

FROM: Manager, Solvency and Reporting
LOCATION: MR/86/G5
EXTENSION: 6433
DATE: 2 January 2004
REFERENCE: Y3231
SUBJECT: RATES OF EXCHANGE – 31 DECEMBER 2003
SUBJECT AREA(S):
ATTACHMENTS:
ACTION POINTS: **For use in year-end accounts, syndicate returns and syndicate quarterly reporting packs.**
DEADLINE: **Not applicable**

I am writing to advise you of the settlement currency rates to apply for reporting purposes as at 31 December 2003 which are as follows (to the £):

US dollars	1.79
Canadian dollars	2.31
Euro	1.42
South African rand	11.95
Australian dollar	2.38
Japanese yen	191.85
Swiss franc	2.21

For Annual Accounting purposes the average currency rates over the twelve month period to 31 December 2003 are as follows:

US dollars	1.64
Canadian dollars	2.29
Euro	1.45
South African rand	12.33
Australian dollar	2.52
Japanese yen	189.37
Swiss franc	2.20

Expected exchange rate adjustments in syndicate returns

Supplementary syndicate return (SSR)

The US dollar has weakened against the pound during 2003. Accordingly, it is generally expected that there will be a positive adjustment shown on each line of SR1/SR2 column 4 (which feeds through to SSR1), to reverse the effect of the retranslation of items previously reported at 31 December 2002 exchange rates, for the 2002 year of account. As noted in paragraph 1.7 of the SSR instructions, the cumulative exchange adjustments previously made in respect of 2002 and earlier calendar years for the 2001 and prior years of account must also be reflected in column 4 of SR1/SR2 which may result in either a positive or negative overall figure being reported in column 4. The amount to be reported on SR2 column 4 line 23 is a balancing amount and may be either positive or negative.

Annual accounting return

As the average rate of the US dollar against the pound during 2003 was less than the year end rate, when adjusting profit and loss items for calendar year 2003 from the year end rate to the average rate in AA1/AA2, a positive figure will generally be expected to appear on each line of column 12a of AA1/AA2. The amount to be reported on AA2 column 12a line 23 is a balancing amount and may be either positive or negative.

FSA return

The weakening of the US dollar against the pound during 2003 means that it is generally expected that there will be a positive adjustment shown on each line of FSA1/FSA2 column 4, to reverse the effect of this out. The amount to be reported on FSA2 column 4 line 23 is a balancing amount and may be either positive or negative.

Underwriting agents are reminded that different rates of exchange apply for the purposes of premium income monitoring.

This bulletin has been sent to all underwriting agents, active underwriters and recognised auditors. If you have any queries, please call James Matthews on Lloyd's extension 5534.

Paul Appleton