columns.

14.3 Columns 3 and 4 have been blocked. If a figure in column 1 or 2 relating to one of the

reconciliation tables in Form 5 is incorrect then the error must either be corrected through the 2003 technical account or appear as a reconciling item in Form 5.

Abridged return
14.4 AA8 is completed in the same way as for the full return, ie as per 14.1 to 14.3.

15 AA9 – Analysis of result after all personal expenses

15.1 The purpose of this form is to provide information on any material factors contributing to the 2003 interim annual accounting result, ie the focus is narrative explanation, not figures. The form therefore automatically populates the number cells and agents should then use the narrative box to provide explanations of any material factors in the year of account results.

15.2 The figures reported by the system include the combined ratio. These give a guide to the performance by year of account but it is not necessary to provide a commentary just because the combined ratio is high. The ratio may be high simply because the year is in the later stages of development, hence there is very little net premium income to form the denominator. Form 9 is to be used to provide an explanation of any material, to the syndicate as a whole, profit or loss developments.

Abridged return
15.2 AA9 is completed in the same way as for the full return, ie as per 15.1

16 AA10 – Basis of preparation

16.1 This provides standard paragraphs for the basis of preparation. Where an agent uses one or more different bases the standard paragraphs can be deleted and appropriate paragraphs provided on a continuation sheet.

Abridged return
16.2 AA10 is completed in the same way as for the full return, ie as per 16.1.

17 AA11 - Managing Agent's Report

17.1 A managing agent's report needs to be completed for the return.

17.2 Non-standard paragraphs can be entered through the software if required.

17.3 Each report must be approved, signed and dated, on behalf of the directors of the underwriting agent, by at least one director and by the compliance officer. The same person must not sign in both capacities.

17.4 The syndicate number and page numbers **must** be entered. The page numbers entered in the managing agent's report must include all forms in the return and any additional pages of analysis.

Abridged return
17.5 AA11 is completed in the same way as for the full return, ie as per 17.1 to 17.4.

18 AA12 – Auditors' report

18.1 The interim annual accounting return does not require audit sign off.

Abridged return
18.2 AA12 is completed in the same way as for the full return, ie as per 18.1.

Interim Annual Accounting Return – Accounting Treatment Examples

1 Background

1.1 The figures used in these examples are for illustrative purposes and are not intended to represent actual/expected amounts to be reported by syndicates in their 30 June 2003 interim annual accounting return.

2 Calculation of written, earned and unearned premium under a binding authority

Assumptions

2.1 Premium income written through binding authorities etc, should be allocated to the date of inception of the underlying policies issued under that authority.

Details

2.2 The binding authority has an Expected Premium Income of £120k and was written on, and commenced on, 1 January 2003. The syndicate expects the income to accrue evenly over the period of the binder, and exposure is constant over the 12 month life of each declaration.

Written premium

2.3 For interim annual accounting purposes the written premium income is half of the £120k, ie £60k. The remaining £60k is deemed not to be written until the second half of 2003 and therefore does not form part of the accounts.

Earned premium

2.4 Using the 24th method:

	Written			Earned
	Monthly		24th share	£000
January 2003	£10k	*	11/24	4,583
February 2003	£10k	*	9/24	3,750
March 2003	£10k	*	7/24	2,917
April 2003	£10k	*	5/24	2,083
May 2003	£10k	*	3/24	1,250
June 2003	£10k	*	1/24	417
Total	£60k			15,000

3 Accounting for an inwards reinsurance contract with reinstatement

Assumptions

3.1 The syndicate writes a £1m reinsurance account, with an average rate on line of 20%.

Details

3.2 The Initial Expected Loss ratio is 70%. All policies incept 1 January 2003 for 12 months, offer one reinstatement @ 100. Brokerage of 10% on the initial premium. Claims paid at 30 June 2003 of £100,000.

3.3 Expected outcome

	£000	Notes
Gross premium	1,000	
Claims	700	
Reinstatements receivable	140	Being 20% of 700
Claims	98	Being 70% of 140

3.4 Technical account

	£000	Notes
Gross written premiums	1,140	
Provision for unearned premiums	570	Being 50% of 1,140
Earned premiums	570	
Gross claims paid	100	
Gross claims provision	299	
Gross claims incurred	399	Being 70% of 570
Acquisition costs	50	
Profit in technical account	121	

3.5 Balance sheet

	£000	£000
Cash		
Premiums	1,000	
Less brokerage	100	
Claims paid	100	
Plus reinstatements in	20	
		820
Amount due from intermediaries (being further reinstatements)		120
Deferred acquisition costs		50
Gross claims provision		(299)
Unearned premium reserve		(570)
Amount due to members		(121)
		0

3.6 Refinements

3.6.1 To keep the calculation simple it has been assumed that the ULR is the same across the policy period. However, it may well be the case that some types of business, eg a CAT XL book, would run relatively clean for the first six months of the year. It may therefore be appropriate to use a lower ULR for the first six months, eg 60% and a higher ULR for the last six months, eg 80%.

3.6.2 The example also takes account of reinstatements evenly across the period. The view may be taken that the reinstatement premium is not written until such time that the claims are advised. In the event of low claims experience none of the reinstatements would be written at June as they would not have been triggered.

4 Accounting for an outwards reinsurance contract with reinstatement

Assumptions

4.1 The syndicate buys a £1m reinsurance account, with an average rate on line of 20%.

Details

4.2 The expected recoveries are 70%. All policies incept 1 January 2003 for 12 months, offer one reinstatement @ 100. Reinsurance recoveries paid at 30 June 2003 £100,000.

4.3 Expected outcome

	£000	Notes
Reinsurance premium	1,000	
Recoveries	700	
Reinstatements payable	140	Being 20% of 700
Further recoveries	98	Being 70% of 140

4.4 Technical account

	£000	Notes
Written reinsurance premiums	1,140	
Provision for unearned premiums	570	Includes 70 of the reinstatement
Earned reinsurance premiums	570	
Reinsurers' share of claims paid	100	
Reinsurers' share of technical provisions	299	
Reinsurers' share of claims incurred	399	Being 70% of earned premiums of 570
Loss on the technical account	(171)	

4.5 Balance sheet

	£000	£000
Cash		
Premiums paid	(1,000)	
Recoveries received	100	
Reinstatements paid	(20)	
		(920)
Reinsurers' share of technical provisions		299
Reinsurers' share of unearned premium reserve		570
Amount due to intermediaries (being further reinstatements)		(120)

Amount due from members		171
		0

5 Accounting for an outwards qualifiying quota share

Assumptions

5.1 The syndicate writes £1m gross premium with a 40% quota share.

Details

5.2 The average brokerage deducted is 20%. All policies incept 1 January 2003 for 12 months.

5.3 Technical account

	£000	Notes
Gross written premiums	1,000	
Reinsurers' share	400	Being 40% of £1m **not** 40% of the net premium of £800k
Provision for gross unearned premiums	500	
Reinsurers' share	200	
Net earned premiums	300	
Acquisition costs	60	Being 20% of the net retained, not 20% of gross earned premiums of £500k
Profit in technical account	240	

5.4 Balance sheet

	£000	£000	
Cash			
Premium received	1,000		
Less brokerage	200		
Reinsurance premiums paid	320		
		480	
Deferred acquisition costs		60	Being 20% of the net deferred premiums, not 20% of gross unearned premiums
Reinsurers' share of unearned premium reserve		200	Being 40% of £500k gross unearned premium before brokerage
Unearned premium reserve		(500)	
Amount due to members		(240)	
		0	

6 Calculation of acquisition costs and deferred acquisition costs

6.1 In deferring acquisition costs, it is necessary to have regard to not only the proportion of the grossing up of premiums written which relates to the unearned portion but also the

proportion of syndicate expenses (eg underwriter's salary and Lloyd's charges) which have been identified as relating to acquisition of the business.

6.2 Assumptions

6.2.1 For the 6 months to 30 June 2003 in the 2003 year of account syndicate expenses (including accruals of £500k) comprise:

	£000
Salaries of underwriting staff	500
Other staff remuneration	200
Cost of accommodation	360
Lloyd's charges	190
Premium levy	630
Auditors' remuneration	30
Computer costs	200
Motor expenses	17
Entertaining	20
Sundry expenses	25
	2,172

6.2.2 £400k of salaries of underwriting staff relate to acquisition costs of new and renewal business. 50% of computer costs, Lloyd's charges and costs of accommodation relate to new and renewal business. The premium levy is charged on the 2002 and 2003 year of account at 2%. All other expenses are deemed to relate to activities not associated with acquisition business.

6.2.3 The average unearned gross premium for all business is 40%.

6.3 Calculation

	£000	Acquisition costs £000	DAC £000
2003 year of account			
Underwriting staff salaries		400	400
Computer costs	200		
Lloyd's charges	190		
Cost of accommodation	360		
	750		
Acquisition element	@ 50%	375	375
			775
40% relating to unearned premiums			310
2003 element (32,915 – 5,465)*	27,450		
Levy thereon at 2% deemed "earned"	549		
Actual charge (per 6.2.1)	630	630	
Unearned element			81
Deferred acquisition costs			391
Expenses to be transferred to acquisition costs		1,405	
Add: deferred commissions#			1,977
Movement in DAC in period			2,368

*these figures are taken from line 1, cols 19 (gross premium) and commission thereon (ie col 7 of line 1 at average rates) of AA2(2002).
this figure is taken from line 4, col 14.

6.4 The entries for these figures can be seen in AA(2003):

a) line 5, column 14 – deferred commission of £1,977
b) line 24, column 18, transfer to other acquisition expenses (£1,405)
c) line 26, column 18, transfer from administrative expenses of £1,405; and
d) line 26a of column 14 – movement in DAC in period, £2,368.

7 Calculation of exchange rate movements using average rates

7.1 Assumptions

For the purpose of the model the following US$ rates of exchange have been used. These rates are not the ones to be used in the actual return.

31 December 2002	1.61
30 June 2002	1.68
Average rate	1.63

Premiums are earned over 24 months. In this example, for the 2002 year of account about one half of the brought forward amount is earned in the first six months of 2003.

7.2 Calculation of exchange differences

Unearned premiums	Total	£ element	US$ element in £	US$ element in $	Rate
B/f @ 1.1.03	7,941	5,559	2,382	3,837	1.61 (31.12.02)
earned in period	4,607	3,543	1,064	1,735	1.63 (av rate)
C/f @ 30.6.03	3,266	2,016	1,250	2,100	1.68 (30.6.03)
Exchange difference	68		68		

7.3 For the unearned premiums the amount earned in the first six months, calculated using average rates for the period, of £4,607k is entered at column 13 of line 4 of AA2(2002). The premiums remaining unearned are translated at the period end rate, £3,266k, and entered in column 7 of line 54 in form AA3(page 3) (2002). The exchange difference arising from both these amounts, £68k is entered at column 13 of line 23 on AA2(2002). However, this last figure has been netted off against the £6k exchange difference from the movement on reinsurers' share of unearned premiums to give an overall exchange movement of £62k.

R/I element of unearned premiums	Total	£ element	US$ element in £	US$ element in $	Rate
B/f @ 1.1.03	937	656	281	452	1.61 (31.12.02)
Earned in period	666	456	210	342	1.63 (av rate)
C/f @ 30.6.03	265	200	65	110	1.68 (30.6.03)
Exchange difference	6		6		

7.4 The movement on the reinsurers' share of unearned premiums in the first six months, is calculated using average rates for the period, £666k, and is entered at column 13 of line 5 of AA2(2002). The premiums remaining unearned are translated at the period end rate, £265k, and entered in column 7 of line 18b in form AA3(page 1) (2002). The exchange difference arising from these amount is entered at column 13 of line 23 of AA2(2002) as noted in paragraph 7.3.

DAC	Total	£ element	US$ element in £	US$ element in $	Rate
B/f @ 1.1.03	1,401	981	420	677	1.61 (31.12.02)
Earned in period	740	456	284	462	1.63 (av rate)
C/f @ 30.6.03	652	525	127	214	1.68 (30.6.03)
Exchange difference	9		9		

7.5 The DAC element of the movement on unearned premiums is calculated using average rates for the period, £755k, and entered at column 14 of line 4 of AA2(2002). The DAC on the unearned premiums carried forward are translated at the period end rate, £652k, and entered in column 8 of line 54 in form AA3(page 3) (2002). The exchange difference arising from both these amounts, £9k would be entered at column 14 of line 23 on AA2(2002). However, this last figure has to be aggregated with the equal and opposite £9k exchange difference that arises from the movement on DAC at column 14, line 26a of the AA2(2002).

Grossed up claims reserves	Total	£ element	US$ element in £	US$ element in $	Rate
B/f @ 1.1.03	1,501	1,051	450	725	1.61 (31.12.02)
Earned in period	293	226	67	110	1.63 (av rate)
C/f @ 30.6.03	1,191	825	366	615	1.68 (30.6.03)
Exchange difference	17		17		

7.6 On grossed up claims reserves (line 13 of AA2(2002)), the exchange difference only relates to the figures to be entered in column 16 as any previous entries in that row are automatically eliminated in column 15. The movement in the year is calculated using the average rate of exchange and entered in column 16, row 13, £293k. The claims reserve carried forward is calculated using the period end exchange rate and entered in AA3(page 3) (2002) column 10 of lines 51 and 52a as appropriate. The exchange differences on the movement and the period end balance are entered in AA2(2002) column 16, row 23. However, the movement of £17k is netted off against the £4k movement from the reinsurers' share of grossing up to give a net movement of £13k.

R/I element of grossing up	Total	£ element	US$ element in £	US$ element in $	Rate
B/f @ 1.1.03	396	277	119	192	1.61 (31.12.02)
earned in period	78	60	18	29	1.63 (av rate)
C/f @ 30.6.03	314	217	97	163	1.68 (30.6.03)
Exchange difference	4		4		

7.7 The calculations for the reinsurers' share of grossing up are made on a similar basis to

those for the grossed up claims reserves. The movement is entered at AA2(2002) column 16, line 14 and the reserve carried forward reported in AA3(page 1) (2002) column 10, line 18. As noted above, the exchange movement is netted off against that arising from the grossed up claims reserves figures and entered at AA2(2002) column 16, line 23.

APPENDIX 2

INDEX TO FORMS

INTERIM ANNUAL ACCOUNTING RETURN - 30.6.2003

Form	**Description**
AA Front	Annual accounting return cover sheet
AA1	Profit and Loss Account
AA2	General insurance business
AA3	Balance Sheets
AA4	Segemental Reporting
AA5	Reconciliations
AA6	Pro forma technical account
AA7	Pro forma balance sheet
AA8	Opening balance sheet
AA9	Analysis of result after all personal expenses
AA10	Basis of preparation
AA11	Managing Agent's Reports

ANNUAL ACCOUNTING RETURN
30 JUNE 2003

FORMS AA1 TO AA11

DUE FOR SUBMISSION BY 4 SEPTEMBER 2003

SYNDICATE NO: .....

Managing Agent: .....

Contact Name: ..... Telephone No: .....

E Mail Address:.....…

Auditors: .....…

I confirm that all forms which are applicable to this syndicate have been included in this return. The electronic version of this return has been submitted to Lloyd's via the MSU web-site on .....

Signed ..... Compliance Officer

Name ..... (Block capitals)

For Lloyd's use only:

Date received:
No. of days late:
Byelaw Breach: Yes/No

PROFIT AND LOSS ACCOUNT

SYNDICATE NO: .....
SYNDICATE RETURN
Period ended 30 June 2003
Year of account aggregation

Page: .....

		1	2	3	4	5	6
		Run-Offs	2001	2002	2003	Other adjustments	Annual accounting result (1 to 5)
Result/balance from technical account	1						
Gross investment income	2						
Gross investment gains	3						
Gross investment losses	4						
Gross investment expenses	5						
Result/balance before personal expenses (1+2+3-4-5)	6						
"Standard" personal expenses (see instructions)	7						
Result/balance after standard personal expenses (6-7)	8						
Other' personal expenses (see instructions)	9						
Result/balance after all personal expenses (8-9)	10						

PROFIT AND LOSS ACCOUNT
2001 ACCOUNT IN 2003

SYNDICATE NO: .....
SYNDICATE RETURN
Period ended 30 June 2003
Year of account: 2001

Page: .....

		Per Syndicate accounts			Schedule 9a adjustments										Annual accounting adjustments						
		Cumulative to 31.12.2002	Movement in 2003	Cumulative to 30.6.2003	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocatior	Schedule 9a return - cumulative to 30.6.2003	Schedule 9a result - cumulative to 31.12.2002	Schedule 9a result - 2003 calendar year movement	Average exchange rate adjustment	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Technical provisions	Abridged return	Other adjustments	Annual accounting result (full =12 to 16 + 18: abridged = 17+18))
		1	2	3 (1 + 2)	4	5	6	7	8	9	10 (=3 to 9)	11	12 (=10 - 11)	12a	13	14	15	16	17	18	19
Result/balance from technical account	1																				
Gross investment income	2																				
Gross investment gains	3																				
Gross investment losses	4																				
Gross investment expenses	5																				
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Result/balance after standard personal expenses (6-7)	8																				
Other' personal expenses (see instructions)	9																				
Result/balance after all personal expenses (8-9)	10																				

PROFIT AND LOSS ACCOUNT
2002 ACCOUNT IN 2003

SYNDICATE NO: .....
SYNDICATE RETURN
Period ended 30 June 2003
Year of account: 2002

		Per Syndicate accounts			Schedule 9a adjustments										Annual accounting adjustments						
		Cumulative to 31.12.2002	Movement in 2003	Cumulative to 30.6.2003	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocatior	Schedule 9a return - cumulative to 30.6.2003	Schedule 9a result - cumulative to 31.12.2002	Schedule 9a result - 2003 calendar year movement	Average exchange rate adjustment	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Technical provisions	Abridged return	Other adjustments	Annual accounting result (full =12 to 16 + 18: abridged = 17+18))
		1	2	3 (1 + 2)	4	5	6	7	8	9	10 (=3 to 9)	11	12 (=10 - 11)	12a	13	14	15	16	17	18	19
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Result/balance after standard personal expenses (6-7)	8																				
Other' personal expenses (see instructions)	9																				
Result/balance after all personal expenses (8-9)	10																				

PROFIT AND LOSS ACCOUNT
2003 ACCOUNT IN 2003

SYNDICATE NO: .....
SYNDICATE RETURN
Period ended 30 June 2003
Year of account: 2003

		Per Syndicate accounts			Schedule 9a adjustments										Annual accounting adjustments						
		Cumulative to 31.12.2002	Movement in 2003	Cumulative to 30.6.2003	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocatior	Schedule 9a return - cumulative to 30.6.2003	Schedule 9a result - cumulative to 31.12.2002	Schedule 9a result - 2003 calendar year movement	Average exchange rate adjustment	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Technical provisions	Abridged return	Other adjustments	Annual accounting result (full =12 to 16 + 18: abridged = 17+18))
		1	2	3 (1 + 2)	4	5	6	7	8	9	10 (=3 to 9)	11	12 (=10 - 11)	12a	13	14	15	16	17	18	19
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Result/balance before personal expenses (1+2+3-4-5)	6																				
"Standard" personal expenses (see instructions)	7																				
Result/balance after standard personal expenses (6-7)	8																				
Other' personal expenses (see instructions)	9																				
Result/balance after all personal expenses (8-9)	10																				

PROFIT AND LOSS ACCOUNT
RUN-OFF ACCOUNT IN 2003

SYNDICATE NO: .....
SYNDICATE RETURN
Period ended 30 June 2003
Year of account: Run-Off

		Per Syndicate accounts			Schedule 9a adjustments										Annual accounting adjustments						
		Cumulative to 31.12.2002	Movement in 2003	Cumulative to 30.6.2003	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocatior	Schedule 9a return - cumulative to 30.6.2003	Schedule 9a result - cumulative to 31.12.2002	Schedule 9a result - 2003 calendar year movement	Average exchange rate adjustment	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Technical provisions	Abridged return	Other adjustments	Annual accounting result (full =12 to 16 + 18: abridged = 17+18))
		1	2	3 (1 + 2)	4	5	6	7	8	9	10 (=3 to 9)	11	12 (=10 - 11)	12a	13	14	15	16	17	18	19
Result/balance from technical account	1																				
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Result/balance after standard personal expenses (6-7)	8																				
Other' personal expenses (see instructions)	9																				
Result/balance after all personal expenses (8-9)	10																				

UNDERWRITING ACCOUNTING

SYNDICATE NO:……..
SYNDICATE RETURN
6 months ended 30 June 2003
Year of Account Aggregation

Page: .....

		Run-offs	2001	2002	2003	Other adjustments	Annual accounting result (1to 5)
		1	2	3	4	5	6
Gross premiums	1						
Reinsurers' share	2						
Net premiums (1-2)	3						
Gross provision for unearned premium (AA only)	4						
Reinsurers' share (AA only)	5						
Net earned premiums (AA only) (3-4+5)	6						
Reinsurance to close received - gross	7a						
Reinsurance to close received - R/I element	7b						
Reinsurance to close received - net (lines 7a - 7b)	7c						
Run-off reserves received - gross	8a						
Run-off reserves received - R/I element	8b						
Run-off reserves received - net (lines 8a - 8b)	8c						
Sub-total (6+7c+8c)	9						
Gross claims paid	10						
Reinsurers' share of paid amount	11						
Net claims paid (10-11)	12						
Grossed up claims reserves	13						
Unexpired risk provision (URP)	13a						
R/I element of grossing up	14						
R/I element of URP	14a						
Reinsurance to close paid - gross	15						
Reinsurance to close paid - R/I element	16						
Run-off reserves retained - gross	17						
Run-off reserves retained - R/I element	18						
Reinsurance to close paid - net (memo only) (15-16)	19						
Run-off reserves retained - net (memo only) (17-18)	20						
Sub-total (12+13+13a-14-14a+19+20)	21						
Claims management costs	22						
Profit/(loss) on exchange	23						
Administrative expenses	24						
Commissions	25						
Other acquisition expenses	26						
Change in deferred acquisition costs	26a						
Reinsurers' commissions and profit participations	27						
Total operating expenses (24+25+26+26a-27)	28						
Balance on technical account (9-21-22+23-28)	29						
Net technical provisions brought forward	30						
Net technical provisions carried forward	31						
Technical result/balance (29+30-31)	32						

UNDERWRITING ACCOUNTING
2001 ACCOUNT IN 2003

SYNDICATE NO:……..
SYNDICATE RETURN
6 months ended 30 June 2003
Year of Account 2001

		Per syndicate accounts			Schedule 9a adjustments										Annual accounting adjustments						
		Cumulative to 31.12.2002	Movement in 2003	Cumulative to 30.6.2003	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	Commission/ brokerage	Expense accruals	Expense reallocation	Schedule 9a result - cumulative to 30.6.2003	Schedule 9a result - cumulative to 31.12.2002	Schedule 9a result - 2003 calendar year movement	Average exchange rate adjustment	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Further technical provisions	Abridged return	Other adjustments	Annual accounting result (full =12 to 16 + 18: abridged = 17+18))
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Net technical provisions brought forward	30																				
Net technical provisions carried forward	31																				
Technical result/balance (29+30-31)	32																				

UNDERWRITING ACCOUNTING
2002 ACCOUNT IN 2002

SYNDICATE NO:…….
SYNDICATE RETURN
6 months ended 30 June 2003
Year of Account 2002

		Per syndicate accounts			Schedule 9a adjustments										Annual accounting adjustments						
		Cumulative to 31.12.2002	Movement in 2003	Cumulative to 30.6.2003	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	Commission/ brokerage	Expense accruals	Expense reallocation	Schedule 9a result - cumulative to 30.6.2003	Schedule 9a result - cumulative to 31.12.2002	Schedule 9a result - 2003 calendar year movement	Average exchange rate adjsutment	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Further technical provisions	Abridged return	Other adjustments	Annual accounting result (full =12 to 16 + 18: abridged = 17+18))
		1	2	3 (1+2)	4	5	6	7	8	9	10 (=3 to 9)	11	12 (=10-11)	12a	13	14	15	16	17	18	19
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Net claims paid (10-11)	12																				
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Profit/(loss) on exchange	23																				
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Balance on technical account (9-21-22+23-28)	29																				
Net technical provisions brought forward	30																				
Net technical provisions carried forward	31																				
Technical result/balance (29+30-31)	32																				

UNDERWRITING ACCOUNTING
2003 ACCOUNT IN 2002

SYNDICATE NO:……..
SYNDICATE RETURN
6 months ended 30 June 2003
Year of Account 2003

		Per syndicate accounts			Schedule 9a adjustments										Annual accounting adjustments						
		Cumulative to 31.12.2002	Movement in 2003	Cumulative to 30.6.2003	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	Commission/ brokerage	Expense accruals	Expense reallocation	Schedule 9a result - cumulative to 30.6.2003	Schedule 9a result - cumulative to 31.12.2002	Schedule 9a result - 2003 calendar year movement	Average exchange rate adjsutment	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Further technical provisions	Abridged return	Other adjustments	Annual accounting result (full =12 to 16 + 18: abridged = 17+18))
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Run-off reserves received - net (lines 8a - 8b)	8c																				
Sub-total (6+7c+8c)	9																				
Gross claims paid	10																				
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Reinsurers' commissions and profit participations	27																				
Total operating expenses (24+25+26+26a-27)	28																				
Balance on technical account (9-21-22+23-28)	29																				
Net technical provisions brought forward	30																				
Net technical provisions carried forward	31																				
Technical result/balance (29+30-31)	32																				

UNDERWRITING ACCOUNTING
RUN-OFF ACCOUNT IN 2003

SYNDICATE NO:……..
SYNDICATE RETURN
6 months ended 30 June 2003
Year of Account Run-Off

		Per syndicate accounts			Schedule 9a adjustments										Annual accounting adjustments						
		Cumulative to 31.12.2002	Movement in 2003	Cumulative to 30.6.2003	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	Commission/ brokerage	Expense accruals	Expense reallocation	Schedule 9a result - cumulative to 30.6.2003	Schedule 9a result - cumulative to 31.12.2002	Schedule 9a result - 2003 calendar year movement	Average exchange rate adjsutment	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Further technical provisions	Abridged return	Other adjustments	Annual accounting result (full =12 to 16 + 18: abridged = 17+18))
		1	2	3 (1+2)	4	5	6	7	8	9	10 (=3 to 9)	11	12 (=10-11)	12a	13	14	15	16	17	18	19
Gross premiums	1																				
Reinsurers' share	2																				
Net premiums (1-2)	3																				
Gross provision for unearned premium (AA only)	4																				
Reinsurers' share (AA only)	5																				
Net earned premiums (AA only) (3-4+5)	6																				
Reinsurance to close received - gross	7a																				
Reinsurance to close received - R/I element	7b																				
Reinsurance to close received - net (lines 7a - 7b)	7c																				
Run-off reserves received - gross	8a																				
Run-off reserves received - R/I element	8b																				
Run-off reserves received - net (lines 8a - 8b)	8c																				
Sub-total (6+7c+8c)	9																				
Gross claims paid	10																				
Reinsurers' share of paid amount	11																				
Net claims paid (10-11)	12																				
Grossed up claims reserves	13																				
Unexpired risk provision (URP)	13a																				
R/I element of grossing up	14																				
R/I element of URP	14a																				
Reinsurance to close paid - gross	15																				
Reinsurance to close paid - R/I element	16																				
Run-off reserves retained - gross	17																				
Run-off reserves retained - R/I element	18																				
Reinsurance to close paid - net (memo only) (15-16)	19																				
Run-off reserves retained - net (memo only) (17-18)	20																				
Sub-total (12+13+13a-14-14a+19+20)	21																				
Claims management costs	22																				
Profit/(loss) on exchange	23																				
Administrative expenses	24																				
Commissions	25																				
Other acquisition expenses	26																				
Change in deferred acquisition costs	26a																				
Reinsurers' commissions and profit participations	27																				
Total operating expenses (24+25+26+26a-27)	28																				
Balance on technical account (9-21-22+23-28)	29																				
Net technical provisions brought forward	30																				
Net technical provisions carried forward	31																				
Technical result/balance (29+30-31)	32																				

BALANCE SHEET
ASSETS - PAGE 1
ALL YEARS

SYNDICATE NO: ..... **Page .....**

SYNDICATE RETURN
6 months ended 30 June 2003

					1	2	3	4	5	6	7
Investments				**Line**	**run-offs**	**2000**	**2001**	**2002**	**Abridged return**	**Other adjustments**	**Annual accounting result (full = 1 to 4 + 6: abridged = 5+6)**
Financial investments	Equity shares			**1**							
	Other shares and other variable yield securities			**2**							
	Holdings in collective investment schemes			**3**							
	Rights under derivative contracts			**4**							
	Debt securities and other fixed income securities	Fixed interest	Approved securities	**5**							
			Other	**6**							
		Variable interest	Approved securities	**7**							
			Other	**8**							
	Participation in investment pools			**9**							
	Loans secured by mortgages			**10**							
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		**11**							
		Loans secured by policies of insurance issued by the syndicate		**12**							
		Other		**13**							
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		**14**							
		Withdrawal subject to a time restriction of more than one month		**15**							
	Other			**16**							
Deposits with ceding undertakings				**17**							
Reinsurers' share of technical provisions		Claims outstanding		**18**							
		R/I element of URP		**18a**							
		Unearned premiums		**18b**							
		Other		**19**							
Total page 1 (lines 1 to 19)				**20**							

BALANCE SHEET
ASSETS - PAGE 2
ALL YEARS

SYNDICATE NO: .....

Page .....

SYNDICATE RETURN
6 months ended 30 June 2003

				1	2	3	4	5	6	7
Debtors and other assets			**Line**	**run-off**	**2000**	**2001**	**2002**	**Abridged return**	**Other adjustments**	**Annual accounting result (full = 1 to 4 + 6: abridged = 5+6)**
Debtors arising out of direct insurance operations	Policyholders		**21**							
	Intermediaries		**22**							
Salvage and subrogation recoveries			**23**							
Inter syndicate loans			**24**							
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business	Gross reinsurance recoverable on paid claims	**25a**							
		Bad debt provision thereon	**25b**							
		Net reinsurance recoverable on paid claims	**25c**							
		Other insurance debtors (net)	**25d**							
		Due from ceding insurers and intermediaries under reinsurance business	**25e**							
	Due from reinsurers and intermediaries under reinsurance contracts ceded		**26**							
Other debtors	Members	Due within 12 months - excl cash calls	**27**							
		Due within 12 months - cash calls	**27a**							
		Due after 12 months	**28**							
	Other	Due within 12 months	**29**							
		Due after 12 months	**30**							
Tangible assets			**31**							
Cash at bank and in hand	Deposits not subject to time restrictions on withdrawal, with approved credit institutions and approved financial institutions and local authorities		**32**							
	Cash in hand		**33**							
Other assets	Reinsurance to close premium receivable		**34**							
	Overseas deposits		**35**							
	Other (please provide separate analysis)		**36**							
Prepayments and accrued income	Accrued interest and rent		**37**							
	Other prepayments and accrued income		**38**							
	Deferred acquisition costs		**38a**							
Total page 2 (lines 21 to 38)			**39**							
Total page 1 (= line 20)			**40**							
Grand total (= lines 39+40) = AA3 page 3 line 84)			**43**							

BALANCE SHEET
LIABILITIES - PAGE 3
ALL YEARS

Page .....

SYNDICATE NO: .....

SYNDICATE RETURN
6 months ended 30 June 2003

				1	2	3	4	5	6	7
			Line	**run-off**	**2000**	**2001**	**2002**	**Abridged return**	**Other adjustments**	**Annual accounting result (full = 1 to 4 + 6: abridged = 5+6)**
Technical provisions (gross amount)	Claims outstanding		**51**							
	Unexpired risk provision		**51a**							
	Unearned premiums		**54**							
	Other		**55**							
	Total (lines 51 to 55)		**56**							
Claims outstanding which had fallen due for payment before the end of the financial year not included in line 56*	Gross amount		**57**							
	Reinsurers' share		**58**							
	Net(57-58)		**59**							
Analysis of amounts due to members	2003 result before personal expenses per AA1		**60**							
	2002 annual accounting result in 31.12.2002		**60a**							
	2001 annual accounting result in 31.12.2001		**60b**							
	Abridged only - Balance before personal expenses and cash calls at 31.12.2002		**60c**							
	Personal expenses paid on account		**61**							
	Cash calls due by 30.06.2003		**65**							
	Amounts overpaid by members		**68**							
	Other		**69**							
Provision for other risks and charges	Taxation		**70**							
	Other		**71**							
Deposits received from reinsurers			**72**							
Creditors	Arising out of insurance operations	Direct business	**73**							
		Reinsurance accepted	**74**							
		Reinsurance ceded	**75**							
	Debenture loans	Secured	**76**							
		Unsecured	**77**							
	Amounts owed to credit institutions		**78**							
	Other creditors	Taxation	**79**							
		RITC premiums payable	**80**							
		Inter-syndicate loans	**81**							
		Other (please provide separate analysis)	**82**							
Accruals and deferred income			**83**							
Total (lines 56 + 59 + 60 to 83) (= AA3 page 2 line 43)			**84**							

*** Lines 57 to 59 to be completed in respect of LIFE syndicates only**

BALANCE SHEET
ASSETS - PAGE 1
2001 YEAR OF ACCOUNT

SYNDICATE NO: .....

Page .....

SYNDICATE RETURN
6 months ended 30 June 2003

					Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
					1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
Investments				**Line**		**Accrued premium**	**Fund reallocation**	**Reallocation of cash**	**Expense accrual**	**Schedule 9a**	**Unearned premiums**	**Deferred acquisition costs**	**Claims reserves reversal**	**Technical provisions**	**Other adjustments**	**Annual accounting result (6 to 11)**
Financial investments	Equity shares			**1**												
	Other shares and other variable yield securities			**2**												
	Holdings in collective investment schemes			**3**												
	Rights under derivative contracts			**4**												
	Debt securities and other fixed income securities	Fixed interest	Approved securities	**5**												
			Other	**6**												
		Variable interest	Approved securities	**7**												
			Other	**8**												
	Participation in investment pools			**9**												
	Loans secured by mortgages			**10**												
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		**11**												
		Loans secured by policies of insurance issued by the syndicate		**12**												
		Other		**13**												
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		**14**												
		Withdrawal subject to a time restriction of more than one month		**15**												
	Other			**16**												
Deposits with ceding undertakings				**17**												
Reinsurers' share of technical provisions		Claims outstanding		**18**												
		R/I element of URP		**18a**												
		Unearned premiums		**18b**												
		Other		**19**												
Total page 1 (lines 1 to 19)				**20**												

BALANCE SHEET
ASSETS - PAGE 2
2001 YEAR OF ACCOUNT

SYNDICATE NO: .....

Page .....

SYNDICATE RETURN
6 months ended 30 June 2003

				Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
				1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
Debtors and other assets			**Line**		**Accrued premium**	**Fund reallocation**	**Reallocation of cash**	**Expense accrual**	**Schedule 9a**	**Unearned premiums**	**Deferred acquisition costs**	**Claims reserves reversal**	**Technical provisions**	**Other adjustments**	**Annual accounting result (6 to 11)**
Debtors arising out of direct insurance operations	Policyholders		**21**						0						
	Intermediaries		**22**						0						
Salvage and subrogation recoveries			**23**						0						
Inter syndicate loans			**24**						0						
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business	Gross reinsurance recoverable on paid claims	**25a**						0						
		Bad debt provision thereon	**25b**												
		Net reinsurance recoverable on paid claims	**25c**												
		Other insurance debtors (net)	**25d**												
		Due from ceding insurers and intermediaries under reinsurance business	**25e**												
	Due from reinsurers and intermediaries under reinsurance contracts ceded		**26**						0						
Other debtors	Members	Due within 12 months - excl cash calls	**27**						0						
		Due within 12 months - cash calls	**27a**												
		Due after 12 months	**28**						0						
	Other	Due within 12 months	**29**						0						
		Due after 12 months	**30**						0						
Tangible assets			**31**						0						
Cash at bank and in hand	Deposits not subject to time restrictions on withdrawal, with approved credit institutions and approved financial institutions		**32**						0						
	Cash in hand		**33**						0						
Other assets	Reinsurance to close premium receivable		**34**						0						
	Overseas deposits		**35**						0						
	Other (please provide separate analysis)		**36**						0						
Prepayments and accrued income	Accrued interest and rent		**37**						0						
	Other prepayments and accrued income		**38**						0						
	Deferred acquisition costs		**38a**												
Total page 2 (lines 21 to 38)			**39**	0	0		0		0	0	0	0	0	0	0
Total page 1 (= line 20)			**40**	0	0	0	0	0	0	0	0	0	0	0	0
Grand total (= lines 39+40) = AA3 page 3 line 84)			**43**	0	0	0	0	0	0	0	0	0	0	0	0

BALANCE SHEET
LIABILITIES - PAGE 3
2001 YEAR OF ACCOUNT

Page .....

SYNDICATE NO: .....

SYNDICATE RETURN
6 months ended 30 June 2003

				Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
				1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
			Line		**Accrued premium**	**Fund reallocation**	**Reallocation of cash**	**Expense accrual**	**Schedule 9a**	**Unearned premiums**	**Deferred acquisition costs**	**Claims reserves reversal**	**Technical provisions**	**Other adjustments**	**Annual accounting result (6 to 11)**
Technical provisions (gross amount)	Claims outstanding		**51**												
	Unexpired risk provision		**51a**												
	Unearned premiums		**54**												
	Other		**55**												
	Total (lines 51 to 55)		**56**												
Claims outstanding which had fallen due for payment before the end of the financial year not included in line 56*	Gross amount		**57**												
	Reinsurers' share		**58**												
	Net(57-58)		**59**												
Analysis of amounts due to members	Result before personal expenses per AA1		**60**												
	2002 annual accounting result in 31.12.2002		**60a**												
	2001 annual accounting result in 31.12.2001		**60b**												
	Personal expenses paid on account		**61**												
	Cash calls due by 30.06.2003		**65**												
	Amounts overpaid by members		**68**												
	Other		**69**												
Provision for other risks and charges	Taxation		**70**												
	Other		**71**												
Deposits received from reinsurers			**72**												
Creditors	Arising out of insurance operations	Direct business	**73**												
		Reinsurance accepted	**74**												
		Reinsurance ceded	**75**												
	Debenture loans	Secured	**76**												
		Unsecured	**77**												
	Amounts owed to credit institutions		**78**												
	Other creditors	Taxation	**79**												
		RITC premiums payable	**80**												
		Inter-syndicate loans	**81**												
		Other (please provide separate analysis)	**82**												
Accruals and deferred income			**83**												
Total (lines 56 + 59 + 60 to 83) (= AA3 page 2 line 43)			**84**												

*** Lines 57 to 59 to be completed in respect of LIFE syndicates only**

BALANCE SHEET
ASSETS - PAGE 1
2002 YEAR OF ACCOUNT

SYNDICATE NO: .....

Page .....

SYNDICATE RETURN
6 months ended 30 June 2003

					Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
					1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
Investments				**Line**		**Accrued premium**	**Fund reallocation**	**Reallocation of cash**	**Expense accrual**	**Schedule 9a**	**Unearned premiums**	**Deferred acquisition costs**	**Claims reserves reversal**	**Technical provisions**	**Other adjustments**	**Annual accounting result (6 to 11)**
Financial investments	Equity shares			**1**												
	Other shares and other variable yield securities			**2**												
	Holdings in collective investment schemes			**3**												
	Rights under derivative contracts			**4**												
	Debt securities and other fixed income securities	Fixed interest	Approved securities	**5**												
			Other	**6**												
		Variable interest	Approved securities	**7**												
			Other	**8**												
	Participation in investment pools			**9**												
	Loans secured by mortgages			**10**												
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		**11**												
		Loans secured by policies of insurance issued by the syndicate		**12**												
		Other		**13**												
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		**14**												
		Withdrawal subject to a time restriction of more than one month		**15**												
	Other			**16**												
Deposits with ceding undertakings				**17**												
Reinsurers' share of technical provisions		Claims outstanding		**18**												
		R/I element of URP		**18a**												
		Unearned premiums		**18b**												
		Other		**19**												
Total page 1 (lines 1 to 19)				**20**												

BALANCE SHEET
ASSETS - PAGE 2
2002 YEAR OF ACCOUNT

SYNDICATE NO: .....

SYNDICATE RETURN
6 months ended 30 June 2003

				Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
				1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
Debtors and other assets			**Line**		**Accrued premium**	**Fund reallocation**	**Reallocation of cash**	**Expense accrual**	**Schedule 9a**	**Unearned premiums**	**Deferred acquisition costs**	**Claims reserves reversal**	**Technical provisions**	**Other adjustments**	**Annual accounting result (6 to 11)**
Debtors arising out of direct insurance operations	Policyholders		**21**												
	Intermediaries		**22**												
Salvage and subrogation recoveries			**23**												
Inter syndicate loans			**24**												
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business	Gross reinsurance recoverable on paid claims	**25a**												
		Bad debt provision thereon	**25b**												
		Net reinsurance recoverable on paid claims	**25c**												
		Other insurance debtors (net)	**25d**												
		Due from ceding insurers and intermediaries under reinsurance business	**25e**												
	Due from reinsurers and intermediaries under reinsurance contracts ceded		**26**												
Other debtors	Members	Due within 12 months - excl cash calls	**27**												
		Due within 12 months - cash calls	**27a**												
		Due after 12 months	**28**												
	Other	Due within 12 months	**29**												
		Due after 12 months	**30**												
Tangible assets			**31**												
Cash at bank and in hand	Deposits not subject to time restrictions on withdrawal, with approved credit institutions and approved financial institutions and local authorities		**32**												
	Cash in hand		**33**												
Other assets	Reinsurance to close premium receivable		**34**												
	Overseas deposits		**35**												
	Other (please provide separate analysis)		**36**												
Prepayments and accrued income	Accrued interest and rent		**37**												
	Other prepayments and accrued income		**38**												
	Deferred acquisition costs		**38a**												
Total page 2 (lines 21 to 38)			**39**												
Total page 1 (= line 20)			**40**												
Grand total (= lines 39+40) = AA3 page 3 line 84)			**43**												

BALANCE SHEET
LIABILITIES - PAGE 3
2002 YEAR OF ACCOUNT

Page .....

SYNDICATE NO: .....

SYNDICATE RETURN
6 months ended 30 June 2003

				Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
				1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
			Line		Accrued premium	Fund reallocation	Reallocation of cash	Expense accrual	Schedule 9a	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Technical provisions	Other adjustments	Annual accounting result (6 to 11)
Technical provisions (gross amount)	Claims outstanding		51												
	Unexpired risk provision		51a												
	Unearned premiums		54												
	Other		55												
	Total (lines 51 to 55)		56												
Claims outstanding which had fallen due for payment before the end of the financial year not included in line 56*	Gross amount		57												
	Reinsurers' share		58												
	Net(57-58)		59												
Analysis of amounts due to members	Result before personal expenses per AA1		60												
	2002 annual accounting result in 31.12.2002		60a												
			60b												
	Personal expenses paid on account		61												
	Cash calls due by 30.06.2003		65												
	Amounts overpaid by members		68												
	Other		69												
Provision for other risks and charges	Taxation		70												
	Other		71												
Deposits received from reinsurers			72												
Creditors	Arising out of insurance operations	Direct business	73												
		Reinsurance accepted	74												
		Reinsurance ceded	75												
	Debenture loans	Secured	76												
		Unsecured	77												
	Amounts owed to credit institutions		78												
	Other creditors	Taxation	79												
		RITC premiums payable	80												
		Inter-syndicate loans	81												
		Other (please provide separate analysis)	82												
Accruals and deferred income			83												
Total (lines 56 + 59 + 60 to 83) (= AA3 page 2 line 43)			84												

*** Lines 57 to 59 to be completed in respect of LIFE syndicates only**

BALANCE SHEET
ASSETS - PAGE 1
2003 YEAR OF ACCOUNT

SYNDICATE NO: .....

Page .....

SYNDICATE RETURN
6 months ended 30 June 2003

					Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
					1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
Investments				**Line**		**Accrued premium**	**Fund reallocation**	**Reallocation of cash**	**Expense accrual**	**Schedule 9a**	**Unearned premiums**	**Deferred acquisition costs**	**Claims reserves reversal**	**Technical provisions**	**Other adjustments**	**Annual accounting result (6 to 11)**
Financial investments	Equity shares			**1**						0						0
	Other shares and other variable yield securities			**2**						0						0
	Holdings in collective investment schemes			**3**						0						0
	Rights under derivative contracts			**4**						0						0
	Debt securities and other fixed income securities	Fixed interest	Approved securities	**5**						0						0
			Other	**6**						0						0
		Variable interest	Approved securities	**7**						0						0
			Other	**8**						0						0
	Participation in investment pools			**9**						0						0
	Loans secured by mortgages			**10**						0						0
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		**11**						0						0
		Loans secured by policies of insurance issued by the syndicate		**12**						0						0
		Other		**13**						0						0
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		**14**						0						0
		Withdrawal subject to a time restriction of more than one month		**15**						0						0
	Other			**16**						0						0
Deposits with ceding undertakings				**17**						0						0
Reinsurers' share of technical provisions		Claims outstanding		**18**						0			0			0
		R/I element of URP		**18a**												0
		Unearned premiums		**18b**												0
		Other		**19**						0						0
Total page 1 (lines 1 to 19)				**20**	0	0	0	0		0	0	0	0	0	0	0

BALANCE SHEET
ASSETS - PAGE 2
2003 YEAR OF ACCOUNT

SYNDICATE NO: .....

SYNDICATE RETURN
6 months ended 30 June 2003

				Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
				1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
Debtors and other assets			**Line**		**Accrued premium**	**Fund reallocation**	**Reallocation of cash**	**Expense accrual**	**Schedule 9a**	**Unearned premiums**	**Deferred acquisition costs**	**Claims reserves reversal**	**Technical provisions**	**Other adjustments**	**Annual accounting result (6 to 11)**
Debtors arising out of direct insurance operations	Policyholders		**21**						0						0
	Intermediaries		**22**						0						0
Salvage and subrogation recoveries			**23**						0						0
Inter syndicate loans			**24**						0						0
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business	Gross reinsurance recoverable on paid claims	**25a**						0						0
		Bad debt provision thereon	**25b**												
		Net reinsurance recoverable on paid claims	**25c**												
		Other insurance debtors (net)	**25d**												
		Due from ceding insurers and intermediaries under reinsurance business	**25e**												
	Due from reinsurers and intermediaries under reinsurance contracts ceded		**26**						0						0
Other debtors	Members	Due within 12 months - excl cash calls	**27**						0						0
		Due within 12 months - cash calls	**27a**												0
		Due after 12 months	**28**						0						0
	Other	Due within 12 months	**29**						0						0
		Due after 12 months	**30**						0						0
Tangible assets			**31**						0						0
Cash at bank and in hand	Deposits not subject to time restrictions on withdrawal, with approved credit institutions and approved financial institutions and local authorities		**32**						0						0
	Cash in hand		**33**						0						0
Other assets	Reinsurance to close premium receivable		**34**						0						0
	Overseas deposits		**35**						0						0
	Other (please provide separate analysis)		**36**						0						0
Prepayments and accrued income	Accrued interest and rent		**37**						0						0
	Other prepayments and accrued income		**38**						0						0
	Deferred acquisition costs		**38a**												0
Total page 2 (lines 21 to 38)			**39**	0	0		0		0		0			0	0
Total page 1 (= line 20)			**40**	0	0	0	0	0	0	0	0	0	0	0	0
Grand total (= lines 39+40) = AA3 page 3 line 84)			**43**	0	0	0	0	0	0	0	0	0	0	0	0

BALANCE SHEET
LIABILITIES - PAGE 3
2003 YEAR OF ACCOUNT

SYNDICATE NO: .....

SYNDICATE RETURN
6 months ended 30 June 2003

				Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
				1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
			Line		**Accrued premium**	**Fund reallocation**	**Reallocation of cash**	**Expense accrual**	**Schedule 9a**	**Unearned premiums**	**Deferred acquisition costs**	**Claims reserves reversal**	**Technical provisions**	**Other adjustments**	**Annual accounting result (6 to 11)**
Technical provisions (gross amount)	Claims outstanding		**51**						0			0			0
	Unexpired risk provision		**51a**						0						0
	Unearned premiums		**54**												0
	Other		**55**						0						0
	Total (lines 51 to 55)		**56**	0	0	0			0	0	0	0	0	0	0
Claims outstanding which had fallen due for payment before the end of the financial year not included in line 56*	Gross amount		**57**												0
	Reinsurers' share		**58**												0
	Net(57-58)		**59**											0	0
Analysis of amounts due to members	Result before personal expenses per SR1		**60**						0						0
			60a												0
			60b												
	Personal expenses paid on account		**61**						0						0
	Cash calls due by 30.06.2003		**65**						0						0
	Amounts overpaid by members		**68**						0						0
	Other		**69**						0						0
Provision for other risks and charges	Taxation		**70**						0						0
	Other		**71**						0						0
Deposits received from reinsurers			**72**						0						0
Creditors	Arising out of insurance operations	Direct business	**73**						0						0
		Reinsurance accepted	**74**						0						0
		Reinsurance ceded	**75**						0						0
	Debenture loans	Secured	**76**						0						0
		Unsecured	**77**						0						0
	Amounts owed to credit institutions		**78**						0						0
	Other creditors	Taxation	**79**						0						0
		RITC premiums payable	**80**						0						0
		Inter-syndicate loans	**81**						0						0
		Other (please provide separate analysis)	**82**						0						0
Accruals and deferred income			**83**						0						0
Total (lines 56 + 59 + 60 to 83) (= AA3 page 2 line 43)			**84**	0	0	0		0	0	0	0	0	0	0	0

*** Lines 57 to 59 to be completed in respect of LIFE syndicates only**

BALANCE SHEET
ASSETS - PAGE 1
RUN-OFF YEAR OF ACCOUNT

SYNDICATE NO: .....

Page .....

SYNDICATE RETURN
6 months ended 30 June 2003

					Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
					1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
Investments				**Line**		**Accrued premium**	**Fund reallocation**	**Reallocation of cash**	**Expense accrual**	**Schedule 9a**	**Unearned premiums**	**Deferred acquisition costs**	**Claims reserves reversal**	**Technical provisions**	**Other adjustments**	**Annual accounting result (6 to 11)**
Financial investments	Equity shares			**1**												
	Other shares and other variable yield securities			**2**												
	Holdings in collective investment schemes			**3**												
	Rights under derivative contracts			**4**												
	Debt securities and other fixed income securities	Fixed interest	Approved securities	**5**												
			Other	**6**												
		Variable interest	Approved securities	**7**												
			Other	**8**												
	Participation in investment pools			**9**												
	Loans secured by mortgages			**10**												
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		**11**												
		Loans secured by policies of insurance issued by the syndicate		**12**												
		Other		**13**												
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		**14**												
		Withdrawal subject to a time restriction of more than one month		**15**												
	Other			**16**												
Deposits with ceding undertakings				**17**												
Reinsurers' share of technical provisions		Claims outstanding		**18**												
		R/I element of URP		**18a**												
		Unearned premiums		**18b**												
		Other		**19**												
Total page 1 (lines 1 to 19)				**20**												

BALANCE SHEET
ASSETS - PAGE 2
RUN-OFF YEAR OF ACCOUNT

SYNDICATE NO: .....

Page .....

SYNDICATE RETURN
6 months ended 30 June 2003

				Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
				1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
Debtors and other assets			**Line**		**Accrued premium**	**Fund reallocation**	**Reallocation of cash**	**Expense accrual**	**Schedule 9a**	**Unearned premiums**	**Deferred acquisition costs**	**Claims reserves reversal**	**Technical provisions**	**Other adjustments**	**Annual accounting result (6 to 11)**
Debtors arising out of direct insurance operations	Policyholders		**21**												
	Intermediaries		**22**												
Salvage and subrogation recoveries			**23**												
Inter syndicate loans			**24**												
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business	Gross reinsurance recoverable on paid claims	**25a**												
		Bad debt provision thereon	**25b**												
		Net reinsurance recoverable on paid claims	**25c**												
		Other insurance debtors (net)	**25d**												
		Due from ceding insurers and intermediaries under reinsurance business	**25e**												
	Due from reinsurers and intermediaries under reinsurance contracts ceded		**26**												
Other debtors	Members	Due within 12 months - excl cash calls	**27**												
		Due within 12 months - cash calls	**27a**												
		Due after 12 months	**28**												
	Other	Due within 12 months	**29**												
		Due after 12 months	**30**												
Tangible assets			**31**												
Cash at bank and in hand	Deposits not subject to time restrictions on withdrawal, with approved credit institutions and approved financial institutions and local authorities		**32**												
	Cash in hand		**33**												
Other assets	Reinsurance to close premium receivable		**34**												
	Overseas deposits		**35**												
	Other (please provide separate analysis)		**36**												
Prepayments and accrued income	Accrued interest and rent		**37**												
	Other prepayments and accrued income		**38**												
	Deferred acquisition costs		**38a**												
Total page 2 (lines 21 to 38)			**39**												
Total page 1 (= line 20)			**40**												
Grand total (= lines 39+40) = AA3 page 3 line 84)			**43**												

BALANCE SHEET
LIABILITIES - PAGE 3
RUN-OFF YEAR OF ACCOUNT

Page .....

SYNDICATE NO: .....

SYNDICATE RETURN
6 months ended 30 June 2003

				Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments					
				1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12
			Line		Accrued premium	Fund reallocation	Reallocation of cash	Expense accrual	Schedule 9a	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Technical provisions	Other adjustments	Annual accounting result (6 to 11)
Technical provisions (gross amount)	Claims outstanding		51						0						0
	Unexpired risk provision		51a						0						0
	Unearned premiums		54												0
	Other		55												0
	Total (lines 51 to 55)		56	0					0	0	0	0	0	0	0
Claims outstanding which had fallen due for payment before the end of the financial year not included in line 56*	Gross amount		57												0
	Reinsurers' share		58												0
	Net(57-58)		59												0
Analysis of amounts due to members	2003 result before personal expenses per AA1		60						0						0
	2002 annual accounting result in 31.12.2002		60a						0						0
	2001 annual accounting result in 31.12.2001		60b												0
	Personal expenses paid on account		61						0						0
	Cash calls due by 30.06.2003		65						0						0
	Amounts overpaid by members		68						0						0
	Other		69						0						0
Provision for other risks and charges	Taxation		70						0						0
	Other		71						0						0
Deposits received from reinsurers			72						0						0
Creditors	Arising out of insurance operations	Direct business	73						0						0
		Reinsurance accepted	74						0						0
		Reinsurance ceded	75						0						0
	Debenture loans	Secured	76						0						0
		Unsecured	77						0						0
	Amounts owed to credit institutions		78						0						0
	Other creditors	Taxation	79						0						0
		RITC premiums payable	80						0						0
		Inter-syndicate loans	81						0						0
		Other (please provide separate analysis)	82						0						0
Accruals and deferred income			83						0						0
Total (lines 56 + 59 + 60 to 83) (= AA3 page 2 line 43)			84	0	0	0		0	0	0	0	0	0	0	0

*** Lines 57 to 59 to be completed in respect of LIFE syndicates only**

SEGMENTAL REPORTING

Analysis of 2003 Annual Accounting Result

SYNDICATE NO: .....

SYNDICATE RETURN
6 months ended 30 June 2003

		1	2	3	4	5	6	7	8	9 (=1 to 8)	10	11 (= 9+10)
		Accident & Health	Motor (third party liability)	Motor (other classes)	Marine, aviation & transport	Fire and other damage to property	Third-party liability	Life	Other	Total direct	Reinsurance Accepted	Total
Gross premium written	1											
Gross premium earned	2											
Gross claims incurred	3											
Operating expenses	4											
Gross technical result (2-3-4)	5											
Reinsurance balance	6											
Net technical result (5+6)	7											
Net technical provisions	8											

Reconciliations

SYNDICATE NO: ..... Page …..

SYNDICATE RETURN

6 months ended 30 June 2003

		col 1			col 2
Provision for claims					
Gross amount				**Reinsurers' share**	
Opening balance	1			Opening balance	
Movement per technical account	2			Movement per technical account	
	3	0			0
Closing balance	4			Closing balance	
Difference	5	0		Difference	0
Reconciling items				Reconciling items	
Exchange difference	6			Exchange difference	
	7				
	8				
	9				
	10	0			0

Unearned premiums					
Gross amount				**Reinsurers' share**	
Opening balance	11			Opening balance	
Movement per technical account	12			Movement per technical account	
	13	0			0
Closing balance	14			Closing balance	
Difference	15	0		Difference	0
Reconciling items				Reconciling items	
Exchange difference	16			Exchange difference	
	17				
	18				
	19				
	20	0			0

Balance due to/(from) members				**Deferred acquisition costs**	
Opening balance	21			Opening balance	
Movement per technical account	22			Movement per technical account	
	23	0			0
Closing balance	24			Closing balance	
Difference	25	0		Difference	0
Reconciling items				Reconciling items	
Exchange difference	26			Exchange difference	
Distribution	27				
Cash calls	28				
	29				
	30	0			0

Pro forma technical account

SYNDICATE NO: .....
SYNDICATE RETURN
6 months ended 30 June 2003

	2003 £000	£000	From AA1(sum) & AA2(sum) lines				
Gross premiums written			1				
Outward reinsurance premiums			2				
Premiums written, net of reinsurance		0					
Change in the gross provision for unearned premiums			4				
Change in provision for unearned premiums, reinsurers' share			5				
Earned premiums, net of reinsurance		0					
Investment return			AA1 lines	2	3	-4	-5
		0					
Claims paid							
Gross amount			10				
Reinsurers share			11				
		0					
Change in the provision for claims							
Gross amount			13 13a	15	17	-7a	-8a
Reinsurers share			14 14a	16	18	-7b	-8b
		0					
Claims incurred net of reinsurance		0					
Acquisition costs			25 26				
Change in deferred acquisition costs			26a				
Administrative expenses			22 24	-27 AA1 lines 7 & 9			
(Profit)/Loss on Exchange			-23				
Net operating expenses		0					
Balance of the technical account for general business		0					

Pro forma balance sheet

SYNDICATE NO: ..... Page…..
SYNDICATE RETURN
6 months ended 30 June 2003

	2003 £000	£000	From AA3(sum) lines					
Financial investments								
Shares and other variable yield securities			1	2	3			
Debt securities and other fixed income securities			5	6	7	8		
Participation in Investment Pools			9					
Loans and deposits with credit institutions			10	11	12	13	14	15
Deposits with ceding undertakings			17					
Other investments			4	16				
Total investments		0						
Reinsurers share of technical provisions								
Claims outstanding			18	18a	58			
Unearned premiums			18b					
Other			19					
		0						
Debtors								
Debtors arising out of direct insurance operations			21	22				
Debtors arising out of reinsurance operations			25e	26				
Other debtors			23	27	27a	28	29	30
		0						
Other assets								
Tangible assets			31					
Cash at bank and in hand			32	33				
Reinsurance to close premium			34		-80			
Overseas deposits			35					
Other			24	36				
		0						
Prepayments and accrued income								
Accrued interest and rent			37					
Deferred acquistion costs			38a					
Other prepayments and accrued income			38					
		0						
Total assets		0						
Balance due to members			60	to	69			
Technical provisions								
Provision for unearned premiums			54					
Claims outstanding			51	51a	57			
Other			55					
		0						
Provision for other risks and charges			70	71				
Deposits received from reinsurers			72					
Creditors								
Creditors arising out of direct insurance operations			73					
Creditors arising out of reinsurance operations			74	75				
Debenture loans			76	77				
Amounts owed to credit institutions			78					
Other creditors including taxation			79	81	82			
		0						
Accruals and deferred income			83					
Total liabilities		0						

Opening balance sheet

SYNDICATE NO: ..... Page…..

SYNDICATE RETURN

6 months ended 30 June 2003

		1	2	3	4	5 = 1 + 3	6 = 2 + 4
		As reported at 31.12.2002		Adjustments		Restated opening balance sheet	
Shares and other variable yield securities	1						
Debt securities and other fixed income securities	2						
Participation in Investment Pools	2a						
Loans and deposits with credit institutions	3						
Deposits with ceding undertakings	4						
Other investments	5						
Total investments (= 1 to 5)	6		0				0
Reinsurers share of technical provisions	7						
Claims outstanding	8						
Unearned premiums	9						
Other	10						
Sub total (= 8 to 10)	11		0				0
Debtors							
Debtors arising out of direct insuranceoperations	12						
Debtors arising out of reinsurance operations	13						
Other debtors	14						
Sub-total (=12 to 14)	15		0				0
Other assets							
Tangible assets	16						
Cash at bank and in hand	17						
Reinsurance to close premium	18						
Overseas deposits	19						
Other	20						
Sub-total (= 16 to 20)	21		0				0
Prepayments and accrued income							
Accrued interest and rent	22						
Deferred acquistion costs	23						
Other prepayments and accrued income	24						
Sub-total (=22 to 25)	25		0				0
Total assets	26		0				0

Balance due to members	27						
Technical provisions	28						
Provision for unearned premiums	29						
Claims outstanding	30						
Other	31						
Sub total (= 29 to 31)	32		0				0
Provision for other risks and charges	33						
Deposits received from reinsurers	34						
Creditors							
Creditors arising out of direct insurance operations	35						
Creditors arising out of reinsurance operations	36						
Debenture loans	37						
Amounts owed to credit institutions	38						
Other creditors including taxation	39						
Sub total	40		0				0
Accruals and deferred income	41						
Total liabilities	42		0				0

Analysis of result after all personal expenses

SYNDICATE NO: ..... Page…..

SYNDICATE RETURN

6 months ended 30 June 2003

		2003	Combined Ratio %
Run-offs	1		
2001	2		
2002	3		
2003	4		
Total	5		

Explanation of material movements

BASIS OF PREPARATION

Notes to the AAR for the 6 months ended 30 June 2003

The interim annual accounting return is prepared in accordance with the instructions set out in the Market Bulletin dated 19 June 2003, entitled '2003 Interim Annual Accounting Return'.

The interim annual accounting return presents syndicate financial information for the six months to 30 June 2003 on an annual accounting basis similar to the basis on which corporate vehicle UK accounts are prepared under schedule 9a of the Companies Act 1985.

The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in December 1998 have been adopted subject to modifications appropriate to Lloyd's financial reporting.

Underwriting Transactions

Premiums

Gross premiums written represent premiums on business incepting during the year together with adjustments to premiums written in previous accounting periods and estimates for "pipeline" premiums. Gross premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

Unearned Premiums

The provision for unearned premiums represents that part of gross premiums written and the reinsurers' share that is estimated to be earned after the balance sheet date.

Deferred Acquisition Costs

Acquisition costs arising from the conclusion of insurance contracts are deferred and amortised over the period in which the premium is earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date. Such costs include brokerage and syndicate expenses deemed to relate to the acquisition of business.

Claims

Claims incurred comprise claims and expenses paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end. Included in the provision is an estimate of the cost of handling the outstanding claims

Provisions for claims outstanding are based on information available to the managing agent and the eventual outcome may vary from the original assessment.

Unexpired Risk Provisions

A provision for unexpired risks is made when it is anticipated that unearned premiums will be insufficient to meet future claims and claims settlement expenses of business in force at the period end. The provision for unexpired risks is included within technical provisions in the balance sheet.

Profit Commission

Profit commissions due to the managing agent is recognised as earned pro rata to the recognition of underwriting profits on an annual basis.

Exchange Rates

Syndicate assets and liabilities expressed in convertible currencies are translated at the rates of exchange ruling at 30 June. Income and expenditure transactions in 2003 are translated using average exchange rates. Underwriting transactions in other foreign currencies are included in the accounts at historical rates. All differences on the translation of foreign currency amounts in the syndicates are dealt with in the underwriting account.

Investments

Listed investments are shown at market value.

Investment Return

The investment return comprises investment income, investment gains less losses realised and unrealised, and is net of investment expenses and charges. The returns on investments arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Taxation

No provision has been made for United Kingdom taxation on the result show in the underwriting account. Under Schedule 20, FA1993, managing agents are not required to deduct basic rate income tax from trading income, including capital appreciation, of the syndicate.

It remains the responsibility of members to agree their personal UK tax liabilities, including any liability to higher rate tax, or in the case of corporate members, their corporation tax liabilities with the Inland Revenue.

Managing Agent's Report

Syndicate

Syndicate Return
6 months ended 30 June 2003

To the Council of Lloyd's

Managing agent……..

Responsibilities

The Market Bulletin dated 19 June 2003 – "2003 Interim Annual Accounting Return" requires the managing agent to prepare Forms AAFront to AA11 in respect of syndicates that it manages for the year ended 30 June 2003 in accordance with the instructions and guidance contained therein ("the Instructions")

In preparing the AAR, the Managing Agent is required to comply with the Instructions including;

- selecting suitable accounting policies which are applied consistently;
- making judgements and estimates that are reasonable and prudent; and
- following applicable accounting standards and the guidance within the ABI SORP (modified in accordance with the Instructions) , subject to any material departures being disclosed and explained in the AAR.

Certificate

We certify that the Annual Accounting Return has been properly prepared in accordance with the Instructions.

Signed _____ Compliance Officer*

Name _____ (BLOCK CAPITALS)

Signed _____ Director/Partner*

Name _____ (BLOCK CAPITALS)

On behalf of _____ Managing Agent

Date _____

* The signatories must be different