

FROM: Head, Market Reporting EXTN: 5129
DATE: 7 February 2005 REF: Y3494
SUBJECT: **CORE MARKET RETURNS 2005/2006**
SUBJECT AREA(S): Draft forms and instructions, and final timetable, with respect to new core returns for 2005/2006
ATTACHMENTS: Appendix 1 – timetable
Appendix 2 – interim annual accounting report of the syndicate auditor

ACTION POINTS: **For review/comment**

DEADLINE(S): **Not applicable**

The market bulletin entitled 'Core Market Returns' 2005/2006, issued on 22 December 2004, reference Y3469, advised the proposed changes to the reporting arrangements in respect of a number of the returns collected from franchisees. Specifically, this covers the syndicate return (SR), supplementary syndicate return (SSR), annual accounting return (AAR), solvency and reserving data (SRD), FSA return, quarterly monitoring return (QMR), premium income monitoring (PIM), syndicate business forecast (SBF) and run-off financial planning packs (FPP).

We received considerable feedback from franchisees and auditors in response to that bulletin, as requested. We are grateful for that feedback which we found to be very valuable. The final forms and instructions for the SBF, FPP and PIM, and draft forms and instructions for each of the other returns will be available from Monday 14 February and may be downloaded from the MSU Market Returns website from that date. Although these should be taken as 'near final' (excluding the forms and instructions for the SBF, FPP and PIM), it is envisaged that there will need to be certain final revisions made. Accordingly these should be treated as draft, and the final forms and instructions in respect of each return will be issued in accordance with the updated timetable for this project which is attached at Appendix 1 to this bulletin. We confirm that the enclosed timetable is final and that the Lloyd's Business Timetable has been updated in accordance with this market bulletin.

Major changes since the December 2004 bulletin

Revised timetable for introduction of new QMR

In response to feedback received by us, and in order to smooth the implementation of the new reporting requirements for franchisees, it has been decided to defer the introduction of the new QMR until Q3 2005. Accordingly, the Q2 2005 QMR will be submitted using the current technology, and on the current basis, with a deadline of 18 August 2005.

Interim annual accounting return

The interim annual accounting return as at 30 June 2005 will be prepared and submitted using the existing Foxpro software, with a deadline of 1 September 2005. The interim annual accounting return shall be subject to auditor review at syndicate level and a draft review report is attached at Appendix 2. Agents should note that the interim annual accounting report should be signed by the syndicate auditor.

In view of the draft timetable circulated in December, we are aware that managing agents may now have planned to prepare the interim annual accounting return for submission by 18 August 2005. In this connection:

- the interim annual accounting forms will be issued to the market by the end of April, and the software will be issued to the market before the end of June;
- Lloyd's will not raise any queries regarding returns submitted early with managing agents until after the deadline of 1 September unless the return is invalid (eg not accompanied by a managing agent's and/or auditor's report); and
- should there be a material change in the syndicate's circumstances in the period between the submission date and 1 September, managing agents will not be expected to make any resubmission of 'early' submissions, ie the return will be signed off on the basis of the information known to the managing agent at the date of submission.

The Foxpro interim annual accounting return will require:

- a technical account, by reporting year of account, similar to new QMR100;
- segmental information, similar to new QMR104;
- balance sheet information, whole account only, similar to new QMR201 and new QMR205;
- cash flow information, similar to new QMR3, new QMR310, new QMR320 and new QMR330;
- reconciliation information, similar to new QMR610; and
- an opening balance sheet, similar to new QMR290.

These requirements are in line with the 30 June 2004 interim annual accounting return.

In respect of the opening balance sheet, the software will include a form to pick up the 31 December 2004 balance sheet in the current format, and enable agents to restate the figures into the revised format. The software will also include forms to restate the 30 June 2004 interim technical account and cash flow statement.

The data for all forms will be entered directly through single columns, ie there will not be an option of full or abridged return.

The return will be subject to review by the syndicate auditor.

QMR

Although the new QMR will not be introduced until Q3 2005, a draft QMR system will be made available for Q2 2005, for agent review, as part of the development process for the new software.

SBF classes of business

If syndicates wish to reclassify their classes of business, they are required to apply to Franchise Performance Directorate for permission. As the SBF and QMR will be on different software platforms for Q2 2005, the same process will apply for syndicates wishing to add classes of business for the 2005 year of account.

Any requests for reclassification of classes of business or additions for 2005 should be e-mailed to FPMA@lloyds.com

SRD – audit requirements

The SRD will not need to be audited. The SRD, however, will be the source for pre-population of certain forms in the AR and FSA return, both of which will continue to be subject to audit. To clarify, the required managing agent and audit report will cover the relevant forms within the AR and FSA return, as derived from the SRD. This will ensure that the SRD agrees to all other analysis provided by business segment. Therefore you are asked to take particular care with regard to the preparation and review of the data provided in the SRD, particularly with regard to the allocation of outwards reinsurance at a risk code, type of acceptance and currency level.

Line numbering on forms

Further to feedback received from the market, the line numbering system has been simplified. The system will continue to have validations within and between forms and returns, to ensure a consistent approach to reporting is maintained throughout. The form numbering system is unaffected by this.

If you have any queries or comments on the draft forms and instructions, please provide them by e-mail to Paul Tucknott at paul.a.tucknott@lloyds.com.

This bulletin is being sent to the compliance officers of all underwriting agents, and also to recognised accountants and market associations.

John Parry

Timetable – 2005 reporting season (excludes overseas reporting)

Activity	2005 deadline	2004 deadline	Comment
Final forms and instructions for SBF, FPP and PIM and updated draft forms and instructions for the other core market returns to be issued	14 February 2005	-	
Lloyd's to develop new web-based reporting system	Spring/Summer 2005	-	
Agents to submit FPP for run-off syndicates	Thur 24 Mar 2005	-	With revised content but using existing spreadsheet-based submission process
Final forms and instructions issued to market re 30.06.2005 interim annual accounting (AA) return and additional balance sheet disclosures required for resubmitted 31.12.2004 AA return and revised technical account, balance sheet and cash flow statement for resubmitted 30.06.2004 interim return.	Fri 29 April 2005	Wed 30 June 2004	
Interim AA return workshops	6, 13 June 2005	28 June 2004/ 13 July 2004	
Foxpro software issued to market re 30.06.2005 interim annual accounting (AA) return and additional balance sheet disclosures required for resubmitted 31.12.2004 AA return and revised technical account, balance sheet and cash flow statement for resubmitted 30.06.2004 interim return.	Fri 17 June 2005	Fri 02 July 2004	
Agents to submit SBF submission 1	Thur 23 June 2005	Fri 18 June 2004	With revised content and using new collection software
Agents to submit PIM (June)	Mon 11 Jul 2005	-	First PIM with revised content and using new collection software
Current software provided to market for 30.06.2005 QMR	Mon 18 Jul 2005	Mon 2 Aug 2004	

Agents to submit SBF submission 2	Thur 28 Jul 2005	Fri 30 July 2004	
Agents to submit 30.06.2005 QMR	Thur 18 Aug 2005	Thur 26 Aug 2004	Based on existing Access software
Agents to submit 30.06.2005 interim AA return	Thur 1 Sept 2005	Thur 2 Sept 2004	Using existing Foxpro software. Return now subject to auditor review.
Agents to resubmit 31.12.2004 AA return for comparatives (including additional balance sheet analysis), with revised audit opinion	Thur 1 Sept 2005	-	Using existing Foxpro software. Revised UK GAAP style audit opinion required
Agents to submit SBF submission 3	Thur 22 Sep 2005	Fri 24 Sep 2004	
Final forms and instructions provided to market for year end returns	Fri 7 Oct 2005	Fri 8 Oct 2004	
Software provided to market for year end returns	Fri 11 Nov 2005	Fri 12 Nov 2004	
Agents to submit 30.09.2005 QMR	Thur 24 Nov 2005	Thur 25 Nov 2004	First usage of new software and reporting requirements for QMR
Annual return workshops	6, 7, 12 Dec 2005	3, 10, 13 Dec 2004	Combined AR, SRD and FSA return workshops
Agents to submit 31.12.2005 AR	Thur 2 Mar 2006	Thur 24 Feb/ Thur 3 Mar 2005	Succeeds SR, SSR and AAR. Audited
Agents to submit 31.12.2005 SRD	Thur 2 Mar 2006	Thur 14 Apr 2005	Used to pre populate AR and FSA return for class of business analysis. Unaudited.
Agents to submit 31.12.2005 QMR	Thur 9 Mar 2006	Thur 24 Mar 2005	Will be largely pre populated from AR. Unaudited
Agents to submit 31.12.2005 syndicate report and accounts	Thur 23 Mar 2006	Thur 24 Mar 2005	Audited
Agents to submit 31.12.2005 FSA return	Thur 23 Mar 2006	Thur 21 Apr 2005	Partially pre populated from SRD. Audited
Agents to submit 31.03.2006 QMR	Thur 25 May 2006	Thur 26 May 2005	
Agents to submit 30.06.2006 QMR including interim AA data	Thur 17 Aug 2006	Thur 18 Aug 2005/ Thur 1 Sept 2005	Section of QMR containing interim AA data will be subject to auditor review

INTERIM ANNUAL ACCOUNTING RETURN – 30 June 2005

Report of the Syndicate Auditors to the directors of the managing agent and the Council of Lloyd's

Syndicate no: XXX

Managing Agent *ABC Managing Agent Limited*

We have reviewed the attached Interim Annual Accounting Return comprising Forms XXX to XXY (“the Interim AAR”) in respect of syndicate no: XXX for the six months ended 30 June 2005, which has been prepared by the Managing Agent pursuant to the requirements set out in the Market Bulletin : YXXX dated XXX 2005, entitled “2005 Interim Syndicate Returns” and the Market Bulletin dated XXX 2005 ref: YXXXX entitled “2005 Interim Syndicate Returns – Software and Other Information” (“the Instructions”).

This report is made solely to the addressees in accordance with the Instructions. Our work has been undertaken so that we might state to the addressees of this report those matters which we are required to state in this report by the Instructions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the addressees of this report, for our work, for this report, or for the opinions we have formed.

Responsibilities of the Managing Agent

The managing agent is responsible for the preparation of the Interim AAR in accordance with the Instructions which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounting return except where any changes, and the reasons for them, are disclosed.

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Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 'Review of interim financial information' issued by the Auditing Practices Board for use in the United Kingdom.

A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom

Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Name of syndicate auditor

Address

Date

N.B. should not be signed 'Registered Auditor'