

FROM: Head, Market Reporting
LOCATION: MR/86/G5
EXTENSION: 5129
DATE: 4 August 2003
REFERENCE: Y3112
SUBJECT: DIRECT REVENUE REPORTING
SUBJECT AREA(S):
ATTACHMENTS: Yes
ACTION POINTS: **Managing agents to note the new reporting arrangements for quarterly direct revenue data.**
DEADLINE: **New reporting arrangements come into effect for Q2 2003 which is due by 21st August 2003.**

Further to Market Bulletin Y3063, the Market Returns Website for reporting line of business paid and incurred data is now available, having been tested by several managing agencies. This is being introduced for your Q2 data by your individual lines of business as reported in the recent Syndicate Business Forecast. As previously stated, the deadline for receipt of this data is the same as the SQR, which for Q2 is 21st August 2003.

For this first tranche of data, we are anticipating receipt of your cumulative paid and incurred data as at each quarter commencing Q1 2002 to Q2 2003 for 2002 and subsequent years of account. (i.e. 6 separate quarters of data for 2002 and 2 separate quarters for 2003).

In future quarters, agents will only be required to submit cumulative data for the most recent quarter end in respect of 2002 and subsequent years of account.

The purpose of this data is to compare the loss ratio development of each line of business for each year of account with the market average benchmarks, in the same way as we currently do for the syndicate whole accounts. For this we will use the Ultimate Premium forecasts you recently submitted in the SBF return along with the line of business risk code/ currency mappings to derive unique line of business benchmarks. These will be sent to you by the end of September as part of your quarterly report from Franchise Performance Market Analysis.

For the time being we will require data on a gross basis, however should agents wish, we can receive and benchmark data on a net basis as well for inclusion in their quarterly reports.

For instructions on how to complete this return, please see Appendix A (attached). Any other queries regarding the contents of this bulletin should be directed to John Parry (john.parry@lloyds.com) Doug Morton (douglas.morton@lloyds.com) or Quentin Moore (quentin.moore@lloyds.com).

John Parry
Head, Market Reporting

Appendix A**1 Direct Revenue Reporting Instructions**

1) Reporting in currency

Paid and incurred data should be submitted in the three main settlement currencies, in accordance with the SQR Form 2 for the relevant year of account.

2) Line of business / Major Category

This field has been pre-populated with the lines of business and lines of business codes from the most recent of your Annual Business Plan or Syndicate Business Forecast submissions. Relevant cumulative paid and incurred claims data for each of the 2002 and 2003 years' of account should be reported by these lines of business. The form has been designed to accept one quarter's data at a time and therefore, for the first data run at Q2 2003, we require where applicable 6 iterations, being:

| | | | | | | |
|------------------------|----|----|----|----|----|----|
| 2002 Year of Account @ | Q1 | Q2 | Q3 | Q4 | Q5 | Q6 |
| 2003 Year of Account @ | | | | | Q1 | Q2 |

3) Gross and Net

Under the terms of the CSG document, for the present, Franchisees' gross performance will be monitored by the Franchisor each quarter. Therefore completion of the gross information is compulsory. However, should agents wish to have net data benchmarked as well, we have ensured that the facility is available. Furthermore, we have incorporated a logical check within the form that prevents entry of net data for any line of business exceeding its corresponding gross entry.

4) Totals

The totals of each column will be checked against the corresponding SQR Form 2 totals for reasonableness. Whilst reconciliation to the last digit will NOT be required, we will expect agents to investigate and correct any obvious disparity.

5) Feedback

This data will also be used to provide managing agents with a quarterly report that compares the loss ratio development of each line of business for each year of account with the market average benchmarks all of their syndicates.