

Market Bulletin

LLOYD'S

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SUBJECT: INTERIM ANNUAL ACCOUNTING RETURN
ATTACHMENTS: None
ACTION POINTS: Complete return
DEADLINE: 2 September 2004

The purpose of this bulletin is to provide the instructions and forms for the interim annual accounting return (attached as Appendices 1 and 2) and advise you that the software will be available for download from the MSU Market Returns web site on Friday 2 July.

The interim annual accounting return covers the first six months of the calendar year 2004: no comparative information is required.

Key points to note are:

- (i) the return is not subject to audit;
- (ii) AA4 has a new line for net written premium and agents are reminded that facultative reinsurance should be disclosed as part of reinsurance acceptances, not as part of direct business;
- (iii) AA5 has an additional form for the analysis of exchange differences;
- (iv) There is a cash flow statement and accompanying notes as AA8;
- (v) AA10 has been expanded to include a number of analytical points;

The average rates of exchange for the first six months of 2004 and the 30 June 2004 rates will be included in the quarterly exchange rate bulletin which should be issued on 1 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 will be available for download from the Market Return web site at the end of this week. The completed electronic version of the return should be submitted back via that site by the deadline which is confirmed as 2 September 2004. 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, AA12, must be submitted, either direct to the department or by fax (ie original copies are not required). Any frequently asked questions will be posted on the market returns website.

Excel versions of the forms are available. If you require a set please e-mail lloyds-MRD-ReturnQueries@lloyds.com.

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 queries relating to this bulletin please contact either Warren Brayn (warren.brayn@lloyds.com) or Robert Smith (robert.smith@lloyds.com). 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

**INTERIM
ANNUAL ACCOUNTING RETURN
30 JUNE 2004**

Forms AAFront to AA12

Instructions

**Deadline for submission to Lloyd's:
12.00 noon Thursday 2 September 2004**

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SUMMARY OF KEY CHANGES TO THE RETURN SINCE 31 DECEMBER 2003

The key differences between the 30 June 2004 return and that for 31 December 2003 are:

1. the return is not subject to audit;
2. AA4 has a new line for net written premium and agents are reminded that facultative reinsurance should be disclosed as part of reinsurance acceptances, not as part of direct business;
3. AA5 has additional information on foreign exchange differences;
4. there is a new form, AA8 that collects data for the cash flow statement and relevant notes; and
5. AA10 requires additional analysis information.

The average rates of exchange for the first six months of 2004 will be included in the quarterly exchange rate bulletin as at 30 June 2004. Agents must use these rates to complete the technical account. The exchange rate bulletin will be issued on the first day 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 2004 but before 30 June 2004 (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 2001 and prior years (whether they are closed or in run-off at 30 June 2004) 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 2004:**
 - 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 2003.
 - 1.7.2 The interim annual accounting return must be prepared using the exchange rates ruling at 30 June 2004 (see paragraph 11.11 below) except where stated. The converted sterling closed year bottom line result, however, must be reported at the converted sterling amount as determined at the date of closure of the syndicate. The elements comprising the movement in 2004 to determine the closed year result must be reported using the average exchange rates, with the net difference in retranslation of these elements being written off as 'profit/(loss) on currency exchange' in the underwriting account on form AA2.

Syndicates accepting the RITC from another syndicate which has closed during the first 6 months of 2004:

- 1.7.3 A syndicate that has accepted the RITC from another syndicate that has closed during the first 6 months of 2004 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 2004 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 2004 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 later this month. 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, AA12, 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 AA12, 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 2 September 2004.

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 Cash flow statement and notes
 AA9 Opening balance sheet
 AA10 Analysis of result after personal expenses
 AA11 Basis of preparation
 AA12 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 AA12) 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 6178), 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, AA9, remains at 31.12.03 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 At the start of the return, there is a 'front sheet' that must be completed. This provides confirmation that the return is complete in all respects.
- 10.2 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

- 10.3 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 Accounting Policies and Guidance

11.1 Bases of Accounting

- 11.1.1 The purpose of the annual accounting return is to enable Lloyd's to report an annually accounted market result in accordance with UKGAAP, namely the ABI SORP.
- 11.1.2 As such the returns should be completed in accordance with the accounting policies below which are based upon the ABI SORP where practically possible. The instructions or policies note where there should be an explicit divergence from the ABI SORP or where one may be allowed. In the absence of an accounting policy or an instruction for a particular situation reference should be drawn from the ABI SORP and UKGAAP in general.
- 11.1.3 Agents should note on the returns where they are unable to materially account according to the policies noted below. Where agents have adopted a different accounting policy a description of the policy should be noted in the comments section of the return.

Note

- 11.1.4 It should be noted that annual accounting records for 2003 will form the opening balance sheet for statutory syndicate accounting, which will be on an annual accounted basis from 2005.

Annual accounting Vs Lloyd's three year funded accounting

- 11.1.5 Certain features of syndicate three year funded accounting are not relevant to annual accounting: e.g. signed premium is not relevant but written and earned premium are and RITC must be eliminated in the return.
- 11.1.6 Under Lloyd's funded accounting, results are deferred for future recognition, i.e. 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.

Discounting

- 11.1.7 For the purposes of completing the annual accounting return, explicit discounting of reserves is prohibited.

11.2 Premiums

- 11.2.1 Written premiums shall comprise premiums on contracts incepting during the financial year.
- 11.2.2 Premiums shall be disclosed gross of brokerage payable and exclude taxes and duties levied on them.
- 11.2.3 Estimates shall be made for 'pipeline' premiums representing accounts due to the syndicate but not yet notified, as well as adjustments made in the year to premiums written in prior period.

- 11.2.4 Inwards underwriting transactions shall be 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.

Annual accounting Vs Lloyd's three year funded accounting

- 11.2.5 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.

Guidance

- 11.2.6 *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.*
- 11.2.7 *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).*
- 11.2.8 *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, e.g., where the risk exposure is not constant throughout the policy period.*
- 11.2.9 *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 calendar year 2004 and the amounts unearned as at 30 June 2004. Profiles which are to be apportioned on a straight line basis over time should be determined on the 365th method or the 24th method, i.e., based on analysing inwards premium on a daily or monthly basis respectively. Any other straight line method of apportionment would need to be agreed with the syndicate's auditors.*

Binding authorities

- 11.2.10 Premiums on binding authorities should be accounted for with reference to the inception date of the underlying policy.
- 11.2.11 Earning patterns should be established for binding authorities. Patterns should be established with reference to the underlying policies. Where appropriate straight line methods can be applied where the underlying policies earn evenly.
- 11.2.12 Agents should provide an explanatory note in the comments section of the return if they materially depart from this policy.

Guidance

11.2.13 *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.*

11.2.14 *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

- 11.2.15 Premiums on longer term or multi year contracts should be earned over the period of the contract according to the risk profile of the particular policy.

Guidance

11.2.16 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. The earnings pattern should reflect the following;

- The length of the policy*
- The risk profile over the period of the policy*
- The contract's sensitivity for adjustment due to loss over the course of the contract.*

Agents should ensure that the key assumptions are reviewed at regular periods, and at least for reporting periods. Care should be taken to make adjustments to assumptions where there have been significant changes in the terms of the contract or the risk profile has changed. Procedures should be sufficient to ensure that changes in the risk profile occur as estimated.

E.g. If a satellite's launch is delayed then the risk profile of the contract should be revised. This could result in the premium being recognised within the next accounting (calendar) year.

Inwards Reinsurance Premiums

Treaty reinsurance

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

11.2.18 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.

11.2.19 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.

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

Losses Occurring During(LOD) / Risks Attaching During(RAD) reinsurance

11.2.17 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.

Example

11.2.18 *A treaty is written providing cover for twelve months from 1 April 2004, 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 ABI SORP defines acquisition costs “as costs arising from the conclusion of insurance contracts including direct costs such as acquisition commission or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as advertising costs or the administrative expenses connected with the processing of proposals and issuing of policies. Policies renewal commission in the case of long term insurance business should be included under administrative expenses”

11.3.2 As such the following costs should be deferred;

- Brokerage
- Commissions
- A proportion of underwriting staff’s salary representing acquiring and writing insurance business
- The box rent
- A proportion of administration costs representing the processing of proposals and issuing of policies.

11.3.3 The premium levy shall be treated as an acquisition cost. The premium levy should not be deferred in line with the associated gross premiums, rather the levy should be written off in full to match the associated income within the corporation accounts.

11.3.4 Material departures or additional costs deferred should be noted in the comments section of the return.

11.3.5 Acquisition costs should be apportioned in accordance with the related earned and unearned elements of inwards business. The unearned element of costs is carried forward in the financial statements as “deferred acquisition costs”.

11.3.6 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.

Guidance

11.3.7 *Deferral patterns applied to acquisition costs shall relate to class of business to which the costs attach to. Where different classes of business have distinct earnings patterns, the acquisition costs applicable shall earn in relation to each respective 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 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 shall be expensed in line with the earnings pattern of the inwards premiums of the business so protected.
- 11.4.5 The accounting treatment for Lloyd's proportional treaties (e.g. qualifying quota share) 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 in the case study section of these instructions.
- 11.4.6 The LOD premiums should be earned over the period of cover provided by that policy. This may be on a straight line basis but account should be taken of the general nature of the risk, eg whether it is season, such as windstorm cover.

Reinstatements

- 11.4.7 Where reinsurance recoveries expected against gross claims trigger reinstatement premiums payable, the accounting treatment is to accrue for reinstatements within written reinsurance premiums.
- 11.4.8 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.

Guidance

- 11.4.9 *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.*

LOD / RAD

- 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.

Example

A cover is purchased for twelve months from 1 April 2004, 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 provisions

- 11.5.1 Claims provisions, are recognised in respect of the earned inwards business in the period (i.e. 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
- 11.5.2 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 11.7 below).

11.6 Ultimate loss ratios

- 11.6.1 Ultimate loss ratios should be developed on an accident year basis as annual accounting recognises underwriting transactions on the basis of amounts earned and incurred during the reporting entities' accounting periods.
- 11.6.2 These differing loss ratios may be determined by maintaining development statistics on both an underwriting year and an accident year basis.
- 11.6.3 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.

Guidance

11.6.4 *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.*

Post balance sheet events

- 11.6.5 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 year end, the technical provisions should be adjusted.

Note

- 11.6.6 *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. This includes the situation where such an event would result in the expected loss ratio on unearned premium to exceed 100%, still no URP should be set up.*

11.7 Unexpired risk provisions (URP)

- 11.7.1 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.
- 11.7.2 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.
- 11.7.3 The preferred policy for constructing risk groups would be to do so on segmental class codes. If another basis is used, such as whole account, please note this in the comments section of the return.
- 11.7.4 Further guidance on the definition of “managed together” is given in paragraph 99 of the ABI SORP.
- 11.7.5 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.
- 11.7.6 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.
- 11.7.7 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.

11.8 Investment Return and Syndicate Expenses

- 11.8.1 Earning profile adjustments should not be applied to investment return figures.
- 11.8.2 The investment return in the accounting period should agree to the calendar year investment return for all open years of account in aggregate, subject to exchange rate adjustments.
- 11.8.3 In the case of syndicate expenses, however, a portion of other expenses shall be deferred, in relation to the acquisition of business.
- 11.8.4 The acquisition cost element of syndicate expenses should be first identified and reclassified and then deferred according to the appropriate earnings profile of the class of business to which it relates (refer to 11.4).

11.9 Personal expenses

- 11.10.1 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 11.9.3 below). These costs should not be treated as acquisition costs and should not be deferred except where a single managing agency fee is charged, which covers all costs normally charged as syndicate expenses, then the element relating to acquisition costs should be identified and allocated to acquisition costs (see 11.8.4).
- 11.10.2 The personal expenses relating to Lloyd's subscriptions and central fund contributions will be eliminated on "consolidation" with Lloyd's central assets and income.
- 11.10.3 With respect to agent's profit commission, this will not be recognised in 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.

11.10 Profit commission on outward reinsurance

- 11.10.1 Profit commission received on outwards reinsurance shall be reclassified if currently netted off against reinsurance paid and included in RI commissions and profit participations (line 27).

11.11 Foreign Exchange

- 11.11.11 Syndicate assets and liabilities expressed in convertible currencies are to be translated at the rate of exchange ruling at 30 June 2004.
- 11.11.12 Income and expenditure transactions in 2004 are translated using the average rate of exchange over the 6 month period, except in relation to RITC (see notes to AA2). Managing agents will be advised of the average rates of exchange to be used by a market bulletin issued early in July 2004.

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 QMR. 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 a proportion of personal expenses are to be treated as acquisition costs and deferred (this should only occur 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 (see para 11.9 in previous section).
- 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 BusinessAll 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. The exchange adjustment for run-off reserves (lines 17 and 18) should also be made within the figures in column 16 rather than in column 12a. This will facilitate the completion of the reconciliation schedules in Form AA5.

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 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 26a 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.

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. 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 2003, 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.

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 30.06.04 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 2004 year of account this would agree to the figures reported in lines 14 and 14a of column 16 of AA2(2004) but for the adjustment to average exchange rates.
- 7.5 The reinsurers' share of unearned premiums must be entered at line 18b. For the 2004 year of account this should agree to the figure reported in line 5, column 13 of AA2(2004) but for the adjustment to average exchange rates.

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 - assetsSummary

- 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.

Lines 26a to 26e – Due from reinsurers and intermediaries under reinsurance contracts ceded

- 8.3 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 2004 reinsurance debtor form in the Q2 QMR.

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

- 8.4 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 33 - Cash in hand

- 8.5 This line should only be used to report actual cash held in notes and coins. This excludes cash at bank.

Line 36 - Other assets, other

- 8.6 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

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

Other adjustments

- 8.8 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

- 8.9 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(2003 & 2004). For the 2004 year of account the figures in

AA2(2004) will be those entered in AA3 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 for the 2003 and 2004 years of account. The period 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 (the amount excluding brokerage) and 8 (the brokerage element). 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 2002, 2003 and 2004. Line 60, the result in the 6 months to 30 June 2004, is derived directly from line 6 of AA1(year).

AA3(2004)page 3

- 9.7.2 For the 2004 year of account, the amount derived from AA1(2004), line 6 will produce the balance sheet result before personal expenses for column 12 without further adjustment.

AA3(2003)page 3

- 9.7.3 For the 2003 year of account line 60 of AA3 will include, at column 11, a deduction for the Schedule 9a result, cumulative to 31 December 2003 as per line 6, column 11 of AA1(2003). Line 60, column 12, of AA3 will then report the balance sheet result before personal expenses. The balance as at 31 December 2003 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 2003 return.

AA3(2002)page 3

- 9.7.4 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 2003 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 2003 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 2002 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 2004 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.

- 9.7.6 Line 60 of AA3(run-off), the result before personal expenses, for the 6 months to 30 June 2004, per AA1, will include, at column 11, a deduction for the Schedule 9a result, cumulative to 31 December 2003 as per line 6, column 11 of AA1(run-off). Column 12 of line 60 of AA3 then reports the 2004 result before personal expenses for the run-off year of account.
- 9.7.7 The current period result for 2003 is to be reported at line 60a. The relevant figure will be the current period result reported in the 31 December 2003 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 2002, 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 2003 and 2002 returns.

Lines 61 and 65 - Cash calls and other expenses

- 9.8 Personal expenses and cash calls are reported on these lines. There should be no need to adjust the cash call figure per column 1. However, the personal expenses figure may need to be adjusted for profit commission on the cumulative annual accounting result to date.

Line 69 – Continuous solvency transfer

- 9.9 This line is only open for the 2002 year of account. It is to be used to report, if applicable, the transfer made in 2003 for the 2002 year of account.

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 Inter-year loans made by the same syndicate would be reported on line 24a with a creditor on line 82b dependent on the year of account concerned, but for the AA(sum) such entries should be unnecessary as they will cancel out.
- 10.7 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).
- 10.8 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 2003 of the annual accounted result of 2003, 2002 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. Line 69 should be used to report only the early release for the 2002 and 2003 year of account.

- 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.

Lines 1 and 2 – Premium written

- 11.3 The total at line 1, column 11 must agree to the total of gross premium written in AA6, the pro-forma technical account and that at line 2 must agree to net premiums written.

Line 3-5 - Net premium earned

- 11.4 Line 3, column 11 must agree with gross premium earned in AA6, the pro-forma technical account (ie gross premium written less change in the gross provision for unearned premium). Line 4, column 11 must agree with outward reinsurance premiums earned in AA6 (ie outward reinsurance premiums less change in the provision for unearned premium, reinsurers' share).

Line 6 – 8- Net claims incurred

- 11.5 Line 6, column 11, must agree with the aggregate of the amounts for gross claims paid plus the change in the gross claims provision amount in AA6. Line 7, column 11, must agree with the aggregate of reinsurers' share of claims paid plus the change in the gross claims provision, reinsurers' share.

Line 9 - Operating expenses

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

Lines 10 - 12 – Net technical result

- 11.7 The investment return will be derived by the software from AA6 and reported in line 11, column 11. Line 12, column will then report the aggregate of the net technical result in line 10 of column 11, and the investment return to give the syndicate's annual accounting result. That result must agree with the result reported on AA6.

Line 13 – Net technical provisions

- 11.8 Line 12, 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

- 12.1 AA5 is split into two forms AA5a – reconciliations and AA5b – Exchange Differences

AA5a - Reconciliations

- 12.2 There are six reconciliations to be completed:

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

- 12.3 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, AA9.
- 12.4 Where a difference is reported on the reconciliation the reconciling items should be analysed in the additional rows at the end of each table. One reconciling item, exchange adjustment, is expected and has already been included in all the tables and must be used where appropriate.
- 12.5 In the table for "balance due to/(from) members" there are two additional reconciling items. The amount to be reported under "Distribution" is the RX04 amount (at 31 December 2003 rates of exchange) in the DD files submitted to MSU in March 2004. The amount to be reported under "cash calls" is the total of any cash calls made for the syndicate with a due date in calendar year 2004.
- 12.6 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.
- 12.7 If a continuous solvency transfer has been made in the first six months of 2004 then this should be reported on line 29 of the reconciliation table.
- 12.8 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. A return must not be submitted with an unreconciled balance.

AA5b – Exchange Differences

- 12.9 An additional form for AA5 requires the analysis by currency of the exchange differences. The closing rates for 31.12.03 are automatically entered onto the return. The average rate for the 6 months to 30.06.04 and the closing rate as at 30.06.04 are to be entered manually and should agree to those prescribed in a market bulleting to be issued in early July.
- 12.10 For columns 1 to 8 lines brought forward, movement and carried forward, these amounts should be completed in local currency.
- 12.11 Col 9 represents the totals of columns 1 to 8 converted into GBP. Brought forward balances are converted at opening exchange rates. Movement balances are converted at average exchange rates and carried forward balances are converted at the closing exchange rates per lines 1, 2 and 3 respectively.
- 12.12 For the brought forward balance we would expect the total to agree to the opening balances per the reconciliations on AA5a.
- 12.13 For the movement balance we would expect the total to agree to the movement balance per the reconciliations on AA5a.
- 12.14 For the carried forward balance, we would normally expect this to agree to the closing balance where the only reconciling item in the reconciliation relates to exchange differences.
- 12.15 The exchange movement line should normally represent the difference between the opening balance converted at opening rate plus the movement converted at average rate less the carried forward balance converted at closing rate.
- 12.16 The exchange movement line should be in GBP for each of columns 1 to 8. Column 9 will equal the sum of columns 1 to 8 for exchange movements and shall agree to the appropriate exchange difference per AA5a. This is a calculated cell.
- 12.17 If the balance due to members' reconciliation generates an exchange difference, a full explanation of the amounts giving rise to the difference should be provided in the text box in the third tab of AA5b. However, items affecting the balance due to members' such as cash calls and early releases are to be fixed at the transaction rate and not retranslated each year. Any exchange differences at the period end should be written off in the profit/loss on exchange line in AA2.

Abridged return

- 12.18 AA5 is completed in the same way as for the full return, ie as per 12.1 to 12.17.

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 – Cash flow statement and notes

- 14.1 This is a new form in the annual accounting return. The purpose of this form is to facilitate in the production of a cash flow statement for the Lloyd's Global Annual Accounts.

- 14.2 The form consists of four parts.

- Cash flow statement Form AA8a;
- Reconciliation of operating profit to net cash flow from operating activities Form AA8b;
- Movement in cash, portfolio investments and financing AA8c; and
- Net cash inflow/(outflow) on portfolio investments AA8d.

AA8a

- 14.3 Line 1 is taken directly from AA8b, line 13.

- 14.4 If it is necessary to enter one or more figures in lines 2-4, 7 and 9 then an explanation of the entry must be given in the additional analysis schedule of the appropriate cell.

- 14.5 The main entries expected on AA8a relate to financing of the syndicate by way of cash calls received entered into line 8 and the distribution of profits entered into line 5 and the continuous solvency transfer entered into line 6.

Net investment of cash flows

- 14.6 Line 11 should agree to AA8c col2 line 1.
Line 12 should agree to AA8c col2 lines 2 and 7
Line 13 should agree to AA8c col2 lines 3-6 plus line 8.

AA8b – reconciliation of operating profit to net cash flow from operating activities

- 14.7 Most of the lines on this form are derived from elsewhere in the return. The derivations are:

Line 1: AA1(sum) col 6, line 10.

Line 2: Unrealised gains and losses on investments do not represent cash flows. We would expect this number to agree to AA8c col3 line 9 Changes to market value and currency of cash, portfolio of investments and financing at period end.

Line 3: AA7 "Debtors – other debtors" – AA9, col 6, line 14.

Line 4: AA7 "Prepayments and accrued income" – AA9, col 6, lines 22 and 24.

Line 5: AA7 “Debtors arising out of direct insurance operations” plus “Debtors arising out of reinsurance operations” – AA9, col 6, lines 12 and 13.

Line 6: AA7 “Reinsurers’ share of technical provisions” – AA9, col 6, line 11.

Line 7: AA7 “Technical Provisions” – AA9, col 6, line 32.

Line 8: AA7 “Provisions for other risks and charges” – AA9, col 6, line 33.

Line 9: AA7 “Creditors arising out of direct insurance operations” plus AA7 “Creditors arising out of reinsurance operations” – AA9, col 6, lines 35 and 36.

Line 10: AA7 “Debenture loans”, “Amounts owed to credit institutions” and “Other creditors including taxation” – AA9, col 6, lines 37, 38 and 39.

Line 11: AA7 “Accruals and deferred income” – AA9, col 6, line 41.

- 14.8 If it is necessary to enter an additional figure, line 12 is available as an analysis cell and an explanation of the entry must be given in the additional analysis schedule.

Line 13 – Net cash flow from operating activities

- 14.9 Line 13 will be picked up by AA8a line 1.

AA8c – Movement in cash, portfolio investments and financing

- 14.10 Column 1 is automatically generated from AA9 col 6.
- 14.11 Column 4 must agree with the respective lines in AA7.
- 14.12 Column 2 lines 3 to 8 are generated from AA8d, col 3 lines 1 to 7
- 14.13 Column 3 entries are to reflect unrealized changes to market value and exchange rates.

AA8d – Net cash movement on portfolio investments

- 14.14 AA8d reflects the net purchases and sales of investments throughout the year. Purchases are to be entered in column 1 as positive values: the software will then deduct them from amounts in column 2 to provide an inflow/(outflow) figure in column 3.

Abridged return

- 14.15 AA8 is completed in the same way as for the full return, ie as per 14.1 to 14.15.

15 AA9 – Opening balance sheet

- 15.1 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.
- 15.2 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 2003 exercise. The software instructions will tell you how to extract the data from the final locked version of the 31 December 2003 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.

- 15.3 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 2004 technical account or appear as a reconciling item in Form 5.

Abridged return

- 15.4 AA9 is completed in the same way as for the full return, ie as per 15.1 to 15.3.

16 AA10 – Analysis of result after all personal expenses

- 16.1 The purpose of this form is to provide information on any material factors contributing to the 2004 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.
- 16.2 The figures reported by the system include the combined ratio for the syndicate as a whole and for the 2004 year of account. 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 syndicate is not currently trading and has very little net premium income to form the denominator. Form 10 is to be used to provide an explanation of any material, to the syndicate as a whole, profit or loss developments.
- 16.3 There is an additional form 10b. For syndicates with a 2004 year of account, the software will generate information on gross and reinsurers' share of premiums written and earned. Agents are asked to review the figures generated and, where the criteria cited on the form are exceeded, provide an explanation of how the syndicate has generated those ratios. The parameters are based on the ratios reported at 30 June 2003 for the 2003 year of account: the fact that a syndicate generates one or more ratios beyond the expectation does not therefore mean that they are wrong, but they are of a magnitude that an explanation is required.
- 16.4 The software will also generate figures in relation to brokerage for all years of account and agents are asked to comment on any apparently anomalous rates of brokerage.

Abridged return

- 16.5 AA10 is completed in the same way as for the full return, ie as per 16.1 to 16.4.

17 AA11 – Basis of preparation

- 17.1 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

- 17.2 AA11 is completed in the same way as for the full return, ie as per 17.1.

18 AA12 - Managing Agent's Report

- 18.1 A managing agent's report needs to be completed for the return.
- 18.2 Non-standard paragraphs can be entered through the software if required.
- 18.3 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.
- 18.4 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

- 18.5 AA12 is completed in the same way as for the full return, ie as per 18.1 to 18.4.

19 Auditors' report

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

Abridged return

- 19.2 As per 19.1.

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 2004 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 2004. 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 2004 and therefore does not form part of the accounts.

Earned premium

- 2.4 Using the 24th method:

	Written		Earned
	Monthly	24 th share	£000
January 2004	£10k *	11/24	4,583
February 2004	£10k *	9/24	3,750
March 2004	£10k *	7/24	2,917
April 2004	£10k *	5/24	2,083
May 2004	£10k *	3/24	1,250
June 2004	£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 2004 for 12 months, offer one reinstatement @ 100. Brokerage of 10% on the initial premium. Claims paid at 30 June 2004 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	<u>570</u>	Being 50% of 1,140
Earned premiums	570	
Gross claims paid	100	
Gross claims provision	<u>299</u>	
Gross claims incurred	399	Being 70% of 570
Acquisition costs	<u>50</u>	
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 2004 for 12 months, offer one reinstatement @ 100. Reinsurance recoveries paid at 30 June 2004 £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	<u>570</u>	Includes 70 of the reinstatement
Earned reinsurance premiums	570	
Reinsurers' share of claims paid	100	
Reinsurers' share of technical provisions	<u>299</u>	
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 qualifying 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 2004 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	<u>200</u>	
Net earned premiums	300	
Acquisition costs	<u>60</u>	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	

INDEX TO FORMS
INTERIM ANNUAL ACCOUNTING RETURN - 30.06.2004

Form	Description
AA Front	Annual accounting return cover sheet
AA1	Profit and Loss Account
AA2	General insurance business
AA3	Balance Sheets
AA4	Segmental Reporting
AA5	Reconciliations
AA6	Pro forma technical account
AA7	Pro forma balance sheet
AA8	Cash flow statement and notes
AA9	Opening balance sheet
AA10	Analysis of result after all personal expenses
AA11	Basis of preparation
AA12	Managing Agent's Report

**ANNUAL ACCOUNTING RETURN
30 JUNE 2004**

FORMS AA1 TO AA12

DUE FOR SUBMISSION BY 2 SEPTEMBER 2004

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 2004

Year of account aggregation

Page:

		1	2	3	4	5	6
		Run-Offs	2002	2003	2004	Other adjustments	Annual accounting result (1 to 5)
Result/balance from technical account	1						0
Gross investment income	2						0
Gross investment gains	3						0
Gross investment losses	4						0
Gross investment expenses	5						0
Result/balance before personal expenses (1+2+3-4-5)	6	0	0	0	0	0	0
"Standard" personal expenses (see instructions)	7						0
Result/balance after standard personal expenses (6-7)	8	0	0	0	0	0	0
Other' personal expenses (see instructions)	9						0
Result/balance after all personal expenses (8-9)	10	0	0	0	0	0	0

PROFIT AND LOSS ACCOUNT
2002 ACCOUNT IN 2004

SYNDICATE NO:
SYNDICATE RETURN
Period ended 30 June 2004
Year of account: 2002

Page:

		Per Syndicate accounts			Schedule 9a adjustments									Annual accounting adjustments								
		Cumulative to 31.12.2003	Movement in 2004	Cumulative to 30.06.2004	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocator	Schedule 9a return - cumulative to 30.06.2004	Schedule 9a result - cumulative to 31.12.2003	Schedule 9a result - 2004 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		0								0		0								0	
Gross investment income																						
	2		0								0		0								0	
Gross investment gains																						
	3		0								0		0								0	
Gross investment losses																						
	4		0								0		0								0	
Gross investment expenses																						
	5		0								0		0								0	
Result/balance before personal expenses (1+2+3-4-5)																						
	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
"Standard" personal expenses (see instructions)																						
	7		0								0		0								0	
Result/balance after standard personal expenses (6-7)																						
	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
Other' personal expenses (see instructions)																						
	9		0								0		0								0	
Result/balance after all personal expenses (8-9)																						
	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	

**PROFIT AND LOSS ACCOUNT
2003 ACCOUNT IN 2004**

SYNDICATE NO:
SYNDICATE RETURN
Period ended 30 June 2004
Year of account: 2003

Page:

		Per Syndicate accounts			Schedule 9a adjustments							Annual accounting adjustments									
		Cumulative to 31.12.2003	Movement in 2004	Cumulative to 30.06.2004	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocation	Schedule 9a return - cumulative to 30.06.2004	Schedule 9a result - cumulative to 31.12.2003	Schedule 9a result - 2004 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		0								0		0								0
Gross investment income	2		0								0		0								0
Gross investment gains	3		0								0		0								0
Gross investment losses	4		0								0		0								0
Gross investment expenses	5		0								0		0								0
Result/balance before personal expenses (1+2+3-4-5)	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
"Standard" personal expenses (see instructions)	7		0								0		0								0
Result/balance after standard personal expenses (6-7)	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other personal expenses (see instructions)	9		0								0		0								0
Result/balance after all personal expenses (8-9)	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

**PROFIT AND LOSS ACCOUNT
2004 ACCOUNT IN 2004**

SYNDICATE NO:
SYNDICATE RETURN
Period ended 30 June 2004
Year of account: 2004

Page:

		Per Syndicate accounts			Schedule 9a adjustments									Annual accounting adjustments								
		Cumulative to 31.12.2003	Movement in 2004	Cumulative to 30.06.2004	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocator	Schedule 9a return - cumulative to 30.06.2004	Schedule 9a result - cumulative to 31.12.2003	Schedule 9a result - 2004 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																					
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 2004**

SYNDICATE NO:
SYNDICATE RETURN
Period ended 30 June 2004
Year of account: Run-Off

Page:

		Per Syndicate accounts			Schedule 9a adjustments							Annual accounting adjustments									
		Cumulative to 31.12.2003	Movement in 2004	Cumulative to 30.06.2004	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocation	Schedule 9a return - cumulative to 30.06.2004	Schedule 9a result - cumulative to 31.12.2003	Schedule 9a result - 2004 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		0								0		0								0
Gross investment income	2		0								0		0								0
Gross investment gains	3		0								0		0								0
Gross investment losses	4		0								0		0								0
Gross investment expenses	5		0								0		0								0
Result/balance before personal expenses (1+2+3-4-5)	6	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
"Standard" personal expenses (see instructions)	7		0								0		0								0
Result/balance after standard personal expenses (6-7)	8	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Other personal expenses (see instructions)	9		0								0		0								0
Result/balance after all personal expenses (8-9)	10	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

UNDERWRITING ACCOUNTING

SYNDICATE NO:.....
SYNDICATE RETURN
Period ended 30 June 2004
Year of Account Aggregation

Page:

		Run-offs	2002	2003	2004	Other adjustments	Annual accounting result (1 to 5)
		1	2	3	4	5	6
Gross premiums	1						0
Reinsurers' share	2						0
Net premiums (1-2)	3	0	0	0	0	0	0
Gross provision for unearned premium (AA only)	4						0
Reinsurers' share (AA only)	5						0
Net earned premiums (AA only) (3-4+5)	6	0	0	0	0	0	0
Reinsurance to close received - gross	7a						0
Reinsurance to close received - R/I element	7b						0
Reinsurance to close received - net (lines 7a - 7b)	7c	0	0	0	0	0	0
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	0	0	0	0	0	0
Gross claims paid	10						0
Reinsurers' share of paid amount	11						0
Net claims paid (10-11)	12	0	0	0	0	0	0
Grossed up claims reserves	13						0
Unexpired risk provision (URP)	13a						0
R/I element of grossing up	14						0
R/I element of URP	14a						0
Reinsurance to close paid - gross	15						0
Reinsurance to close paid - R/I element	16						0
Run-off reserves retained - gross	17						0
Run-off reserves retained - R/I element	18						0
Reinsurance to close paid - net (memo only) (15-16)	19	0	0	0	0	0	0
Run-off reserves retained - net (memo only) (17-18)	20	0	0	0	0	0	0
Sub-total (12+13+13a-14-14a+19+20)	21	0	0	0	0	0	0
Claims management costs	22						
Profit/(loss) on exchange	23						0
Administrative expenses	24						0
Commissions	25						0
Other acquisition expenses	26						0
Change in deferred acquisition costs	26a						0
Reinsurers' commissions and profit participations	27						0
Total operating expenses (24+25+26+26a-27)	28	0	0	0	0	0	0
Balance on technical account (9-21-22+23-28)	29	0	0	0	0	0	0
Net technical provisions brought forward	30						
Net technical provisions carried forward	31						
Technical result/balance (29+30-31)	32	0	0	0	0	0	0

UNDERWRITING ACCOUNTING
2002 ACCOUNT IN 2004

SYNDICATE NO:.....
SYNDICATE RETURN
Period ended 30 June 2004
Year of Account 2002

Page:

		Per syndicate accounts					Schedule 9a adjustments							Annual accounting adjustments									
		Cumulative to 31.12.2003	Movement in 2004	Cumulative to 30.06.2004	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocation	Schedule 9a return - cumulative to 30.06.2004	Schedule 9a result - cumulative to 31.12.2003	Schedule 9a result - 2004 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))		
		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		0								0		0								0		
Reinsurers' share	2		0								0		0								0		
Net premiums (1-2)	3	0		0		0		0			0	0	0	0	0	0	0	0	0	0	0		
Gross provision for unearned premium (AA only)	4																						
Reinsurers' share (AA only)	5																						
Net earned premiums (AA only) (3-4+5)	6	0		0		0		0			0	0	0	0	0	0	0	0	0	0	0		
Reinsurance to close received - gross	7a		0								0		0								0		
Reinsurance to close received - R/I element	7b										0		0								0		
Reinsurance to close received - net (lines 7a - 7b)	7c	0		0		0					0	0	0	0					0	0	0		
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	0		0		0		0			0	0	0	0	0	0	0	0	0	0	0		
Gross claims paid	10		0								0		0								0		
Reinsurers' share of paid amount	11		0								0		0								0		
Net claims paid (10-11)	12	0		0		0				0	0	0	0	0					0	0	0		
Grossed up claims reserves	13												0								0		
Unexpired risk provision (URP)	13a																				0		
R/I element of grossing up	14												0								0		
R/I element of URP	14a																				0		
Reinsurance to close paid - gross	15		0								0		0								0		
Reinsurance to close paid - R/I element	16		0								0		0								0		
Run-off reserves retained - gross	17		0								0		0								0		
Run-off reserves retained - R/I element	18		0								0		0								0		
Reinsurance to close paid - net (memo only) (15-16)	19		0	0			0	0	0	0	0		0	0			0	0	0	0	0		
Run-off reserves retained - net (memo only) (17-18)	20		0	0			0	0	0	0	0		0	0			0	0	0	0	0		
Sub-total (12+13+13a-14-14a+19+20)	21	0		0		0		0	0	0	0	0	0	0			0	0	0	0	0		
Claims management costs	22																						
Profit/(loss) on exchange	23		0								0		0								0		
Administrative expenses	24		0								0		0								0		
Commissions	25										0		0								0		
Other acquisition expenses	26																				0		
Change in deferred acquisition costs	26a																				0		
Reinsurers' commissions and profit participations	27																				0		
Total operating expenses (24+25+26+26a-27)	28	0		0		0		0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Balance on technical account (9-21-22+23-28)	29	0		0		0		0	0	0	0	0	0	0	0	0	0	0	0	0	0		
Net technical provisions brought forward	30																						
Net technical provisions carried forward	31																						
Technical result/balance (29+30-31)	32	0		0		0		0	0	0	0	0	0	0	0	0	0	0	0	0	0		

UNDERWRITING ACCOUNTING
2003 ACCOUNT IN 2004

SYNDICATE NO:.....
SYNDICATE RETURN
Period ended 30 June 2004
Year of Account 2003

Page:

		Per syndicate accounts			Schedule 9a adjustments										Annual accounting adjustments						
		Cumulative to 31.12.2003	Movement in 2004	Cumulative to 30.06.2004	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocation	Schedule 9a return - cumulative to 30.06.2004	Schedule 9a result - cumulative to 31.12.2003	Schedule 9a result - 2004 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))
		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		0								0		0								0
Reinsurers' share	2										0		0								0
Net premiums (1-2)	3	0	0	0	0	0		0			0	0	0	0	0	0	0	0	0	0	0
Gross provision for unearned premium (AA only)	4																				0
Reinsurers' share (AA only)	5																				0
Net earned premiums (AA only) (3-4+5)	6	0	0	0	0	0		0			0	0	0	0	0	0	0	0	0	0	0
Reinsurance to close received - gross	7a										0		0								0
Reinsurance to close received - R/I element	7b										0		0								0
Reinsurance to close received - net (lines 7a - 7b)	7c	0	0	0	0	0					0	0	0	0					0	0	0
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	0	0	0	0	0		0			0	0	0	0	0	0	0	0	0	0	0
Gross claims paid	10		0								0		0								0
Reinsurers' share of paid amount	11										0		0								0
Net claims paid (10-11)	12	0	0	0	0					0	0	0	0	0					0	0	0
Grossed up claims reserves	13										0		0				0				0
Unexpired risk provision (URP)	13a																0				0
R/I element of grossing up	14										0		0				0				0
R/I element of URP	14a																				0
Reinsurance to close paid - gross	15																				0
Reinsurance to close paid - R/I element	16																				0
Run-off reserves retained - gross	17																				0
Run-off reserves retained - R/I element	18																				0
Reinsurance to close paid - net (memo only) (15-16)	19													0							0
Run-off reserves retained - net (memo only) (17-18)	20													0							0
Sub-total (12+13+13a-14-14a+19+20)	21	0	0	0	0	0	0	0	0	0	0	0	0	0			0	0	0	0	0
Claims management costs	22																				
Profit/(loss) on exchange	23		0								0		0								0
Administrative expenses	24		0								0		0								0
Commissions	25										0		0								0
Other acquisition expenses	26																				0
Change in deferred acquisition costs	26a																				0
Reinsurers' commissions and profit participations	27																				0
Total operating expenses (24+25+26+26a-27)	28	0	0	0	0			0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance on technical account (9-21-22+23-28)	29	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net technical provisions brought forward	30																				
Net technical provisions carried forward	31																				
Technical result/balance (29+30-31)	32	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

UNDERWRITING ACCOUNTING
2004 ACCOUNT IN 2004

SYNDICATE NO:.....
SYNDICATE RETURN
Period ended 30 June 2004
Year of Account 2004

Page:

		Per syndicate accounts			Schedule 9a adjustments										Annual accounting adjustments								Annual accounting result (full = 12 to 16 + 18; abridged = 17+18))
		Cumulative to 31.12.2003	Movement in 2004	Cumulative to 30.06.2004	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocation	Schedule 9a return - cumulative to 30.06.2004	Schedule 9a result - cumulative to 31.12.2003	Schedule 9a result - 2004 calendar year movement	Average exchange rate adjustment	Unearned premiums	Deferred acquisition costs	Claims reserves reversal	Further technical provisions	Abridged return	Other adjustments			
																					1	2	
Gross premiums	1		0								0		0								0		
Reinsurers' share	2		0								0		0								0		
Net premiums (1-2)	3		0	0		0		0			0		0		0	0	0	0	0	0	0		
Gross provision for unearned premium (AA only)	4																				0		
Reinsurers' share (AA only)	5																				0		
Net earned premiums (AA only) (3-4+5)	6		0	0		0		0			0		0	0	0	0	0	0	0	0	0		
Reinsurance to close received - gross	7a		0								0		0								0		
Reinsurance to close received - R/I element	7b		0								0		0								0		
Reinsurance to close received - net (lines 7a - 7b)	7c		0	0							0		0	0					0		0		
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		0	0		0		0			0		0	0	0	0	0	0	0	0	0		
Gross claims paid	10		0								0		0								0		
Reinsurers' share of paid amount	11		0								0		0								0		
Net claims paid (10-11)	12		0	0						0	0		0	0					0		0		
Grossed up claims reserves	13										0		0								0		
Unexpired risk provision (URP)	13a										0		0				0				0		
R/I element of grossing up	14										0		0				0				0		
R/I element of URP	14a										0		0								0		
Reinsurance to close paid - gross	15																				0		
Reinsurance to close paid - R/I element	16																				0		
Run-off reserves retained - gross	17																				0		
Run-off reserves retained - R/I element	18																				0		
Reinsurance to close paid - net (memo only) (15-16)	19													0							0		
Run-off reserves retained - net (memo only) (17-18)	20													0							0		
Sub-total (12+13+13a-14a+19+20)	21		0	0		0	0		0	0	0		0	0			0	0	0	0	0		
Claims management costs	22																						
Profit/(loss) on exchange	23		0								0		0								0		
Administrative expenses	24		0								0		0								0		
Commissions	25										0		0								0		
Other acquisition expenses	26																				0		
Change in deferred acquisition costs	26a																				0		
Reinsurers' commissions and profit participations	27																				0		
Total operating expenses (24+25+26+26a-27)	28		0	0				0	0	0	0		0	0	0	0	0	0	0	0	0		
Balance on technical account (9-21-22+23-28)	29		0	0		0	0	0	0	0	0		0	0	0	0	0	0	0	0	0		
Net technical provisions brought forward	30																						
Net technical provisions carried forward	31																						
Technical result/balance (29+30-31)	32		0	0		0	0	0	0	0	0		0	0	0	0	0	0	0	0	0		

**UNDERWRITING ACCOUNTING
RUN-OFF ACCOUNT IN 2004**

SYNDICATE NO:.....
SYNDICATE RETURN
Period ended 30 June 2004
Year of Account Run-Off

Page:

		Per syndicate accounts					Schedule 9a adjustments					Annual accounting adjustments									
		Cumulative to 31.12.2003	Movement in 2004	Cumulative to 30.06.2004	Exchange adjustments	Accrued premium	Balancing adjustment to claims incurred	commission / brokerage	Expense accruals	Expense reallocation	Schedule 9a return - cumulative to 30.06.2004	Schedule 9a result - cumulative to 31.12.2003	Schedule 9a result - 2004 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)
		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		0								0		0								0
Reinsurers' share	2		0								0		0								0
Net premiums (1-2)	3	0	0	0	0	0		0			0	0	0	0	0	0	0	0	0	0	0
Gross provision for unearned premium (AA only)	4																				0
Reinsurers' share (AA only)	5																				0
Net earned premiums (AA only) (3-4+5)	6	0	0	0	0	0		0			0	0	0	0	0	0	0	0	0	0	0
Reinsurance to close received - gross	7a		0								0		0								0
Reinsurance to close received - R/I element	7b		0								0		0								0
Reinsurance to close received - net (lines 7a - 7b)	7c	0	0	0	0	0					0	0	0	0					0	0	0
Run-off reserves received - gross	8a																				
Run-off reserves received - R/I element	8b																				
Run-off reserves received - net (lines 8a - 8b)	8c		0																		
Sub-total (6+7c+8c)	9	0	0	0	0	0		0			0	0	0	0	0	0	0	0	0	0	0
Gross claims paid	10		0								0		0								0
Reinsurers' share of paid amount	11		0								0		0								0
Net claims paid (10-11)	12	0	0	0	0	0				0	0	0	0	0					0	0	0
Grossed up claims reserves	13																				0
Unexpired risk provision (URP)	13a																				0
R/I element of grossing up	14																				0
R/I element of URP	14a																				0
Reinsurance to close paid - gross	15		0								0		0								0
Reinsurance to close paid - R/I element	16		0								0		0								0
Run-off reserves retained - gross	17		0								0		0								0
Run-off reserves retained - R/I element	18		0								0		0								0
Reinsurance to close paid - net (memo only) (15-16)	19		0	0	0	0	0		0	0	0	0	0	0					0	0	0
Run-off reserves retained - net (memo only) (17-18)	20	0	0	0	0	0	0		0	0	0	0	0	0			0	0	0	0	0
Sub-total (12+13+13a-14-14a+19+20)	21	0	0	0	0	0	0		0	0	0	0	0	0			0	0	0	0	0
Claims management costs	22																				
Profit/(loss) on exchange	23		0								0		0								0
Administrative expenses	24		0								0		0								0
Commissions	25										0		0								0
Other acquisition expenses	26																				0
Change in deferred acquisition costs	26a																				0
Reinsurers' commissions and profit participations	27																				0
Total operating expenses (24+25+26+26a-27)	28	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Balance on technical account (9-21-22+23-28)	29	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0
Net technical provisions brought forward	30																				
Net technical provisions carried forward	31																				
Technical result/balance (29+30-31)	32	0	0	0	0	0		0	0	0	0	0	0	0	0	0	0	0	0	0	0

**BALANCE SHEET
ASSETS - PAGE 1
ALL YEARS**

SYNDICATE NO:

Page

SYNDICATE RETURN
Period ended 30 June 2004

			1	2	3	4	5	6	7		
Investments			Line	run-offs	2002	2003	2004	Abridged return	Other adjustments	Annual accounting result (full = 1 to 4 + 6: abridged = 5+6)	
Financial investments	Equity shares		1							0	
	Other shares and other variable yield securities		2							0	
	Holdings in collective investment schemes		3							0	
	Rights under derivative contracts		4							0	
	Debt securities and other fixed income securities	Fixed interest	Approved securities	5							0
			Other	6							0
		Variable interest	Approved securities	7							0
			Other	8							0
	Participation in investment pools		9							0	
	Loans secured by mortgages		10							0	
	Other loans	Loans to public or local authorities and nationalised industries or undertakings		11							0
		Loans secured by policies of insurance issued by the syndicate		12							0
		Other		13							0
	Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		14							0
		Withdrawal subject to a time restriction of more than one month		15							0
	Other		16								0
Deposits with ceding undertakings			17							0	
Reinsurers' share of technical provisions	Claims outstanding		18							0	
	R/I element of URP		18a							0	
	Unearned premiums		18b							0	
	Other		19							0	
Total page 1 (lines 1 to 19)			20	0	0	0	0	0	0		

BALANCE SHEET
ASSETS - PAGE 2
ALL YEARS

SYNDICATE NO:

SYNDICATE RETURN
Period ended 30 June 2004

Page

			1	2	3	4	5	6	7
			run-off	2002	2003	2004	Abridged return	Other adjustments	Annual accounting result (full = 1 to 4 + 6: abridged = 5+6)
Debtors and other assets		Line							
Debtors arising out of direct insurance operations	Policyholders	21							0
	Intermediaries	22							0
Salvage and subrogation recoveries		23							0
Inter- syndicate loans		24							0
Inter- year loans		24a							
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business	25							0
	Due from reinsurers and intermediaries under reinsurance contracts ceded	Gross reinsurance recoverable on paid claims	26a						0
		Bad debt provision thereon	26b						0
		Net reinsurance recoverable on paid claims (26a-26b)	26c						0
		Other insurance debtors (net)	26d						0
		Total (26c+26d)	26e						0
Other debtors	Members	Due within 12 months - excl cash calls	27						0
		Due within 12 months - cash calls	27a						0
		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 and local authorities	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							0
Total page 2 (lines 21 to 25 +26e to 38a)			39	0	0	0	0	0	0
Total page 1 (= line 20)			40	0	0	0	0	0	0
Grand total (= lines 39+40) = AA3 page 3 line 84)			43	0	0	0	0	0	0

**BALANCE SHEET
LIABILITIES - PAGE 3
ALL YEARS**

Page

SYNDICATE NO:

SYNDICATE RETURN
Period ended 30 June 2004

			1	2	3	4	5	6	7		
			Line	run-off	2002	2003	2004	Abridged return	Other adjustments	Annual accounting result (full = 1 to 4 + 6: abridged = 5+6)	
Technical provisions (gross amount)	Claims outstanding		51							0	
	Unexpired risk provision		51a							0	
	Unearned premiums		54							0	
	Other		55							0	
	Total (lines 51 to 55)		56	0	0	0	0	0	0	0	
Analysis of amounts due to members	2004 result before personal expenses per AA1		60							0	
	2003 annual accounting result in 31.12.2003		60a							0	
	2002 annual accounting result in 31.12.2002		60b							0	
	Abridged only - Balance before personal expenses and cash calls at 31.12.2003		60c							0	
	Personal expenses paid on account		61							0	
	Cash calls due by 30.06.2004		65							0	
	Amounts overpaid by members		68							0	
	Continuous solvency transfer		69							0	
Provision for other risks and charges	Taxation		70							0	
	Other		71							0	
Deposits received from reinsurers			72							0	
Creditors	Arising out of insurance operations	Direct business	73							0	
		Reinsurance accepted	74							0	
		Reinsurance ceded	75							0	
	Debenture loans	Secured	76							0	
		Unsecured	77							0	
	Amounts owed to credit institutions		78							0	
	Other creditors	Taxation	79								0
		RITC premiums payable	80								0
		Other (please provide separate analysis)	82								0
Inter-syndicate loans		82a								0	
Inter-year loans		82b								0	
Accruals and deferred income		83								0	
Total (lines 56 + 60 to 83) (= AA3 page 2 line 43)			84	0	0	0	0	0	0	0	

**BALANCE SHEET
ASSETS - PAGE 1
2002 YEAR OF ACCOUNT**

SYNDICATE NO:

Page

SYNDICATE RETURN
Period ended 30 June 2004

				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	
	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
2002 YEAR OF ACCOUNT

SYNDICATE NO:

Page

SYNDICATE RETURN
 Period ended 30 June 2004

			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													
Inter-year loans		24a		0				0													
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business		25					0						0						0	
		Gross reinsurance recoverable on paid claims	26a										0		0					0	
	Due from reinsurers and intermediaries under reinsurance contracts ceded	Bad debt provision thereon	26b										0		0						0
		Net reinsurance recoverable on paid claims (26a-26b)	26c	0				0					0		0			0	0		0
		Other insurance debtors (net)	26d										0		0						0
		Total (26c+26d)	26e	0	0	0		0				0	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	Cash in hand	32					0						0							
			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 25 +26e to 38a)		39	0	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
2002 YEAR OF ACCOUNT**

SYNDICATE NO:

Page

SYNDICATE RETURN
Period ended 30 June 2004

			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						0
	Total (lines 51 to 55)		56	0	0	0		0	0	0	0	0	0	0
Analysis of amounts due to members	Result before personal expenses per AA1		60					0						0
	2003 annual accounting result in 31.12.2003		60a					0						0
	2002 annual accounting result in 31.12.2002		60b											0
	Personal expenses paid on account		61					0						0
	Cash calls due by 30.06.2004		65					0						0
	Amounts overpaid by members		68					0						0
	Continuous solvency transfer		69											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
		Other (please provide separate analysis)	82					0						0
Inter-syndicate loans			82a					0					0	
Inter-year loans			82b					0					0	
Accruals and deferred income			83					0					0	
Total (lines 56 + 60 to 83) (= AA3 page 2 line 43)			84	0	0	0	0	0	0	0	0	0	0	0

**BALANCE SHEET
ASSETS - PAGE 1
2003 YEAR OF ACCOUNT**

SYNDICATE NO:

Page

SYNDICATE RETURN
Period ended 30 June 2004

			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)	
Investments															
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
		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
Period ended 30 June 2004

Page

			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
Inter-year loans		24a						0						0
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business	25						0						0
		26a						0						0
	Due from reinsurers and intermediaries under reinsurance contracts ceded	26b						0						0
		26c	0	0				0					0	0
		26d						0					0	0
		26e	0	0				0					0	0
Other debtors	Members	27						0						0
		27a												0
		28						0						0
	Other	29						0						0
		30						0						0
		31						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 25 + 26e to 38a)			39	0	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
Grand total (= lines 39+40) = AA3 page 3 line 84)			43	0	0	0	0	0	0	0	0	0	0	0

**BALANCE SHEET
LIABILITIES - PAGE 3
2003 YEAR OF ACCOUNT**

SYNDICATE NO:

Page

SYNDICATE RETURN
Period ended 30 June 2004

			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
Analysis of amounts due to members	Result before personal expenses per AA1	60						0						0
	2003 annual accounting result in 31.12.2003	60a						0						0
		60b												
	Personal expenses paid on account	61						0						0
	Cash calls due by 30.06.2004	65						0						0
	Amounts overpaid by members	68						0						0
	Continuous solvency transfer	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
								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
		Other (please provide separate analysis)	82					0						0
Inter-syndicate loans		82a												
Inter-year loans		82b												
Accruals and deferred income		83					0						0	
Total (lines 56 + 60 to 83) (= AA3 page 2 line 43)		84	0	0	0		0	0	0	0	0	0	0	0

**BALANCE SHEET
ASSETS - PAGE 1
2004 YEAR OF ACCOUNT**

SYNDICATE NO:

Page

SYNDICATE RETURN
Period ended 30 June 2004

			Per Syndicate accounts	Schedule 9a adjustments					Annual accounting adjustments						
			1	2	3	4	5	6 (= 1 to 5)	7	8	9	10	11	12	
				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)	
Investments			Line												
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
		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
2004 YEAR OF ACCOUNT

SYNDICATE NO:

SYNDICATE RETURN
Period ended 30 June 2004

Page

			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						
Salvage and subrogation recoveries			23					0						
Inter-syndicate loans			24					0						
Inter-year loans			24a											
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business		25					0						0
	Due from reinsurers and intermediaries under reinsurance contracts ceded	Gross reinsurance recoverable on paid claims	26a					0						0
		Bad debt provision thereon	26b					0						0
		Net reinsurance recoverable on paid claims (26a-26b)	26c	0				0						0
		Other insurance debtors (net)	26d					0						0
	Total (26c+26d)	26e	0				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				
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 25 +26e to 38a)			39	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
Grand total (= lines 39+40) = AA3 page 3 line 84)			43	0	0	0	0	0	0	0	0	0	0	0

**BALANCE SHEET
LIABILITIES - PAGE 3
2004 YEAR OF ACCOUNT**

SYNDICATE NO:

Page

SYNDICATE RETURN
Period ended 30 June 2004

Period ended 30 June 2004

			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											
	Other		55					0						0
	Total (lines 51 to 55)		56	0	0	0		0	0	0	0	0	0	0
Analysis of amounts due to members	Result before personal expenses per AA1		60					0	0	0	0	0	0	0
			60a											0
			60b											
	Personal expenses paid on account		61					0						0
	Cash calls due by 30.06.2004		65					0						0
	Amounts overpaid by members		68					0						0
	Continuous solvency transfer		69					0						0
	Provision for other risks and charges		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
	Debtenture 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
		Other (please provide separate analysis)	82					0						0
	Inter-syndicate loans			82a					0					0
Inter-year loans			82b					0					0	
Accruals and deferred income			83					0					0	
Total (lines 56 + 60 to 83) (= AA3 page 2 line 43)			84	0	0	0	0	0	0	0	0	0	0	0

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

SYNDICATE NO:

Page

SYNDICATE RETURN
Period ended 30 June 2004

			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
	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
RUN-OFF YEAR OF ACCOUNT

SYNDICATE NO:

Page

SYNDICATE RETURN
Period ended 30 June 2004

			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 provision	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
Inter-year loans		24a						0						0
Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business	25						0						0
		26a						0						0
	Due from reinsurers and intermediaries under reinsurance contracts ceded	26b						0						0
		26c	0	0				0					0	0
		26d						0						0
		26e	0	0				0					0	0
Other debtors	Members	27						0						0
		27a												0
		28						0						0
	Other	29						0						0
		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 25 +26e to 38a)			39	0	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
Grand total (= lines 39+40) = AA3 page 3 line 84)			43	0	0	0	0	0	0	0	0	0	0	0

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

SYNDICATE NO:

Page

SYNDICATE RETURN
Period ended 30 June 2004

			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													
	Other	55													
	Total (lines 51 to 55)	56	0					0	0	0	0	0	0	0	
Analysis of amounts due to members	2004 result before personal expenses per AA1	60						0						0	
	2003 annual accounting result in 31.12.2003	60a						0						0	
	2002 annual accounting result in 31.12.2002	60b												0	
	Personal expenses paid on account	61						0						0	
	Cash calls due by 30.06.2004	65						0						0	
	Amounts overpaid by members	68						0						0	
	Continuous solvency transfer	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
		Other (please provide separate analysis)	82					0							0
		Inter-syndicate loans		82a					0						0
Inter-year loans		82b					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	

SEGMENTAL REPORTING

Analysis of 2004 Annual Accounting Result

SYNDICATE NO:

SYNDICATE RETURN

Period ended 30 June 2004

		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 (including facultative)	Total
Gross premium written	1									0		0
Net premium written	2									0		0
Gross premium earned	3									0		0
Outward reinsurance premiums	4									0		0
Net premiums earned (3-4)	5	0	0	0	0	0	0	0	0	0	0	0
Gross claims incurred	6									0		0
Reinsurers' share	7									0		0
Net claims incurred (6-7)	8	0	0	0	0	0	0	0	0	0	0	0
Operating expenses	9									0		0
Net technical result (5-8-9)	10	0	0	0	0	0	0	0	0	0	0	0
Investment return	11											
Technical account result (10+11)	12											0
Net technical provisions	13									0		0

Reconciliations

SYNDICATE NO:

Page

SYNDICATE RETURN

Period ended 30 June 2004

		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	
Closing balance	4		Closing balance
Difference	5	0	Difference
Reconciling items			Reconciling items
Exchange difference	6		Exchange difference
	7		
	8		
	9		
	10	0	

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

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

Deferred acquisition costs	
Opening balance	
Movement per technical account	
	0
Closing balance	
Difference	0
Reconciling items	
Exchange difference	
	0

Exchange differences

SYNDICATE NO:

SYNDICATE RETURN

Period ended 30 June 2004

Page

		1	2	3	4	5	6	7	8	9
Exchange rates		£	US\$	Can\$	Euro	Aus\$	Japanese Yen	Swiss Fr	SA Rand	
At 31.12.03	1	1.00	1.79	2.31	1.42	2.38	191.85	2.21	11.95	
At average rates to 30 June 2004	2	1.00	1.82	2.43	1.48	2.45	197.62	2.31	12.25	
At 30 June 2004	3	1.00	1.81	2.5	1.5	2.64	201.55	2.28	12.07	

Provision for claims (gross)

		£	US\$	Can\$	Euro	Aus\$	Japanese Yen	Swiss Fr	SA Rand	Total
Brought forward	4									0
Used in year	5									0
Carried forward (4 + 5)	6	0	0	0	0	0	0	0	0	0
Difference = exchange movement (= 4 + 5 - 6) in CNV£	7	0	0	0	0	0	0	0	0	0

Provisions for claims (reinsurers' share)

		£	US\$	Can\$	Euro	Aus\$	Japanese Yen	Swiss Fr	SA Rand	Total
Brought forward	8									0
Used in year	9									0
Carried forward (8 + 9)	10	0	0	0	0	0	0	0	0	0
Difference = exchange movement (= 8 + 9 - 10) in CNV£	11	0	0	0	0	0	0	0	0	0

Unearned premium (gross)

		£	US\$	Can\$	Euro	Aus\$	Japanese Yen	Swiss Fr	SA Rand	Total
Brought forward	12									0
Used in year	13									0
Carried forward (12 + 13)	14	0	0	0	0	0	0	0	0	0
Difference = exchange movement (= 12 + 13 - 14) in CNV£	15	0	0	0	0	0	0	0	0	0

Unearned premium (reinsurers' share)

		£	US\$	Can\$	Euro	Aus\$	Japanese Yen	Swiss Fr	SA Rand	Total
Brought forward	16									0
Used in year	17									0
Carried forward (16 + 17)	18	0	0	0	0	0	0	0	0	0
Difference = exchange movement (= 16 + 17 - 18) in CNV£	19	0	0	0	0	0	0	0	0	0

Balance due to/(from) members

If an exchange difference arises on the reconciliation of the balance due to/from members please provide an explanation of the difference in the comment box below.

Pro forma technical account

SYNDICATE NO:
SYNDICATE RETURN
Period ended 30 June 2004

Page ...

	2004 £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		0	AA1 lines	2	3	-4	-5	
Claims paid								
Gross amount			10					
Reinsurers share		0	11					
Change in the provision for claims								
Gross amount			13 13a	15	17	-7a	-8a	
Reinsurers share		0	14 14a	16	18	-7b	-8b	
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:

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SYNDICATE RETURN

Period ended 30 June 2004

	2004		From AA3(sum) lines					
	£000	£000	1	2	3			
Financial investments			5	6	7	8		
Shares and other variable yield securities			9					
Debt securities and other fixed income securities			10	11	12	13	14	15
Participation in Investment Pools			17					
Loans and deposits with credit institutions			4	16				
Deposits with ceding undertakings								
Other investments								
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 acquisition 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						

Cash flow statement and notes

SYNDICATE NO:

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SYNDICATE RETURN

Period ended 30 June 2004

Cash flow from operating activities	1	
Servicing of finance	2	
Capital expenditure	3	
Acquisitions and disposals	4	

Dividends paid		
Profits paid	5	
Continuous solvency transfer	6	
Other	7	

Financing		
Cash calls received	8	
Other	9	

Net cash flows (= 1 to 9)	10	0
---------------------------	----	---

Cash flows were invested as follows		
Increase/(decrease) in cash holdings	11	
Increase/(decrease) in deposits	12	
Net (sales)/purchases of investments	13	
Net investment of cash flows (= 11 to 13)	14	0

Cash flow statement and notes

SYNDICATE NO:

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SYNDICATE RETURN

Period ended 30 June 2004

Reconciliation of operating profit to net cash flow from operating activities

2004

Operating profit/(loss) before tax	1	
Unrealised (gains)/losses on investments	2	
(Increase)/decrease in debtors	3	
(Increase)/decrease in prepayments and accrued income	4	
(Increase)/decrease in insurance debtors, prepayments and accrued income	5	
(Increase)/decrease in reinsurers' share of technical provisions	6	
Increase/(decrease) in technical provisions	7	
Increase/(decrease) in provisions for other risks and charges	8	
Increase/(decrease) in insurance creditors, accruals and deferred income	9	
Increase/(decrease) in other creditors relating to operating activities	10	
Increase/(decrease) in accruals and deferred income	11	
Other movements	12	
Net cash inflow/(outflow) (= 1 to 12)	13	0

Cash flow statement and notes

SYNDICATE NO:

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SYNDICATE RETURN

Period ended 30 June 2004

Movement in cash, portfolio investments and financing

		1	2	3	4
		At 31.12.03	Cash flow	Changes to market value and currency	At 30.06.04
Cash at bank and in hand	1			0	
Overseas deposits	2			0	
Shares and other variable yield securities	3			0	
Debt and other fixed income securities	4			0	
Participation in investment pools	5			0	
Loans and deposits with credit institutions	6			0	
Deposits with ceding undertakings	7			0	
Other investments	8			0	
(= 1 to 8)	9	0	0	0	0

Cash flow statement and notes

SYNDICATE NO:

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SYNDICATE RETURN

Period ended 30 June 2004

Net cash inflow/(outflow) on portfolio investments

		1	2	3 = 2 - 1
		Purchases (enter as positive)	Sales	Net cash inflow/(outflow) on portfolio investments
Shares and other variable yield securities	1			0
Debt and other fixed income securities	2			0
Participation in investment pools	3			0
Other investments	4			0
(= 1 to 4)	5	0	0	0
Loans and deposits with credit institutions	6			
Deposits with ceding undertakings	7			
Net cash inflow/(outflow) on portfolio investments (= 5 + 6 + 7)	8			0

Opening balance sheet

SYNDICATE NO:

Page.....

SYNDICATE RETURN

Period ended 30 June 2004

		1	2	3	4	5 = 1 + 3	6 = 2 + 4
		As reported at 31.12.2003		Adjustments		Restated opening balance sheet	
Shares and other variable yield securities	1						0
Debt securities and other fixed income securities	2						0
Participation in Investment Pools	2a						0
Loans and deposits with credit institutions	3						0
Deposits with ceding undertakings	4						0
Other investments	5						0
Total investments (= 1 to 5)	6		0				0
Reinsurers share of technical provisions	7						
Claims outstanding	8					0	
Unearned premiums	9					0	
Other	10					0	
Sub total (= 8 to 10)	11		0				0
Debtors							
Debtors arising out of direct insurance operations	12					0	
Debtors arising out of reinsurance operations	13					0	
Other debtors	14					0	
Sub-total (=12 to 14)	15		0				0
Other assets							
Tangible assets	16					0	
Cash at bank and in hand	17					0	
Reinsurance to close premium	18					0	
Overseas deposits	19					0	
Other	20					0	
Sub-total (= 16 to 20)	21		0				0
Prepayments and accrued income							
Accrued interest and rent	22					0	
Deferred acquisition costs	23					0	
Other prepayments and accrued income	24					0	
Sub-total (=22 to 25)	25		0				0
Total assets	26		0				0
Balance due to members	27						0
Technical provisions	28						
Provision for unearned premiums	29					0	
Claims outstanding	30					0	
Other	31					0	
Sub total (= 29 to 31)	32		0				0
Provision for other risks and charges	33						0
Deposits received from reinsurers	34						0
Creditors							
Creditors arising out of direct insurance operations	35					0	
Creditors arising out of reinsurance operations	36					0	
Debenture loans	37					0	
Amounts owed to credit institutions	38					0	
Other creditors including taxation	39					0	
Sub total	40		0				0
Accruals and deferred income	41						0
Total liabilities	42		0				0

Analysis of result after all personal expenses

SYNDICATE NO:

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SYNDICATE RETURN

Period ended 30 June 2004

		2004	Combined Ratio %
Run-offs	1		
2002	2		
2003	3		
2004	4		
Total	5		

Explanation of material movements

Analysis of result after all personal expenses

SYNDICATE NO:

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SYNDICATE RETURN

Year ended 30 June 2004

2004 earned premium income

Gross premiums	1	
Earned premiums	2	
Ratio of earned premium	3	#DIV/0!

Reinsurers' share of premiums	4	
Reinsurers' share of earned premiums	5	
Ratio of reinsurers's share of earned premium	6	#DIV/0!

Please comment in the box below if:

- a) the ratio of earned premium at line 3 is 40% or above; and/or
b) the ratio at line 6 is equal to or lower than that at line 3

Brokerage

		run-offs	2002	2003	2004
Gross premiums	7	1,000	1,000	1,000	1,000
Commissions	8	250	250	250	250
Commission rate	9	25%	25%	25%	25%

Please comment in the box below on any unusual brokerage levels

BASIS OF PREPARATION

Notes to the AAR for the period ending 30 June 2004

The annual accounting return is prepared in accordance with the instructions set out in the Market Bulletin dated 30 June 2004, entitled '2004 Interim annual accounting return'.

The interim annual accounting return presents syndicate financial information for the six months ending 30 June 2004 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 2004 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 shown 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

Interim annual accounting return Six months ended 30 June 2004

To the Council of Lloyd's

Managing agent.....

Responsibilities

The Market Bulletin dated 30 June 2004 – “Interim annual accounting return” requires the managing agent to prepare Forms AAFront to AA12 in respect of syndicates that it manages for the six months ended 30 June 2004 in accordance with the instructions and guidance contained therein (“the Instructions”)

In preparing the IAAR, 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 IAAR.

Certificate

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

Signed _____ Director/Compliance Officer*

Name _____ (BLOCK CAPITALS)

Signed _____ Director*

Name _____ (BLOCK CAPITALS)

On behalf of _____ Managing Agent

Date _____

* The signatories must be different