

Market Bulletin

LLOYD'S

One Lime Street London EC3M 7HA

FROM: Director, Franchise Performance
LOCATION: 86/GY5
EXTENSION: 6743
DATE: 2 April 2004
REFERENCE: Y3282
SUBJECT: SYNDICATE BUSINESS FORECAST ('SBF')
ATTACHMENTS: One (SBF mock-up)
ACTION POINTS:

- 1 Note the changes to the Annual Franchisee Business Plan.
- 2 Note the content of the SBF.
- 3 Note the deadline dates for the SBF during 2004 for the 2004 and 2005 years of account.

DEADLINE: 18 June 2004 for the first SBF

The purpose of this bulletin is to provide you with information on the Syndicate Business Forecast ('SBF') for the 2004 and 2005 years of account.

Sign-off

Please note that all SBF submissions must be signed off by 2 executive directors.

Background

Our approach to the business planning software for this year has been revised based on valuable feedback received from Managing Agents. As a consequence, the Annual Franchisee Business Plan ('AFBP') has been revised to improve the quality of syndicate data and to remove the collection of redundant information. This year the AFBP will be superseded by the Syndicate Business Plan and will be presented in 2 software modules:

- SBF (Section A of the Syndicate Business Plan).
- Business Plan (Section B of the Syndicate Business Plan).

A subsequent Market bulletin will provide an update with regard to the latter.

The aim of this approach is to collect data that is 'common' to every syndicate. Data that is 'unique' to syndicates will be collected outside of this general capture process.

The SBF will be in Access format and will be a further module that integrates with the 'Core Market Returns' software (QMR and PIM modules are due for release on 30 April 2004. See Appendix A for more information about the Core Market Returns software).

This approach will deliver several key benefits:

- The Access approach will provide a more flexible and dynamic user interface.
- The quality and consistency of the data provided will improve through the application of front-end business validation rules.
- This approach will also reduce the number of iterations as experienced last year between Lloyd's and Managing Agents.
- Class of Business ('COB') management - the software will provide functionality to manage COBs, for use in the QMR and PIM.
- The change to single year of account SBFs will make the process easier to understand and manage.
- The software will provide functionality for agents to submit restated Direct Revenue Return ('DRR') data (in the event of COB reclassification). This will enable Lloyd's to maintain meaningful claims triangles. See below for more detail about 'DRR backfill'.

Timetable

The SBF software is currently being developed and will be delivered to the Market on Friday 28 May 2004. The deadline for the completion of the SBF for the current (2004) and proposed (2005) years of account is 18 June 2004 (midday). Whilst there will be an opportunity to make further submissions for minor refinements to the proposed year of account, these must be no later than the deadlines set out below. Agents should note however that the 18 June submission will be treated by the Franchise Performance Directorate ('FPD') as the key submission for proposed year business planning purposes.

Updates to the current year SBF must be submitted no later than the deadlines set out below.

- 30 July 2004 (midday)
- 24 September 2004 (midday) *

* To be submitted in conjunction with the Business Plan (Section B of the Syndicate Business Plan) for both current and proposed years of account.

A mock-up of the SBF is attached. Agents should review the revised content and make preparations to enable the requested data to be submitted in line with the business planning timetable. **Agents are advised to start to make the necessary arrangements immediately.**

A separate bulletin covering the auction timetable will follow shortly.

Penalties for Late Submission

The business plan timetable congestion requires all parties to adhere to the deadlines. However, as we believe agents have sufficient notice to ensure that plans can be submitted on time, agents will incur a fixed penalty of £5,000 in the event of late submission, even by one day, of any version of an SBF (please refer to the timetable section of this bulletin).

Methodology

All SBFs must be submitted through the Market Returns website. Each SBF will be checked by the FPD and will be returned should any data discrepancies be found. The SBFs will be collated and pertinent data passed to the Market Risk and Reserving Unit ('MRRU') for processing through the Risk Based Capital ('RBC') model. Subsequently MRRU will provide agents with indicative RBC figures and associated software to enable agents to undertake RBC modelling. The approval process for proposed year SBFs/ Business Plans will conclude on 1 November.

Agents must not make submissions through any other route or mechanism.

Single Year of Account Submissions

Each SBF submission will be for a single year of account only, either current or proposed. The software will allow you to make as many submissions as required over a 19 month 'cycle'. This cycle takes the SBF through the approval process and then through the underwriting year in question (for the purposes of providing more up to date forecasts). For example the cycle for the 2005 year of account SBF would be:

- Approval process - June 2004 to 1 November 2004.
- Updates - December 2004 (post final auction) to 31 December 2005.

Class of Business

The SBF module will be used to manage any changes to the COBs used by the agent. For instance, if you wish to change a COB, add a new COB or redefine an old COB during the current year you must first submit a new SBF. This will be reviewed by FPD before being passed into the RBC model. Only when the revised plan is approved by FPD will you be given authority to apply the COB changes. The software will provide you with a function to 'promote' the revised COB list so that it can be used in other modules such as the QMR and PIM.

Direct Revenue Return Backfill

Part of the review undertaken by FPD is to ascertain whether agents have reclassified the COBs. If this is the case (and the SBF is approved) agents will be required to provide a 'DRR backfill'. The purpose of this requirement is to ensure that a consistent history of claims and premium information is held in order to benchmark syndicate performance and monitor actual performance against plan. This means that agents will have to resubmit the DRR back to Q1 2002 (or syndicate start date, whichever is the later) based on the reclassified COB list. The software will provide agents with the means to do this. Agents should note that the requirement to resubmit prior DRR returns will not inhibit or delay the submission of the SBF.

2004 Year of Account SBF

Last year agents provided information pertaining to the 2004 year of account. The software will be pre-populated with current classes of business and associated risk code mapping. This has been provided by FPD and is the most up to date version held by Lloyd's. The software will also contain current syndicate details (agent name, agent code, syndicate number).

Ultimate Premium (UP) and Ultimate Loss Ratio (ULR)

Agents should note that gross and net UPs and ULRs (by COB) are provided to Lloyd's via both the SBF and the QMR. This will ensure that the most up to date position is available to Lloyd's. Please make sure that the latest submission is consistent with previous submissions.

Demonstration to all Agents

A demonstration to all agents will be held around the time of the software release. This will be formally announced via the LMA in due course.

Contact Details Held on the Market Returns Website

Please review your contact details as held on the Market Returns website and update where necessary.

If you have any queries about the content of this bulletin please contact Alessandra Walker:

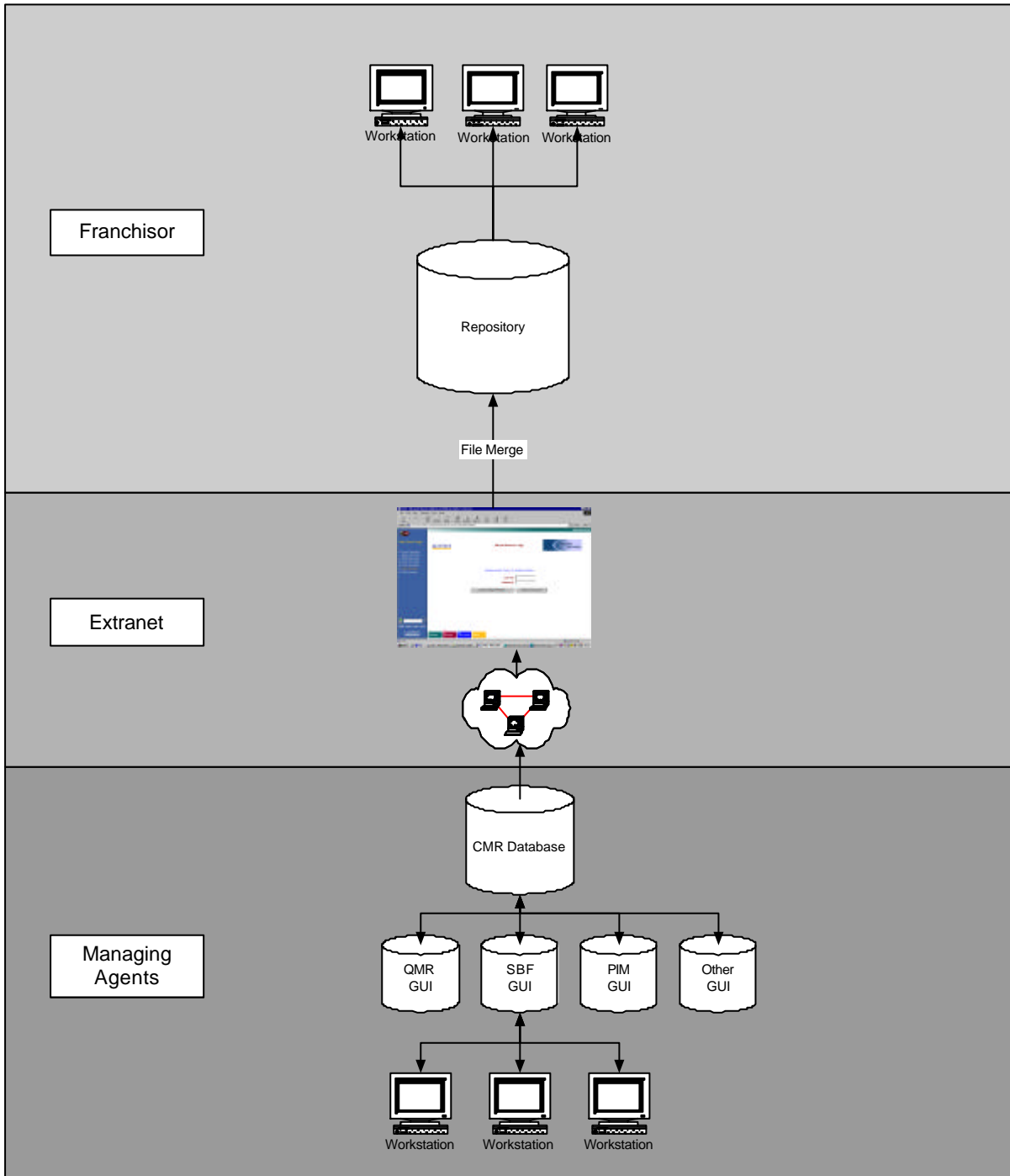
- 020 7327 5643
- alessandra.walker@lloyds.com

Alternatively, please use Lloyds-Businessplans@lloyds.com.

This bulletin has been sent to all Managing Agents and to Members' Agents and Market Associations for information.

Rolf Tolle
Director, Franchise Performance

Appendix A – Core Market Returns Software Architecture



Appendix B – SBF





Appendix B

Syndicate Business Forecast ('SBF') (Section A of the Syndicate Business Plan)

Content

Section	Topic
0	MODULE SET-UP
1	CLASS OF BUSINESS DESCRIPTIONS
2	RISK CODE MAPPING OF CLASSES OF BUSINESS
3	UNDERWRITING PERFORMANCE FORECASTS
4	FORECAST PREMIUM INCOME SPLIT BY RISK CODE
5	CAPACITY INFORMATION
6	REINSURANCE
7	SOURCE OF BUSINESS
8	COMMENTS

Key

	User keyed
	Automatic calculation
	Information cross-referenced from elsewhere in the SBF
	For user information only

This version contains dummy content for illustrative purposes

Module Set-Up

Syndicate	<input type="text" value="2323"/>
Year of Account	<input type="text" value="2004"/>
Managing Agent	<input type="text"/>
Managing Agent Code	<input type="text"/>

Contact details

Name	<input type="text"/>
Direct Tel. No.	<input type="text"/>
E-mail address	<input type="text"/>

Rates of Exchange		Currency Code
US\$	1.5	2
CAN\$	2	3
Sw Fr		-
Euro	1.5	4
Yen		-
SA Rand		-
AUS\$		-

CLASS OF BUSINESS DESCRIPTIONS

SYNDICATE 2323
YOA 2004

COB Number	Class / Sub Class of Business Name	Select

RISK CODE MAPPING OF CLASSES OF BUSINESSSYNDICATE 2323
YOA 2004

Class of Business Number	Risk code	Currency Number	Risk Code Currency (%)
1	PM	2	100
2	PD	2	50
2	PD	1	20
2	PI	4	30

UNDERWRITING PERFORMANCE FORECASTS

SYNDICATE 2323
YOY 2004

Class of Business Number	Gross Gross Premium (CNV £000's) A	Commissions (CNV £000's) B	Commissions Paid to Service Companies (CNV £000's) C	Brokerage (CNV £000's) D	Business Arrangement Fees (CNV £000's) E	Total Gross Premium (CNV £000's) F=A-B-C-D-E	Premium Ceded to QQS (CNV £000's) G	Syndicate Gross Premium (CNV £000's) H=F-G	RI Premium Ceded (CNV £000's) I	Syndicate Net Premium (CNV £000's) J=H-I	Gross ULR (%) K	Net ULR (%) L	Gross Gross ULR (%) M=(K*F)/A	Increase / Decrease on Previous Year (Total Gross Premium)			
														New Business (CNV £000's)	Non-Renewed Business (CNV £000's)	Rate Change on Renewals (CNV £000's)	Other (CNV £000's)
1	100	15	5	20	5	55	20	35	10	25	90%	70%	50%	10	5	10	2
2	200	30	10	40	10	110	40	70	20	50	95%	75%	52%	10	10	10	4
Total	300	45	15	60	15	165	60	105	30	75				20	15	20	6
Weighted Average											93%	73%					

FORECAST PREMIUM INCOME SPLIT BY RISK CODE

SYNDICATE 2323
YOA 2004

I confirm that based on the data entered, the table below correctly shows the syndicate's Forecast Premium Income

Risk Code	Gross Gross Premium					Gross Premium, Gross of QQS					Net Premium				
	GBP£ 000's	US\$ 000's	C\$ 000's	EUR 000's	Total Cnv£ 000's	GBP£ 000's	US\$ 000's	C\$ 000's	EUR 000's	Total Cnv£ 000's	GBP£ 000's	US\$ 000's	C\$ 000's	EUR 000's	Total Cnv£ 000's
PM	0	150	0	0	100	0	83	0	0	55	0	53	0	0	35
PD	40	150	0	0	140	22	83	0	0	77	14	53	0	0	49
PI	0	0	0	90	80	0	0	0	50	33	0	0	0	32	21
Total	40	300	0	90	300	22	165	0	50	165	14	105	0	32	105

CAPACITY INFORMATION

SYNDICATE 2323
YOA 2004

Capital Provider Category	Estimated level of support (£000's)	% of capital that is new
Aligned Corporate		
Other direct corporate		
Members' Agent - MAPA		
Members' Agent - Non MAPA		
QQS Capacity		
Total Capacity:	-	0%

**Aligned (members controlled by the Managing Agent)
 Member Participations**

Member Number	Member Name	Syndicate Participation (£000's)

REINSURANCE

SYNDICATE 2323
YOA 2004

Estimated Premium Amount (%)					
Security	Proportional	Excess of Loss (LOD)	Excess of Loss (Other e.g. RAD)	Stop Loss	Finite/ Semi-finite
Lloyd's	2.00%	4.00%	8.00%	0.00%	3.00%
Tier 1	2.00%	4.00%	8.00%	0.00%	3.00%
Tier 2	2.00%	4.00%	8.00%	0.00%	3.00%
Tier 3	2.00%	4.00%	8.00%	0.00%	3.00%
Tier 4	2.00%	4.00%	8.00%	0.00%	3.00%
Non Rated and Pools	2.00%	4.00%	8.00%	0.00%	1.00%
Sub-Total Spend	12.00%	24.00%	48.00%	0.00%	16.00%

Estimated Premium Amount (£000's)					
Security	Proportional	Excess of Loss (LOD)	Excess of Loss (Other e.g. RAD)	Stop Loss	Finite/ Semi-finite
Lloyd's	1	1	2	0	1
Tier 1	1	1	2	0	1
Tier 2	1	1	2	0	1
Tier 3	1	1	2	0	1
Tier 4	1	1	2	0	1
Non Rated and Pools	1	1	2	0	0
Sub-Total Spend	4	7	14	0	5

Total Spend 30

	AM Best	Moody's	S&P
Tier 1	A++ to A-	Aaa to A3	AAA to A-
Tier 2	B++ to B-	Baa1 to Ba3	BBB+ to BB-
Tier 3	C++ to C-	B1 to Caa	B+ to CCC
Tier 4	D, E, F, S	Ca to C	R, (U, S) 3

SOURCE OF BUSINESS

SYNDICATE 2023
YOA 2004

1) Please provide a total gross premium income forecast

	(£ 000's)
Direct and Facultative	
Binding Authority	
Lineslip	
Proportional Treaty	
Excess of Loss Treaty	
Stop Loss	
Other	
Total gross premium	0

2) Please indicate how much of the total gross premium income is forecast from the following sources:

	(£ 000's)
Service company	
Consortium	
Website	

3) Please indicate all brokers anticipated to provide in excess of 10% of the total gross premium income together with the % of income expected from each.

Broker Name	%	(£ 000's)
		0

COMMENTS

SYNDICATE 2323
YOA 2004

Section	Comment