

FROM: Head, Market Reporting EXTN: 5129
DATE: 6 May 2005 REF: Y3554
SUBJECT: **INTERIM RETURN**
SUBJECT AREA(S): Forms and instructions
ATTACHMENTS: Forms and instructions

ACTION POINTS: **Managing agents to note**
DEADLINE(S): **1 September 2005**

The purpose of this bulletin is to provide the instructions and forms for the interim 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 by the end of May.

The interim return covers the first six months of the calendar year 2005: the syndicate figures will be aggregated to form the market result. This year the interim result will be published so the returns must be reviewed by the syndicate auditor, the review being similar in level to that required for the publication of an insurance company's interim statement.

Other key points to note on the 2005 interim return are:

- (i) there is only one basis on which this return is to be completed, ie there are no longer abridged or full versions of the return;
- (ii) the formats of the technical account and balance sheet are those to be used in the new core market returns;
- (iii) the return is to be completed in £, not £000, again to be in line with the new core market returns;
- (iv) signage is as for the new core market returns, ie, technical account, income - positive, expenses - negative, balance sheet assets - positive, liabilities - negative;
- (v) the technical account as at 30 June 2004 is included as it must also be covered by the syndicate auditor's review so that it can be included in the published aggregate market result as comparative information;
- (vi) the 30 June 2004 technical account will be downloaded from the previous return but additional analysis of gross written premium and the result is required for continuing/discontinued business, similar additional analysis is required for the gross written premium and result at 31 December 2004;
- (vii) the 30 June 2004 and 31 December 2004 balance sheets are also included and will need some restatement to identify debtors/creditors less than and greater than one year; and

(viii) additional forms have been included, all data generated by the software, showing the technical account and balance sheet data, with comparatives, to assist agents' review of the return.

Average rates of exchange for the first six months of 2005 are to be used in the technical account with the rates at 30 June 2005 used in the balance sheet. Lloyd's will not prescribe the rates to be used but will publish a set of rates on 1 July that agents may use in completing the return.

The software for the return will be available for download from the Market Return web site at the end of May. The completed electronic version of the return should be submitted back via that site by the deadline which is 1 September 2005. As the return is subject to review by the syndicate auditor, this interim return must be submitted in both hard and electronic versions. 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.

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.

E-mail contact address

We would encourage all agents to set up a central e-mail address: coremarketreturns@agent.co.uk to ensure that all queries are directed to the right address and the agency contact list held at Lloyd's does not become out of data.

This bulletin is being sent to all managing agents and recognised accountants.

John Parry

INDEX TO FORMS
Interim Return - 2005

Form	Description
IRFront	Initialisation data
IR1	Technical account - format
IR100	Technical account - summary
IR101	Technical account - by reporting year of account
IR104	Segmental reporting - premiums/claims analysis
IR201	Balance sheet - assets
IR205	Balance sheet - liabilities
IR290	Opening balance sheet
IR3	Cash flow statement and notes - page 1
IR310	Cash flow statement and notes - page 2
IR320	Cash flow statement and notes - page 3
IR330	Cash flow statement and notes - page 4
IR610	Reconciliations
IR615	Exchange differences
IR650	Analysis of results - Combined Ratios
IR655	Analysis of results - Earnings and brokerage
IR880	Technical account summary with comparatives
IR885	Balance sheet summary with comparatives
IR1c	Technical account - 30 June 2004 comparison
IR1d	31 December 2004 FRS3 disclosure
IR201c	Balance sheet - assets - 30 June 2004 comparison
IR205c	Balance sheet - liabilities - 30 June 2004 comparison
IR3c	Cash flow statement - 30 June 2004 comparison
IR910	Managing agent report
IR930	Auditor report

INTERIM RETURN
30 June 2005
FORMS IR1 TO IR920

DUE FOR SUBMISSION BY 1 September 2005

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

Technical account

SYNDICATE NO:

INTERIM RETURN

Period ended 30 June 2005

Page ...

		1	2
		CNV £'000s	CNV £'000s
Gross premiums written			
- continuing operations	1		
- discontinued operations	2		
Gross premiums written - total (1 + 2)	3		
Outward reinsurance premiums	4		
Premiums written, net of reinsurance (3 + 4)	5		
Change in the gross provision for unearned premiums	6		
Change in provision for unearned premiums, reinsurers' share	7		
= (6 + 7)	8		
Earned premiums, net of reinsurance (5 + 8)	9		
Other technical income, net of reinsurance	10		
Investment return	11		
Claims paid			
Gross amount	12		
Reinsurers' share	13		
= (12 + 13)	14		
Change in provision for claims			
Gross amount	15		
Reinsurers' share	16		
= (15 + 16)	17		
Claims incurred, net of reinsurance (14 + 17)	18		
Change in other technical provisions net of reinsurance	19		
Total technical charges before net operating expenses (=18+19)	20		
Acquisition costs	21		
Administrative expenses (excl profit/loss on exchange)	22		
Profit/(loss) on exchange	23		
Operating expenses (21 to 23)	24		
Other technical charges, net of reinsurance	25		
Balance on the technical account for general business (9+10+11+20+24+25)	26		
- Continuing operations	27		
- Discontinued operations	28		

Technical account summary

SYNDICATE NO:
 INTERIM RETURN
 Period ended 30 June 2005

Page ...

Line ref	1	2	3	4	5	6 = 1 to 5
	Run-offs CNV £	2003 CNV £	2004 CNV £	2005 CNV £	Adjustments CNV £	Total CNV £
Gross premiums written - continuing operations	1					
Gross premiums written - discontinued operations	2					
Gross premiums written - total lines (1 + 2)	3					
Outward reinsurance premiums	4					
Net premiums written (3 + 4)	5					
Change in gross provision for unearned premiums	6					
Change in provision for unearned premiums, reinsurers' share	7					
Net change in provision for unearned premiums (6 + 7)	8					
Earned premiums net of reinsurance (5 + 8)	9					
Other technical income, net of reinsurance	10					
Gross claims paid excluding ULAE	11					
Gross claims paid - unallocated loss adjustment expenses	12					
Reinsurers' share	13					
Net claims paid (11 + 12 + 13)	14					
Change in provision for reported claims, gross amount	15					
Change in provision for IBNR, gross amount	16					
Change in unallocated loss adjustment expenses	17					
Change in provision for reported claims, reinsurers share	18					
Change in provision for IBNR, reinsurers share	19					
Net change in provisions for claims (15+16+17+18+19)	20					
Claims incurred, net of reinsurance (14+20)	21					
Change in other technical provisions net of reinsurance	22					
Total technical charges before net operating expenses (21+22)	23					
Acquisition costs - brokerage and commissions	24					
Acquisition costs - business arrangement fees	25					
Acquisition costs - other	26					
Change in deferred acquisition costs	27					
Administrative expenses - profit/(loss) on exchange	28					
Administrative expenses - business arrangement fees	29					
Administrative expenses - personal expenses	30					
Administrative expenses - other	31					
Reinsurers' commissions and profit participations	32					
Net operating expenses (24 to 32)	33					
Other technical charges, net of reinsurance	34					
Bonuses and rebates, net of reinsurance	35					
Balance on general business technical account (9+10+23+33+34+35)	36					
Income from investments	37					
Gains on the realisation of investments	38					
Unrealised gains on investments	39					
(Losses on the realisation of investments)	40					
(Unrealised losses on investments)	41					
Value adjustments on investments	42					
(Investment management charges)	43					
Investment return (37 to 43)	44					
Other charges	45					
Profit/(Loss) for the period (36 + 44 + 45)	46					

Technical account by reporting year of account

SYNDICATE NO:

INTERIM RETURN

Period ended 30 June 2005

Page ...

YOA

Line ref	6m to 30 June 2005	
	CNV £	
Gross premiums written - continuing operations	1	
Gross premiums written - discontinued operations	2	
Gross premiums written - total lines (1 + 2)	3	-
Outward reinsurance premiums	4	
Net premiums written (3 + 4)	5	-
Change in gross provision for unearned premiums	6	
Change in provision for unearned premiums, reinsurers' share	7	
Net change in provision for unearned premiums (6 + 7)	8	-
Earned premiums net of reinsurance (5 + 8)	9	-
Other technical income, net of reinsurance	10	
Gross claims paid excluding ULAE	11	
Gross claims paid - unallocated loss adjustment expenses	12	
Reinsurers' share	13	
Net claims paid (11 + 12 + 13)	14	-
Change in provision for reported claims, gross amount	15	
Change in provision for IBNR, gross amount	16	
Change in unallocated loss adjustment expenses	17	
Change in provision for reported claims, reinsurers share	18	
Change in provision for IBNR, reinsurers share	19	
Net change in provisions for claims (15+16+17+18+19)	20	-
Claims incurred, net of reinsurance (14+20)	21	-
Change in other technical provisions net of reinsurance	22	
Total technical charges before net operating expenses (21+22)	23	-
Acquisition costs - brokerage and commissions	24	
Acquisition costs - business arrangement fees	25	
Acquisition costs - other	26	
Change in deferred acquisition costs	27	
Administrative expenses - profit/(loss) on exchange	28	
Administrative expenses - business arrangement fees	29	
Administrative expenses - personal expenses	30	
Administrative expenses - other	31	
Reinsurers' commissions and profit participations	32	
Net operating expenses (24 to 32)	33	-
Other technical charges, net of reinsurance	34	
Bonuses and rebates, net of reinsurance	35	
Balance on general business technical account (9+10+23+33+34+35)	36	-
Income from investments	37	
Gains on the realisation of investments	38	
Unrealised gains on investments	39	
(Losses on the realisation of investments)	40	
(Unrealised losses on investments)	41	
Value adjustments on investments	42	
(Investment management charges)	43	
Investment return (37 to 43)	44	-
Other charges	45	
Profit/(Loss) for the period (36 + 44 + 45)	46	-

SEGMENTAL REPORTING

Analysis of 2005 Interim Result

SYNDICATE NO:

Page ...

INTERIM RETURN

Period ended 30 June 2005

Currency: CNV only

		1	2	3	4	5	6	7	8	9	10	11	12	13 (=1 to 12)	14	15 (= 13+14)
		Accident & Health	Motor (third-party liability)	Motor (other classes)	Marine	Aviation	Transport	Energy	Fire and other damage to property	Third-party liability	Pecuniary loss	Life	Other	Total direct	Reinsurance Accepted (including facultative)	Total
Gross premium written	1													-	-	-
Net premium written	2													-	-	-
Gross premium earned	3													-	-	-
Outward reinsurance premiums	4													-	-	-
Net premiums earned (3+4)	5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Gross claims incurred	6													-	-	-
Reinsurers' share	7													-	-	-
Net claims incurred (6+7)	8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating expenses	9													-	-	-
Net technical result (5+8+9)	10	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment return	11															
Technical account result (10+11)	12															
Net technical provisions	13													-	-	-
Split of net technical result																
2005 account - current accident year	14													-	-	-
2005 account - previous years	15													-	-	-
2004 and prior - current accident year	16													-	-	-
2004 and prior - previous years	17													-	-	-
Total = (14 to 17)	18	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

**BALANCE SHEET
ASSETS
ALL YEARS**

SYNDICATE NO:

Page

INTERIM RETURN

Period ended 30 June 2005

			Line	1 CNV €	
Equity shares			1		
Other shares and other variable yield securities			2		
Holdings in collective investment schemes			3		
Rights under derivative contracts			4		
Debt securities and other fixed income securities	Fixed interest	Approved securities	5		
		Other	6		
	Variable interest	Approved securities	7		
		Other	8		
Participation in investment pools			9		
Loans secured by mortgages			10		
Other loans	Loans to public or local authorities and nationalised industries or undertakings		11		
	Loans secured by policies of insurance issued by the syndicate		12		
	Other		13		
Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		14		
	Withdrawal subject to a time restriction of more than one month		15		
Other			16		
Total financial investments (1 to 16)			17		
Deposits with ceding undertakings			18		
Reinsurers' share of technical provisions	Claims outstanding	Reported	19		
		IBNR	20		
		Unexpired risk provision	21		
	Unearned premiums		22		
	Other		23		
	Total reinsurers' share of technical provisions (19 to 23)		24		
Debtors due within one year	Debtors arising out of direct insurance operations	Policyholders	25		
		Intermediaries	26		
	Salvage and subrogation recoveries		27		
	Inter- syndicate loans		28		
	Inter- year loans		29		
			30		
	Debtors arising out of reinsurance operations	Due from reinsurers and intermediaries under reinsurance contracts ceded	Gross reinsurance recoverable on paid claims	31	
			Bad debt provision thereon	32	
			Net reinsurance recoverable on paid claims (31+32)	33	
	Amount due from members		34		
	Other debtors		35		
Total debtors due within one year (25 to 30 + 33 to 35)		36			
Debtors due after one year	Debtors arising out of direct insurance operations	Policyholders	37		
		Intermediaries	38		
	Salvage and subrogation recoveries		39		
	Inter- syndicate loans		40		
	Inter- year loans		41		
			42		
	Debtors arising out of reinsurance operations	Due from reinsurers and intermediaries under reinsurance contracts ceded	Gross reinsurance recoverable on paid claims	43	
			Bad debt provision thereon	44	
			Net reinsurance recoverable on paid claims (43 + 44)	45	
	Amount due from members		46		
	Syndicate loans to Central Fund		46a		
Other debtors		47			
Total debtors due after one year (37 to 42 + 45 to 47)		48			
Tangible assets			49		
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		50		
	Cash in hand		51		
Overseas deposits			52		
Other assets			53		
Prepayments and accrued income	Accrued interest and rent		54		
	Deferred acquisition costs		55		
	Other prepayments and accrued income		56		
Total assets (=17+18+24+36+48 to 56)			57		

**BALANCE SHEET
LIABILITIES
ALL YEARS**

SYNDICATE NO:

Page

INTERIM RETURN

Period ended 30 June 2005

			Line	CNV £	
Technical provisions (gross amount)	Claims outstanding	Reported claims (excluding ULAE)	1		
		IBNR claims (excluding ULAE)	2		
		Unallocated loss adjustment expenses	3		
		Unexpired risk provision	4		
	Unearned premiums		5		
	Other		6		
	Total (1 to 6)		7		
Members' balances attributable to underwriting participations	Profit/(loss) for the year		8		
	Result brought forward 1 January		9		
	Cash calls made/(distributions) to date		10		
Provision for other risks and charges	Taxation		11		
	Other		12		
Deposits received from reinsurers			13		
Creditors due within one year	Arising out of insurance operations	Direct business - Policy holders	14		
		Direct business - intermediaries	15		
		Reinsurance accepted	16		
		Reinsurance ceded	17		
	Debenture loans	Secured	18		
		Unsecured	19		
	Amounts owed to credit institutions		20		
	Other creditors	Taxation		21	
		Other (please provide separate analysis)		22	
		Inter-syndicate loans		23	
		Inter-year loans		24	
Total creditors due within one year (14 to 24)			25		
Creditors due after one year	Arising out of insurance operations	Direct business - Policy holders	26		
		Direct business - intermediaries	27		
		Reinsurance accepted	28		
		Reinsurance ceded	29		
	Debenture loans	Secured	30		
		Unsecured	31		
	Amounts owed to credit institutions		32		
	Other creditors	Taxation		33	
		Other (please provide separate analysis)		34	
		Inter-syndicate loans		35	
		Inter-year loans		36	
Total creditors due after one year (24 to 36)			37		
Accruals and deferred income			38		
Total liabilities (7 to 13 + 25 + 37 + 38)			39		

Opening balance sheet

SYNDICATE NO:
 INTERIM RETURN
 Period ended 30 June 2005

Page.....

		CNV £	CNV £	CNV £	CNV £	CNV £	CNV £
		1	2	3	4	5	6
Financial investments							
Shares and other variable yield securities	1						
Debt securities and other fixed income securities	2						
Participation in investment pools	3						
Loans and deposits with credit institutions	4						
Deposits with ceding undertakings	5						
Other investments	6						
Total investments (= 1 to 6)	7						
Reinsurers' share of technical provisions							
Claims outstanding	8						
Unearned premiums	9						
Other	10						
sub-total (= 8 + 9 + 10)	11						
Debtors due within one year							
Debtors arising out of direct operations	12						
Debtors arising out of reinsurance operations	13						
Other debtors	14						
sub-total (= 12 to 14)	15						
Debtors due after one year							
Debtors arising out of direct operations	16						
Debtors arising out of reinsurance operations	17						
Other debtors	18						
sub-total (= 16 to 18)	19						
Other assets							
Tangible assets	20						
Cash at bank and in hand	21						
Overseas deposits	22						
Other	23						
sub-total (= 20 to 23)	24						
Prepayments and accrued income							
Accrued interest and rent	25						
Deferred acquisition costs	26						
Other prepayments and accrued income	27						
sub-total (= 25 to 27)	28						
Total assets (= 7+11+15+19+24+28)	29						
Capital and reserves							
Balance due to /(from) members	30						
Technical provisions							
Provision for unearned premiums	31						
Claims outstanding	32						
Other	33						
sub-total (= 31 to 33)	34						
Provision for other risks and charges	35						
Deposits received from reinsurers	36						
Creditors due within one year							
Creditors arising out of direct insurance operations	37						
Creditors arising out of reinsurance operations	38						
Debenture loans	39						
Amounts owed to credit institutions	40						
Other creditors including taxation	41						
sub-total (= 37 to 41)	42						
Creditors due after one year							
Creditors arising out of direct insurance operations	43						
Creditors arising out of reinsurance operations	44						
Debenture loans	45						
Amounts owed to credit institutions	46						
Other creditors including taxation	47						
sub-total (= 43 to 47)	48						
Accruals and deferred income	49						
Total liabilities (= 30+34+35+36+42+48+49)	50						

Cash flow statement and notes

SYNDICATE NO:

INTERIM RETURN

Period ended 30 June 2005

Page.....

		cnv£
Cash flow from operating activities	1	-
Servicing of finance	2	
Capital expenditure	3	
Acquisitions and disposals	4	
Profits and transfers out		
Distribution profit (per RX04)	5	-
Continuous solvency transfer	6	-
Other	7	
Financing		
Distribution loss/ open year cash calls made/ call not paid	8	-
Other	9	
Net cash flows (= 1 to 9)	10	-

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	

Cash flow statement and notes

SYNDICATE NO:

INTERIM RETURN

Period ended 30 June 2005

Page.....

Reconciliation of operating profit to net cash flow from operating activities

		cnv£
Operating profit/(loss) before tax	1	
Realised/unrealised (gains)/losses on cash and investments including FX	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	
FX movement on balance due to members	12	
Other movements	13	
Net cash inflow/(outflow) (= total of all lines)	14	

Cash flow statement and notes

SYNDICATE NO:
INTERIM RETURN
 Period ended 30 June 2005

Page.....

Movement in cash and investments

		1	2	3	4	5
		At 31.12.04	31.12.04	Cash flow	Changes to	At 30.06.05
		cnv£	restated	cnv£	market	cnv£
			cnv£		value and	
					currency (=	
					6-3-1)	
					cnv£	
					cnv£	
Cash at bank and in hand	1					
Overseas deposits	2					
Shares and other variable yield securities	3					
Debt and other fixed income securities	4					
Participation in investment pools	5					
Loans (and deposits) with credit institutions	6					
Deposits with credit institutions	7					
Deposits with ceding undertakings	8					
Other investments	9					
(= lines 1 to 9)	10					
Deposits received from reinsurers	11					
Debenture loans	12					
Amounts owed to credit institutions	13					
(= 10+11+12+13)	14					

Cash flow statement and notes

SYNDICATE NO:

INTERIM RETURN

Period ended 30 June 2005

Page.....

Net cash inflow/(outflow) on portfolio investments

		1	2	3 = 2 - 1
		Purchases (enter as negative) cnv£	Sales (enter as positive) cnv£	Net cash inflow/(outf low) on portfolio investments cnv£
Shares and other variable yield securities	1			
Debt and other fixed income securities	2			
Participation in investment pools	3			
Other investments	4			
(= lines 1 to 4)	5			
Loans with credit institutions	6			
Deposits with credit institutions	7			
Deposits with ceding undertakings	8			
Net cash inflow/(outflow) on portfolio investments (= lines 5+6+7+8)	9			
Deposits received from insurers	10			
Debenture loans	11			
Amounts owed to credit institutions	12			

Reconciliations

SYNDICATE NO:

INTERIM RETURN

Period ended 30 June 2005

Page....

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

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

Balance due to/(from) members		
Opening balance	21	
Movement per technical account	22	
	23	
Closing balance	24	
Difference	25	
Reconciling items		
Exchange difference	26	
Distribution profit (per RX04)	27	
Distribution loss (per RX04)	28	
Open year cash calls made	29	
Losses/calls not paid	30	
Continuous solvency transfer	31	
	32	
	33	

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

Exchange differences

SYNDICATE NO:

SYNDICATE RETURN

Period ended 30 June 2005

Page.....

	1	2	3	4	5	6	7	8	9
Exchange rates	£	US\$	Can\$	Euro	Aus\$	Japanese Yen	Swiss Fr	SA Rand	
At 31.12.05	1	1.00	1.92	2.30	1.41	2.45	196.73	2.18	10.82
At average rates to 30.6.05	2								
At 30.6.05	3								

Provision for claims (gross)

	£	US\$	Can\$	Euro	Aus\$	Japanese Yen	Swiss Fr	SA Rand	Total
Brought forward	4								0
Used in year	5								#DIV/0!
Carried forward (4 + 5)	6	0	0	0	0	0	0	0	#DIV/0!
Difference = exchange movement (= 4 + 5 - 6) in CNV£	7	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/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								#DIV/0!
Carried forward (8 + 9)	10	0	0	0	0	0	0	0	#DIV/0!
Difference = exchange movement (= 8 + 9 - 10) in CNV£	11	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Unearned premium (gross)

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

Unearned premium (reinsurers' share)

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

--

Analysis of result after all personal expenses

SYNDICATE NO:

SYNDICATE RETURN

Period ended 30 June 2005

Page.....

		2005	Combined Ratio %
Run-offs	1		
2003	2		
2004	3		
2005	4		
Total	5		

Explanation of material movements

Analysis of result after all personal expenses

SYNDICATE NO:

SYNDICATE RETURN

Period ended 30 June 2005

Page.....

2005 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	2003	2004	2005
Gross premiums	7				
Commissions	8				
Commission rate	9	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Please comment in the box below on any unusual brokerage levels

Technical account summary with comparatives

SYNDICATE NO:

INTERIM RETURN

Period ended 30 June 2005

Page.....

		6months to 30 June 2005		6months to 30 June 2004		Year ended 30 December 2004	
		cnv£	cnv£	cnv£	cnv£	cnv£	cnv£
Gross premiums written							
- continuing operations	1						
- discontinued operations	2						
Gross premiums written - total (1 + 2)	3						
Outward reinsurance premiums	4						
Premiums written, net of reinsurance (3 + 4)	5						
Change in the gross provision for unearned premiums	6						
Change in provision for unearned premiums, reinsurers' share	7						
= (6 + 7)	8						
Earned premiums, net of reinsurance (5 + 8)	9						
Other technical income, net of reinsurance	10						
Investment return	11						
Claims paid							
Gross amount	12						
Reinsurers' share	13						
= (12 + 13)	14						
Change in provision for claims							
Gross amount	15						
Reinsurers' share	16						
= (15 + 16)	17						
Claims incurred, net of reinsurance (14 + 17)	18						
Change in other technical provisions net of reinsurance	19						
Total technical charges before net operating expenses (=18+19)	20						
Acquisition costs	21						
Administrative expenses (excl profit/loss on exchange)	22						
Profit/(loss) on exchange	23						
Operating expenses (21 to 23)	24						
Other technical charges, net of reinsurance	25						
Balance on the technical account for general business (9+10+11+20+24+25)	26						
- Continuing operations	27						
- Discontinued operations	28						

Balance sheet summary with comparatives

SYNDICATE NO:

INTERIM RETURN

Period ended 30 June 2005

Page ...

		30-Jun-2005		30-Jun-2004		31-Dec-2004	
		cnv£	cnv£	cnv£	cnv£	cnv£	cnv£
Financial investments							
Shares and other variable yield securities	1						
Debt securities and other fixed income securities	2						
Participation in Investment Pools	3						
Loans and deposits with credit institutions	4						
Deposits with ceding undertakings	5						
Other investments	6						
Total investments	7		0		0		0
Reinsurers share of technical provisions							
Claims outstanding	8						
Unearned premiums	9						
Other	10						
	11		0		0		0
Debtors due within one year							
Debtors arising out of direct insurance operations	12						
Debtors arising out of reinsurance operations	13						
Other debtors	14						
	15		0		0		0
Debtors due after one year							
Debtors arising out of direct insurance operations	16						
Debtors arising out of reinsurance operations	17						
Other debtors	18						
	19		0		0		0
Other assets							
Tangible assets	20						
Cash at bank and in hand	21						
Overseas deposits	22						
Other	23						
	24		0		0		0
Prepayments and accrued income							
Accrued interest and rent	25						
Deferred acquisition costs	26						
Other prepayments and accrued income	27						
	28		0		0		0
Total assets	29		0		0		0
Balance due to members	30						
Technical provisions							
Provision for unearned premiums	31						
Claims outstanding	32						
Other	33						
	34		0		0		0
Provision for other risks and charges	35						
Deposits received from reinsurers	36						
Creditors due within one year							
Creditors arising out of direct insurance operations	37						
Creditors arising out of reinsurance operations	38						
Debenture loans	39						
Amounts owed to credit institutions	40						
Other creditors including taxation	41						
	42		0		0		0
Creditors due after one year							
Creditors arising out of direct insurance operations	43						
Creditors arising out of reinsurance operations	44						
Debenture loans	45						
Amounts owed to credit institutions	46						
Other creditors including taxation	47						
	48		0		0		0
Accruals and deferred income	49						
Total liabilities	50		0		0		0

SYNDICATE NO:

INTERIM RETURN

Period ended 30 June 2005

Page ...

Per 30/6/04 AA6

		1	2	3
Gross premiums written				
- Continuing Operations	1			0
- Discontinued Operations	2			0
Gross premiums written - total (1 + 2)	3			0
Outward reinsurance premiums	4			0
Premiums written, net of reinsurance (= 3 + 4)	5			0
Change in the gross provision for unearned premiums	6			0
Change in provision for unearned premiums, reinsurers' share =(6 + 7)	7 8			0 0
Earned premiums, net of reinsurance (= 5 + 8)	9			0
Other technical income net of reinsurance	10			
Investment return	11			
Claims paid				
Gross amount	12			0
Reinsurers share	13			0
= (12 + 13)	14			0
Change in the provision for claims				
Gross amount	15			0
Reinsurers share	16			0
= (15 + 16)	17			0
Claims incurred net of reinsurance (= 14 + 17)	18			0
Change in other technical provisions net of reinsurance	19			
Total technical charges before net operating expenses (=18 + 19)	20			0
Acquisition costs	21			0
Administrative expenses (excl profit/loss on exchange)	22			0
Profit/(Loss) on Exchange	23			0
Operating expenses (= 21 to 23)	24			0
Other technical charges, net of reinsurance	25			
Balance of the technical account for general business (9+10+11+20+24+25)	26			0
- Continuing operations	27			
- Discontinued operations	28			

Continued/discontinued split for year ended 31 December 2004

SYNDICATE NO:
 INTERIM RETURN
 Period ended 30 June 2005

Page ...

		1	2	3 (=1 + 2)
		Continuing	Discontinued	Total
		en£	en£	en£
Gross premiums written	1			0
Balance on the technical account for general business	2			0

**BALANCE SHEET
ASSETS**

ALL YEARS Period ended 30 June 2004 (Comparative)

SYNDICATE NO:

Page

INTERIM RETURN

Period ended 30 June 2005

			Line	1	2	3 (= 1 + 2)	
				env£	env£	env£	
Equity shares			1			-	
Other shares and other variable yield securities			2			-	
Holdings in collective investment schemes			3			-	
Rights under derivative contracts			4			-	
Debt securities and other fixed income securities	Fixed interest	Approved securities	5			-	
		Other	6			-	
	Variable interest	Approved securities	7			-	
		Other	8			-	
Participation in investment pools			9			-	
Loans secured by mortgages			10			-	
Other loans	Loans to public or local authorities and nationalised industries or undertakings		11			-	
	Loans secured by policies of insurance issued by the syndicate		12			-	
	Other		13			-	
Deposits with approved credit institutions and approved financial institutions	Withdrawal subject to a time restriction of one month or less		14			-	
	Withdrawal subject to a time restriction of more than one month		15			-	
Other			16			-	
Total financial investments (1 to 16)			17	-	-	-	
Deposits with ceding undertakings			18			-	
Reinsurers' share of technical provisions	Claims outstanding	Reported	19			-	
		IBNR	20			-	
	Unearned premiums		21			-	
	Unexpired risk provision		22			-	
	Other		23			-	
	Total reinsurers' share of technical provisions (19 to 23)			24	-	-	-
Debtors due within one year	Debtors arising out of direct insurance operations	Policyholders	25			-	
		Intermediaries	26			-	
	Salvage and subrogation recoveries		27			-	
	Inter-syndicate loans		28			-	
	Inter-year loans		29			-	
	Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business		30			-
		Due from reinsurers and intermediaries under reinsurance contracts ceded	Gross reinsurance recoverable on paid claims	31			-
			Bad debt provision thereon	32			-
	Net reinsurance recoverable on paid claims (31+32)		33			-	
	Amount due from members			34			-
Other debtors			35			-	
Total debtors due within one year (25 to 30 + 33 to 35)			36			-	
Debtors due after one year	Debtors arising out of direct insurance operations	Policyholders	37			-	
		Intermediaries	38			-	
	Salvage and subrogation recoveries		39			-	
	Inter-syndicate loans		40			-	
	Inter-year loans		41			-	
	Debtors arising out of reinsurance operations	Due from ceding insurers and intermediaries under reinsurance business		42			-
		Due from reinsurers and intermediaries under reinsurance contracts ceded	Gross reinsurance recoverable on paid claims	43			-
			Bad debt provision thereon	44			-
	Net reinsurance recoverable on paid claims (43 + 44)		45			-	
	Amount due from members			46			-
Other debtors			47			-	
Total debtors due after one year (37 to 42 + 45 to 47)			48			-	
Tangible assets			49			-	
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		50			-	
	Cash in hand		51			-	
Overseas deposits			52			-	
Other assets			53			-	
Prepayments and accrued income	Accrued interest and rent		54			-	
	Deferred acquisition costs		55			-	
	Other prepayments and accrued income		56			-	
Total assets (=17+18+24+36+48 to 56)			57	-	-	-	

BALANCE SHEET
LIABILITIES
ALL YEARS Period ended 30 June 2004 (Comparative)

SYNDICATE NO:

Page

INTERIM RETURN

Period ended 30 June 2005

			Line	cnv£ 1	cnv£ 2	cnv£ 3 (=1 + 2)
Technical provisions (gross amount)	Claims outstanding	Reported claims (excluding ULAE)	1			-
		IBNR claims (excluding ULAE)	2			-
		Unallocated loss adjustment expenses	3			-
		Unexpired risk provision	4			-
	Unearned premiums		5			-
	Other		6			-
	Total (1 to 6)		7	-	-	-
Members' balances attributable to underwriting participations	Profit/(loss) for the year		8			-
	Result brought forward 1 January		9			-
	Cash calls made/(distributions) to date		10			-
Provision for other risks and charges	Taxation		11			-
	Other		12			-
Deposits received from reinsurers			13			-
Creditors due within one year	Arising out of insurance operations	Direct business - Policy holders	14			-
		Direct business - intermediaries	15			-
		Reinsurance accepted	16			-
		Reinsurance ceded	17			-
	Debenture loans	Secured	18			-
		Unsecured	19			-
	Amounts owed to credit institutions		20			-
	Other creditors	Taxation	21			-
		Other (please provide separate analysis)	22			-
		Inter-syndicate loans	23			-
		Inter-year loans	24			-
Total creditors due within one year (14 to 24)		25	-	-	-	
Creditors due after one year	Arising out of insurance operations	Direct business - Policy holders	26			-
		Direct business - intermediaries	27			-
		Reinsurance accepted	28			-
		Reinsurance ceded	29			-
	Debenture loans	Secured	30			-
		Unsecured	31			-
	Amounts owed to credit institutions		32			-
	Other creditors	Taxation	33			-
		Other (please provide separate analysis)	34			-
		Inter-syndicate loans	35			-
		Inter-year loans	36			-
Total creditors due after one year (24 to 32)		37		-	-	
Accruals and deferred income			38			-
Total liabilities (7 to 13 + 25 + 37 to 38)			39	-	-	-

Cash flow statement and notes for period ended 30 June 2004

SYNDICATE NO:

INTERIM RETURN

Period ended 30 June 2005

Page

		cnv£	cnv£	cnv£
		1	2	3 (= 1+2)
Cash flow from operating activities	1		-	-
Servicing of finance	2		-	-
Capital expenditure	3		-	-
Acquisitions and disposals	4		-	-
Profits and transfers out				
Distribution profit (per RX04)	5		-	-
Continuous solvency transfer	6		-	-
Other	7		-	-
Financing				
Distribution loss/ open year cash calls made/ c	8		-	-
Other	9		-	-
Net cash flows (= 1 to 9)	10	-	-	-

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	-	-	-

**INTERIM
RETURN
30 JUNE 2005**

Forms IRFront to IR920

Instructions

**Deadline for submission to Lloyd's:
12.00 noon Thursday 1 September 2005**

<u>INDEX</u>		
Overview of return		4
Equitas		5
Electronic reporting		5
Signing and page numbering of the interim return		5
Submission of the interim return		6
Assistance in completing forms		6
Exchange rates		6
Interpretation		7
Reporting configuration		7
Completion of forms		7
Notes on annual accounting		7
Bases of accounting		7
Inwards underwriting transactions		8
Deferred acquisition costs		11
Reinsurance outwards premiums		12
Claims paid and reinsurance recoveries		12
Claims provisions		13
Ultimate loss ratios		13
Unexpired risk provisions		14
Investment return and syndicate expenses		15
Profit commission on outward reinsurance		15
Exchange rates		15
Completion of the return		16
IRFront	Initialisation data	16
IR1	Technical account - format	16
IR100	Technical account - summary	16
IR101	Technical account - by reporting year of account	16
IR104	Segmental reporting - premiums/claims analysis	18
IR201	Balance sheet - assets	19
IR205	Balance sheet - liabilities	21
IR290	Opening balance sheet	22
IR3	Cash flow statement and notes - page 1	23
IR310	Cash flow statement and notes - page 2	23
IR320	Cash flow statement and notes - page 3	24
IR330	Cash flow statement and notes - page 4	24
IR610	Reconciliations	25
IR615	Exchange differences	25
IR650	Analysis of results - Combined Ratios	26
IR655	Analysis of results - Earnings and brokerage	26
IR880	Technical account summary with comparatives	27
IR885	Balance sheet summary with comparatives	27
IR1c	Technical account - 30 June 2004 comparison	27
IR1d	31 December 2004 FRS3 disclosure	27
IR201c	Balance sheet - assets - 30 June 2004 comparison	27
IR205c	Balance sheet - liabilities - 30 June 2004 comparison	27

IR3c	Cash flow statement - 30 June 2004 comparison	28
IR910	Managing agent report	28
IR930	Auditor report	28
Examples of accounting treatment		
	Background	29
	Calculation of written, earned and unearned premium under a binding authority	29
	Accounting for an inwards reinsurance contract with reinstatement	29
	Accounting for an outwards reinsurance contract with reinstatement	31
	Accounting for a qualifying quota share	32

Interim 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 Return (IR) is required unless prior agreement has been obtained from Market Reporting.
- 1.2 Parallel corporate syndicates must complete and submit a separate interim 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 2005 but before 30 June 2005 (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 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 2002 and prior years (whether they are closed or in run-off at 30 June 2005) and whether the syndicate is non-life or life, etc. 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.
- 1.5 The IR 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 2005:**
- 1.7.1 A number of run-off years may close in the 6 months to 30 June. An IR is still required from such syndicates because there will have been a movement in the annual accounting result since 31 December 2004.
- 1.7.2 The IR is to be prepared using the relevant exchange rates for the technical account and for the balance sheet (see paragraph 11.10 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 2005 to determine the closed 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 technical account on form IR101.

Syndicates accepting the RITC from another syndicate which has closed during the first 6 months of 2005:

- 1.7.3 A syndicate that has accepted the RITC from another syndicate that has closed during the first 6 months of 2005 must reflect the premium receivable for accepting the RITC

in the interim return. The transactions arising on the reinsured syndicate's liabilities subsequent to the reinsuring syndicate assuming them, up to 30 June 2005 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 2005 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 in May. 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 from Market Reporting. In addition to the website submission, a single hard copy (including signed managing agent's and auditor review reports) is required.
- 3.2 A return will only be considered valid if it has both a print date and a version date, 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.
- 3.3 A hard copy validation report with the correct version date and time and showing no errors must be submitted with the hard copy return.

4 **Signing and page numbering of interim annual accounting return**

4.1 Managing Agent's Report

The managing agent's report (IR910) must be signed and dated on behalf of the directors of the managing agent by the finance director and by the compliance officer or another director of the managing agent. 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 standard report is included, but agents can amend the report on screen for additional paragraphs or non standard wordings.

4.2 Auditor's Report

Forms IR1 to IR920 must be reviewed by a recognised accountant. The report (IR920) must be signed and dated on behalf of the recognised accountant by a partner or director. The standard scope and opinion of the report will be included within the software. Where additional paragraphs or non-standard wordings are required, these can be included with the hard copy submission only.

The review report is currently under review and will be provided to the market with the return software.

The managing agent's reports and auditor's report(s) may need to be amended as a result of a resubmission of the return.

5 **Submission of the interim return**

Deadlines

- 5.1 **The interim return must be submitted by 12.00 noon on Thursday 1 September 2005. Both the electronic filing and hard copy submission must be made by this time.**

5.2 Submission

The electronic interim return in respect of each managed syndicate must be submitted by the managing agent via the MSU Market Returns website and the hard copy must be submitted to:

Manager
Market Reporting
Gallery 5, Lloyd's 1986 Building

Failure to submit the return by the due deadline will be considered a breach of the Solvency

Late submissions

- 5.3 A resubmission of the return after the deadline will be considered a late submission.
- 5.4 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 Average rate of exchange are to be used for the technical account and the closing rate for the balance sheet (the opening balance sheet, IR290, remains at 31.12.04 rates). Rates

of exchange will be published by market bulletin but agents may use their own, appropriate, average rates of exchange for technical account items.

8 **Interpretation**

- 8.1 The meaning given to expressions used in these instructions and in the IR 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 £s.

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 IR is to be completed 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.

Discounting

- 11.1.4 For the purposes of completing the IR, 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 amounts 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 IR will reflect the amounts of earned business during the accounting period and carry forward the unearned element.

Guidance

- 11.2.5 *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.*
- 11.2.6 *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).*
- 11.2.7 *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.*

11.2.8 *In completing the interim 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

11.2.9 Premiums on binding authorities should be accounted for with reference to the inception date of the underlying policy.

11.2.10 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.

11.2.11 Agents should provide an explanatory note in the comments section of the return if they materially depart from this policy.

Guidance

11.2.12 *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 IR.

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 2005, 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 or proposals and issuing of policies.

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

11.3.4 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”.

11.3.5 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

11.3.6 *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.
- 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 11.3).
- 11.8.5 Personal expenses are part of syndicate expenses. The accounting treatment of personal expenses is to account for them as fixed costs and expensed in the calendar year in which they are paid. 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).
- 11.8.6 The personal expenses relating to Lloyd's subscriptions and central fund contributions will be eliminated on "consolidation" with Lloyd's central assets and income.
- 11.8.7 While agent's profit commission is not recognised in syndicate accounts until the result is declared, usually at the end of 36 months of development, it must be recognized on the result in the calendar year, having regard to the impact of deficit clauses.

11.9 Profit commission on outward reinsurance

- 11.9.1 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 32).

11.10 Foreign Exchange

- 11.10.1 Syndicate assets and liabilities expressed in convertible currencies are to be translated at the rates of exchange ruling at 30 June 2005.
- 11.10.2 Income and expenditure transactions in 2005 are translated using the average rate of exchange over the 6 month period. A market bulletin will be issued with average and period end rates of exchange but managing agents may use their own rates of exchange for the technical account.

COMPLETION OF THE RETURN

1 Front sheet

- 1.1 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.

2 IR1 – Technical account

- 2.1 This form presents the syndicate's technical account information in the format that will be used to present the market's results. The data on this form is derived from IR100 with the exceptions of lines 27 and 28, the split of the result between continued and discontinued business. This analysis will use the same categories of continued/discontinued business as used in IR101 for gross written premiums.

3. IR100 – Technical account summary

- 3.1 This form presents the technical account information by reporting year. The data is derived by the software from IR101. Form IR100 does have an additional column in case any final adjustments are required but it is not anticipated that any should be necessary. Where an adjustment is to be made an explanation of the adjustment should be provided in the relevant analysis cell.

4. IR101 – Technical account by reporting year of account

- 4.1 This form must be completed for each reporting year of the syndicate that is either open at 30 June 2005 or which closed between 1 January 2005 and 30 June 2005.
- 4.2 All items are to be reported per UK GAAP, except for the analysis of changes in claims provisions and analysis of acquisition costs and expenses, which are required in more detail for Lloyd's performance management.
- 4.3 Lines 1, 2 and 3 – gross premiums written: these are to be reported on the UK GAAP basis and thus gross of acquisition costs.
- 4.4 Gross premiums must be analysed between continuing operations (line 1) and discontinued operations (line 2). For this purpose discontinued business will represent any material line of business that has previously been written by the syndicate but where a strategic decision has been taken to cease underwriting that business. In addition if a decision is taken to cease underwriting a particular class of business in one geographic area but continue or start underwriting that business in another area, then the business in the ceased geographic area would be considered to be discontinued if material to the syndicate's overall underwriting, eg if the syndicate wrote property business in the US but decided to stop underwriting in the US but underwrite property business in Europe, then the previous US property business would be classed as discontinued.

- 4.5 Lines 6, 7 and 8 – the gross change in provision for unearned premiums is to be entered as a negative figure to unearn premium in the period and a positive to earn premium in the period. The figure is to be stated gross of brokerage. The change in reinsurers' share is entered in line 7 with the opposite signage to line 6.
- 4.6 Line 10 – other technical income net of reinsurance: we do not expect to see anything reported here.
- 4.7 Lines 11, 12 and 13 – gross claims paid are to be reported on line 11, normally entered as negatives, excluding ULAE: the ULAE on gross claims paid is to be reported on line 12 to assist in the analysis of loss development. The reinsurers' share of claims paid is entered at line 13, normally as a positive figure.
- 4.8 Lines 15 to 20 – the change in gross provision for claims is split between that on reported claims, on IBNR and the ULAE element. Amounts are to be entered as negative where the provision is to be increased in the period, as positive if the provision is to be reduced. The change in the reinsurers' share is entered as a single figure, with the opposite signage to the gross claims figure.
- 4.9 Line 22 – change in other technical provisions net of reinsurance: we do not expect to see anything reported here.
- 4.10 Lines 24 to 26 – acquisition costs: where acquisition costs include business arrangement fees these should be reported separately on line 25 and not on line 24. Business arrangement fees must be reported separately, irrespective of whether the agents treat these costs as administrative or acquisition expenses. They include fees payable to brokers in addition to commissions and brokerage in respect of, for example, volume, profitability, management administration, marketing or processing functions (this is not an exhaustive list). Business Arrangement Fees are also known as PSA's, Market Service Agreements or Contingent Commissions.
- 4.11 Line 27 – change in deferred acquisition costs: enter as positive if the provision is to increase in the period, as a negative if it is to decrease.
- 4.12 Line 28 – profit/loss on exchange: this must include realised exchange differences on the sale or purchase of \$US or \$Canadian dollars and other settlement currencies, together with differences on the revaluation of other currency assets and liabilities. Any profit or loss realised on the sale of a currency option must also be included on this line.
- 4.13 Line 29: it is accepted that there is an interpretation that permits recognition of business arrangement fees as administrative expenses. Where administrative expenses include business arrangement fees, these should be reported separately on line 29.
- 4.14 Line 30: all standard personal expenses are to be treated as administrative expenses. The aggregate of all standard personal expenses must be reported on line 30. Standard personal expenses are those broadly chargeable in proportion to a member's participation and include managing agent's fees; Lloyd's subscriptions; New Central Fund contributions and managing agent's profit commission. The managing agent may elect to defer a proportion of the personal expenses, eg managing agent fees, as a

prepayment. Managing agents' profit commission on naturally open years is to be accrued on the basis of earned profit to date as at 12 and 24 months as appropriate.

- 4.15 Non-standard personal expenses including members' agents' fees do not form part of standard personal expenses and are instead treated as a debtor from members on IR201 lines 34 and 46.
- 4.16 Line 31: this must exclude claims management costs which must be reported as claims paid (lines 11 and 12).
- 4.17 Line 34 – other technical charges, net of reinsurance: we do not expect to see anything reported here.
- 4.18 Lines 37 to 44 – gross investment gains and losses: any gains from investments must be shown on lines 38 and 39 and any losses on line 40 and 41. You must not report only the net gain or loss for the syndicate year as a whole. Value adjustments on investments relate to investments in subsidiaries and we do not expect syndicate to report anything on line 42.
- 4.19 Line 45 – other charges: personal expenses must not be reported on this line but instead on line 30. We do not expect to see anything reported on line 45.

5 IR104 - Segmental reporting

- 5.1 This form is required at whole account level only. This form replaces AA4a.
- 5.2 The split of business in IR104 is more detailed than required for UK GAAP. This is to enable the franchisor to provide both a segmental analysis on a UK GAAP basis and a market commentary in the Lloyd's market results using our preferred business split. A mapping from risk codes to the IR104 business classes is available: please make the request via the Lloyds-MRD-MarketReturns e-mail address.
- 5.3 For the purposes of IR104, **facultative reinsurance must be included as part of reinsurance acceptances**. This is as required under UK GAAP.

Lines 1 and 2 – Premium written

- 5.4 The total at line 1, column 15 must agree to the total of gross premium written in IR1 (line 3), the technical account, and that at line 2 must agree to IR1, line 5, net premiums written.

Line 3-5 - Net premium earned

- 5.5 Line 3, column 15 must agree with gross premium earned in IR1 (lines 3 + 6 + 10). This therefore includes "other technical income, net of reinsurance" if there is any. It is anticipated that any figure in QMR1 line 10 will be immaterial. Line 5, column 15 must agree with earned premium, net of reinsurance in IR1 (lines 9 + 10).

Line 6 – 8- Net claims incurred

- 5.6 Line 6, column 15, must agree with the aggregate of the amounts for gross claims paid plus the change in the gross claims provision amount in IR1 plus "change in other technical provisions net of reinsurance". It is anticipated that any figure in the latter

category will be immaterial. Line 7, column 15, 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

- 5.7 Line 9, column 15 must agree with net operating expenses in IR1(line 24) and other technical charges, net of reinsurance (IR1, line 25). It is anticipated that any figure in the latter category will be immaterial.

Lines 10 - 12 – Net technical result

- 5.8 The investment return will be derived by the software from IR1 line 11 and reported in line 11, column 15 of IR104. Line 12, column 15 will then report the aggregate of the net technical result in line 10 of column 15, and the investment return to give the syndicate's annual accounting result. That result must agree with the result reported on IR1 line 26.

Line 13 – Net technical provisions

- 5.9 The net technical provision figures will normally be entered as negative values. Line 13, column 15 must agree with total technical provisions IR205 lines 7 plus total reinsurers' share of technical provisions in IR201 lines 24.

Lines 14 to 17 – Split of net technical result

- 5.10 Agents must analyse the net technical result in line 10 between the 2005 reporting year and prior reporting years and also between the current accident year and previous years. Normally the result of the current reporting year will also relate to the current accident year, however line 15 has been included for those circumstances where a syndicate has accepted the RITC of another syndicate into its 2005 reporting year and that transaction has generated a net result relating to previous years. The total of lines 14 to 17 must agree to line 10.

6 IR201 – balance sheet assets

- 6.1 The IR balance sheet is in the same format as that required in the annual return but is only completed on an "all years of account combined" basis.
- 6.2 All lines are to be reported as per UK GAAP, except for the analysis of changes in claims provisions and bad debt provisions, which are required in more detail for Lloyd's performance management.
- 6.3 Lines 1 to 17 - financial investments: syndicate assets must be analysed in the manner and detail as set out on IR201. The definitions of each category on lines 1 to 17 are included in the eligible asset rules as at 31 December 2004. The definitions will be included in the eligible asset rules as at 31 December 2005. Assets must be disclosed and analysed in accordance with this bulletin and shown in the category that best matches their description. For example, if a syndicate holds listed equities these would be shown on line 1, and any fixed interest approved securities on line 5. Your attention is drawn to the instruction in paragraph 6.15 regarding the treatment of assets held in the US situs trust funds.
- 6.4 Line 18 - deposits with ceding undertakings: these are defined in Article 14 of the EC Insurance Accounts Directive as follows:

“In the balance sheet of an undertaking which accepts reinsurance this item shall comprise amounts owed by the ceding undertakings and corresponding to guarantees, which are deposited with those ceding undertakings or with third parties or which are retained by those undertakings.

These amounts may not be combined with other amounts owed by the ceding insurer to the reinsurer or set off against amounts owed by the reinsurer to the ceding insurer.

Securities deposited with ceding undertakings or third parties which remain the property of the undertaking accepting reinsurance shall be entered in the latter's accounts as an investment, under the appropriate item.”

Amounts in relation to letters of credit provided to reinsureds are not to be reported as these are not eligible assets.

- 6.5 Lines 19 to 24 - reinsurers' share of technical provisions: this represents the reinsurers' share of the gross technical reserves for the year of account and must be split between reported claims (line 19), IBNR claims (line 20), unexpired risk provision (line 21) unearned premiums (line 22), and other (line 23). We are not expecting anything to be reported on line 23.
- 6.6 Lines 25 to 48 – debtors: the analysis must be split between debtors due within one year (lines 25 to 36) and those due after one year (lines 37 to 48). This is for the purpose of UK GAAP disclosure in the Lloyd's market accounts.
- 6.7 Lines 25/26/37/38 – debtors arising out of direct insurance operations: all debts due from Xchanging Ins-sure Services are to be treated as due from intermediaries (lines 26/38).
- 6.8 Line 27/39 – Salvage and subrogation recoveries: this is as defined by LLD as:
 ‘Any right of any member under a contract of insurance (and vested in a premium trust fund) to take possession of and dispose of property because he has made a payment or has become liable to make a payment in respect of a loss to that property’.
- 6.9 Line 28/40: inter-syndicate loans (including outstanding interest thereon) made to another syndicate must be reported on line 28. Analysis of each counterparty syndicate must be provided in the analysis schedule provided.
- 6.10 Line 29/41: inter-year loans made to another year of account of the same syndicate must be provided. The total entered on these lines for all years of account in aggregate must equal that of line 24 and 36 of IR205.
- 6.11 Lines 31 to 33 and 43 to 45. 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 2005 reinsurance debtor form in the Q2 QMR.
- 6.12 Line 34/46a: the cumulative amount of non-standard personal expenses chargeable to members including members' agents' fees and other non-standard personal expenses, as

well as unpaid cash calls made on all years of account, which were due at 30 June, and any interest or other amount arising on the unpaid debts, and any other amount owed by members, must be entered here. Amounts in relation to continuous solvency transfers must appear within IR205 line 10 and not be included here. The amount advanced for the syndicate loan is to be reported at line 46a.

- 6.13 Line 49 - tangible assets: it is not expected that syndicates will have any assets that would be disclosed here.
- 6.14 Line 51: only cash in hand (ie petty cash and other physical notes and coins held by the syndicate) is to be disclosed here.
- 6.15 Line 52 - overseas deposits:

US situs trust funds

In view of the fact that a very significant proportion of the US situs trust funds (ie the US Credit for Reinsurance Trust Fund and the US Surplus Lines Trust Fund) are now held as investments, the assets within these trust funds must be reported as allocated between the various investment categories on lines 1 to 17 and cash in line 50: they must not be included in aggregate as overseas deposits on line 52. The assets of the LATF and LCTF must be similarly treated in the return.

Other overseas deposits

Please disclose other semi-static overseas regulatory deposits on line 52 'overseas deposits' and analyse these amounts in the space provided. These funds include the Joint Asset Trust Funds, Canadian Margin Fund, Illinois Trust Fund, Kentucky Trust Fund, Australian Trust Funds and South African Trust Funds.

- 6.16 Line 57 is calculated by the software; the aggregate of this line and line 39 on IR205 must equal 0.

7 **IR205 – Balance sheet liabilities**

- 7.1 All amounts will generally be reported as negative except for amounts owed by members (losses and net transfers to members) which are to be reported as positive.
- 7.2 Lines 1 to 7 – technical provisions (gross amount): gross technical reserves must be reported here, split between reported claims excluding ULAE (line 1), IBNR claims excluding ULAE (line 2), ULAE (line 3), unexpired risk provision (line 4), unearned premiums (line 5) and other (line 6). We are not expecting anything to be reported on line 6.
- 7.3 Line 8 – result for the period: this is the annually accounted result for the period after standard personal expenses and is entered automatically by the software from IR1 line 26. Amounts due from members in respect of non-standard personal expenses (including members' agents' fees) are treated as debtors (IR201 lines 34/46).
- 7.4 Line 9 – result brought forward: this is the cumulative result on an annual accounting basis up to the previous 31 December but will exclude any amount relating to a year closed at 31.12.2004.

7.5 Line 10 – cash calls made/distributions to date: this is the cumulative cash calls due less transfers made to members since the commencement of the year of account, to the current period end. Any continuous solvency transfer amount must also be reported on this line. The cell is an analysis cell: cash calls and CSTs must be reported separately within the analysis schedule.

7.6 Line 13 - deposits received from reinsurers: these are defined as follows:

“In the balance sheet of an undertaking ceding reinsurance this item shall comprise amounts deposited by or withheld from other insurance undertakings under reinsurance contracts. These amounts may not be merged with other amounts owed to or by the other undertakings in question.

Where an undertaking ceding reinsurance has been received as deposit securities which have been transferred to its ownership, this item shall comprise the amount owed by the ceding undertaking by virtue of the deposit.

The explanatory notes to the Syndicate Accounting Byelaw describe deposits with ceding undertakings and deposits received from reinsurers as including any sums in the nature of advance payments or receipts to provide security for future claims.”

Amounts in relation to letters of credit provided to the syndicate by reinsurers are not to be reported.

7.7 Lines 14 to 37 – creditors: the analysis must be split between creditors due within one year (lines 14 to 25) and those due after one year (lines 26 to 37). This is for the purpose of UK GAAP disclosure in the Lloyd’s market accounts.

7.8 Lines 23 and 35: inter-syndicate loans (including outstanding interest thereon) received from another syndicate must be reported on these lines. Analysis of each counterparty syndicate must be provided in the analysis schedule provided.

7.9 Line 24 and 36: inter-year loans received from another year of account of the same syndicate must be provided. The totals entered on these lines must equal their equivalents in the asset form (IR201) lines 29 and 41.

7.10 Line 39: this is calculated by the software. Line 39 + IR201 line 57 must equal 0.

8. IR290: Opening balance sheet – standard format

8.1 This form is generated by the software from the previous year-end return. The year end figures will be multiplied by 1,000 to bring them into line with the rest of the IR forms.

8.2 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 2004 exercise. The software instructions will tell you how to extract the data from the final locked version of the 31 December 2004 pack.

8.3 For this exercise columns 3 and 4 are open as analysis cells. One set of adjustments that syndicates will need to make to their opening balance sheets is to reanalyse debtors and

creditors between those that are less than and more than one year. No other adjustments should be made without the express written confirmation of the Market Reporting Department. If a figure in column 1 or 2 relating to one of the reconciliation tables in IR610 is incorrect then the error must either be corrected through the 2005 technical account.

9. IR3, IR310, IR320 and IR330: Cash flow statement and supplementary forms

9.1 These forms are similar to that used in the annual accounting return (AA8) with some additional validations to help ensure entries are inputted to the form correctly along with the difference in the signing convention used in the interim return compared with the 2004 annual return

9.2 The additional validations relate to form IR320 and arose due to some confusion as to how to split out the loans (and deposits) with credit institutions in column 2 lines 6 and 7.

IR3 cash flow statement

9.3 Line 1 is taken directly from IR310, line 14.

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

9.5 The main entries expected on IR3 will be derived from IR 610 being the distribution profits fed into line 5, Continuous Solvency Transfer into line 6 and distribution loss/cash calls made/(calls not paid) fed into line 8

9.6 These will be taken directly from the reconciling items on balance due to/(from) members.

9.7 Further details of the derivations will be provided with the instructions to the software.

9.8 Since Distributions, cash calls and CSTs exchange rates are predetermined, the foreign exchange movement on these balances is taken automatically.

9.9 The total per IR3 line 10 should agree to IR3 line 14.

Net investment of cash flows

9.10 These entries are entirely derived from IR320. Details of derivations will be provided at a later date in the instructions to the software.

IR310: Cashflow – reconciliation of operating profit to net cash flow from operating activities

9.11 Most of the lines on this form are derived from elsewhere in the return. Details of derivations will be provided at a later date in the instructions to the software.

9.12 The only entries allowed should be included in the analysis cell in line 14 along with an

explanation of the entries involved. Entries in this box may include any other movements on balances due to members not included in the reconciling items already included in the return in form IR610.

- 9.13 There is a line in the balance sheet for tangible assets (IR201 line 49). Syndicates are not expected to hold any fixed assets and as a consequence there are no entries in IR310 for depreciation of assets or for cash flows on the purchase and sale of assets.
- 9.14 Line 14 – Net cash flow from operating activities
Line 14 will be picked up by IR3 line 1

IR320: Cashflow – movement in cash and investments

- 9.15 The only entries expected are those splitting out these investment classifications and cash flows from cash at bank and in hand and overseas deposits.
- 9.16 Column 1 is automatically generated from IR290.
- 9.17 Column 2 has been created to split the opening loans and deposits with credit institutions balance between loans with credit institutions line 6 and deposits with credit institutions line 7.
- 9.18 Additional validations have been included in this column due to some confusion arising at the 2004 Annual Accounting Return completion as to how exactly to split out the loans (and deposits) with credit institutions.
- 9.19 The total in column 1 line 6 should be split in column 2 lines 6 and 7 such that lines 6 and 7 and both greater than or equal to zero and the total of lines 6 and 7 column 2 is equal to line 6 column 1. The purpose for restating these figures is to enable the change to market value and currency in column 4 to calculate correctly. Please refer to the model example if unsure how to split out the figures.
- 9.20 Column 3 lines 3 to 9 and 11 to 13 are generated from IR330, col 3 lines 1 to 12. Entries have to be made in lines 1 and 2.
- 9.21 Column 4 is calculated from the other columns once all entries have been made. This reflects unrealized changes to market value and exchange rates.
- 9.22 Column 5 is derived from the respective lines in IR201 and IR205.

IR330: Cashflow – net cash inflow/(outflow) on portfolio investments

- 9.23 IR330 reflects the net purchases and sales of investments throughout the year. Purchases are to be entered in column 1 as negative values and sales as positive values. The software will then calculate an inflow/(outflow) figure in column 3.
- 9.24 The net cash movements are then taken to the appropriate lines in IR320 column 3.

10. IR610: Reconciliations

- 10.1 This form is required to ensure that provisions for claims, unearned premiums, deferred acquisition costs and members balances attributable to underwriting participations reconcile between the opening and closing balance sheets.
- 10.2 For each of these reconciliations the software derives the movement in period and period end balance as per the technical account in IR1 and the balance sheet in IR201 and IR205. The opening balances are derived from the opening balance sheet, IR290.
- 10.3 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.
- 10.4 In the table for “balance due to/(from) members” there are five additional reconciling items. The amount to be reported under “Distribution profit” and “Distribution loss” should in total agree to the RX04 amount (at previous 31 December rates of exchange) in the DD files submitted to MSU in the current year. The amount to be reported under “cash calls” is the total of any open year cash calls made for the syndicate with a due date in the current calendar year.
- 10.5 Any losses / cash calls made but not yet paid should be input into line 30. This amount has come into the reconciliation for this return as a result of the reclassification of lines 34 and 46 of IR201 as part of balances due to / (from) members whereas previously they were included in other debtors on the balance sheet. A further analysis line 31 is to be used to report any continuing solvency transfer made in the calendar year.
- 10.6 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:

lloyds-MRD-ReturnQueries@lloyds.com

to agree how the return should be submitted. A return must not be submitted with an unreconciled balance.

10.7 IR615 - Exchange Differences

- 10.8 This form requires the analysis by currency of the exchange differences. The closing rates for 31.12.04 are automatically entered onto the return. The average rates for the 6 months to 30.06.05 and the closing rates as at 30.06.05 as used by the syndicate are to be entered manually. If a single average rate has not been used for a currency in the technical account then the closest approximation to an average rate should be used.
- 10.9 For columns 1 to 8 lines brought forward, movement and carried forward, these amounts should be completed in local currency.
- 10.10 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.

- 10.11 For the brought forward balance we would expect the total to agree to the opening balances per the reconciliations on IR610.
- 10.12 For the movement balance we would expect the total to agree to the movement balance per the reconciliations on IR610.
- 10.13 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.
- 10.14 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.
- 10.15 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 IR610. This is a calculated cell.
- 10.16 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 IR615.

11 IR650/655 – Analysis of result after all personal expenses

- 11.1 The purpose of this form is to provide information on any material factors contributing to the 2005 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 reporting year results.
- 11.2 The figures reported by the system include the combined ratio for the syndicate as a whole and for the 2005 year of account. It is not necessary to provide a commentary just because either 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. This form is to be used to provide an explanation of any material, to the syndicate as a whole, profit or loss developments in the first six months of 2005.
- 11.3 There is an additional form IR655. For syndicates with a 2005 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 2004 for the 2004 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.
- 11.4 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.

12 IR880 – Technical account summary with comparatives

12.1 The data for this form is entirely generated by the software and presents the technical account information in the format that will be used in the published market results, including the comparative information. The form has been included to assist agents in their review of the information provided.

13 IR885 – Balance sheet summary with comparatives

13.1 The data for this form is entirely generated by the software and presents the balance sheet information in the format that will be used in the published market results, including the comparative information. The form has been included to assist agents in their review of the information provided.

14 IR1c – Technical account 30 June 2004 comparison

14.1 This form has been included as the 30 June 2004 comparative information is required for the published results and, as such, needs to be covered by auditor review at the syndicate level, which it was not last year.

14.2 The data for the first column of this form is generated by the software from AA6 of the previous interim return. The figures will be multiplied by 1,000 to bring them into line with the rest of the IR forms.

14.3 Syndicates will need to analyse total gross written premium per line 3 between that for continuing and discontinued business (lines 1 and 2). The identification of business that is discontinued must be that used for the 30 June 2005 GWP, ie you must not analyse the 2004 GWP based on information on continuing/discontinued business as at 30 June 2004. A similar analysis is required of the net result at line 26.

15 IR1d – Continuing/discontinued split for year ended 31 December 2004

15.1 While the 31 December 2004 technical account was audited at syndicate level the return did not include the split of gross written premium and balance on the technical account. Syndicates should therefore report the analysis on this form: as for IR1c, the identification of what business is discontinued is based on knowledge at 30 June 2005, not 31 December 2004.

16 IR201c and 205c – Balance sheet comparatives at 30 June 2004

16.1 These forms have been included as the 30 June 2004 comparative balance sheet information is required for the published results and, as such, needs to be covered by auditor review at the syndicate level, which it was not last year.

16.2 The data for the first column of this form is generated by the software from AA7 of the previous interim return. The figures will be multiplied by 1,000 to bring them into line with the rest of the IR forms.

- 16.3 One set of adjustments that syndicates will need to make to this balance sheet is to reanalyse debtors and creditors between those that are less than and more than one year. We would not expect any other adjustments to be required. If you consider that an adjustment is necessary please contact Market Reporting for express written confirmation that the adjustment should be made.

17 IR3c – Cash flow statement – 30 June 2004 comparative

- 17.1 This form has been included as the 30 June 2004 comparative information is required for the published results and, as such, needs to be covered by auditor review at the syndicate level, which it was not last year.
- 17.2 The data for the first column of this form is generated by the software from AA8 of the previous interim return. The figures will be multiplied by 1,000 to bring them into line with the rest of the IR forms.
- 17.3 Agents should review the disclosures for items relating to distribution (profits paid/ losses & cash calls received/CST paid) and compare with the disclosure of the equivalent items in the year end return. Where there is a difference in the disclosure, column 2 of IR3c can be used to revise the 30 June 2004 reporting in line with that at the year end.

18 IR910 - 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 the Finance Director and either one other director or 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. The report is currently under review and will be provided to the market with the return software.

19 IR930 – Auditor Review Report

- 19.1 Each report must be signed and dated on behalf of the recognised accountant by a partner or director.
- 19.2 The standard scope and opinion of the review report will be included within the software. Where additional paragraphs or non-standard wordings are required, these can be included with the hard copy submission only.
- 19.3 The report is currently under review and will be provided to the market with the return software.

Interim 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 2005 interim 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 2005. 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 return 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 2005 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 2005	£10k *	11/24	4,583
February 2005	£10k *	9/24	3,750
March 2005	£10k *	7/24	2,917
April 2005	£10k *	5/24	2,083
May 2005	£10k *	3/24	1,250
June 2005	£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 2005 for 12 months, offer one reinstatement @ 100. Brokerage of 10% on the initial premium. Claims paid at 30 June 2005 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 2005 for 12 months, offer one reinstatement @ 100. Reinsurance recoveries paid at 30 June 2005 £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 2005 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	200	
Net earned premiums	300	
Acquisition costs	60	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	