

FROM: Head, Market Reporting EXTN: 5129  
DATE: 31 May 2005 REF: Y3568  
SUBJECT: **INTERIM RETURN – SOFTWARE AND OTHER INFORMATION**  
SUBJECT AREA(S):  
ATTACHMENTS: Appendix 1 – Forms and Appendix 2 - Instructions

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

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Further to market bulletin Y3554, Interim Return, I am writing to confirm that software for the interim annual accounting return is now available for download from the market returns website.

Attached as Appendix 1 are the wordings for IR910, the managing agent's report, and IR930, the auditor's review report. Also attached as Appendix 1 are two additional forms. IR3d, the cash flow statement and notes for the period ended 31 December 2004 and IR890, the basis of preparation notes.

IR3d has been added to collect the 31 December 2004 cash flow statement information and enable agents to amend it if required. IR890 has been added to confirm the accounting policies used in the preparation of the return and is similar to the equivalent notes in previous returns.

One other minor change to the forms since they were last issued is that the syndicate loan to the Central Fund is to be entered at line 13 of IR201, other loans, ie as part of investments and not line 46a of that form.

In addition, an Excel workbook of the forms, including calculations and the validations, is available. If you would like a set please e-mail [Lloyds-MRD-ReturnQueries@lloyds.com](mailto:Lloyds-MRD-ReturnQueries@lloyds.com).

If you have any queries relating to this bulletin please contact either Warren Brayn ([warren.brayn@lloyds.com](mailto:warren.brayn@lloyds.com)) or Robert Smith ([robert.smith@lloyds.com](mailto: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](mailto: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](mailto:john.parry@lloyds.com) and the issue will be dealt with urgently.

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

John Parry

## Forms and additional instructions

**Cash flow statement and notes for period ended 31 December 2004**

SYNDICATE NO: .....

INTERIM RETURN

Period ended 30 June 2005

Page .....

		cnv£	cnv£	cnv£
		1	2	3 (= 1+2)
<b>Cash flow from operating activities</b>	1			0
Servicing of finance	2			0
Capital expenditure	3			0
Acquisitions and disposals	4			0
<b>Profits and transfers out</b>				
Distribution profit (per RX04)	5			0
Continuous solvency transfer	6			0
Other	7			0
<b>Financing</b>				
Distribution loss/ open year cash calls made/ call r	8			0
Other	9		0	0
<b>Net cash flows (= 1 to 9)</b>	10	<b>0</b>	<b>0</b>	<b>0</b>

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

## **BASIS OF PREPARATION**

### **Notes to the IR for the six months ending 30 June 2005**

The interim return is prepared in accordance with the instructions set out in the Market Bulletin dated 6 May 2005, entitled 'Interim Return'.

The interim return presents syndicate financial information for the six months ending 30 June 2005 on an annual accounting basis similar to the basis on which corporate vehicle UK accounts are prepared under schedule 9a of the Companies Act 1985.

The recommendations of the Statement of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers in November 2003 have been adopted subject to modifications appropriate to Lloyd's financial reporting.

### **Underwriting Transactions**

#### *Premiums*

Gross premiums written represent premiums on business incepting during the year together with adjustments to premiums written in previous accounting periods and estimates for "pipeline" premiums. Gross premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

#### *Unearned Premiums*

The provision for unearned premiums represents that part of gross premiums written and the reinsurers' share that is estimated to be earned after the balance sheet date.

#### *Deferred Acquisition Costs*

Acquisition costs arising from the conclusion of insurance contracts are deferred and amortised over the period in which the premium is earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date. Such costs include brokerage and syndicate expenses deemed to relate to the acquisition of business.

#### *Claims*

Claims incurred comprise claims and expenses paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end. Included in the provision is an estimate of the cost of handling the outstanding claims.

Provisions for claims outstanding are based on information available to the managing agent and the eventual outcome may vary from the original assessment.

### *Unexpired Risk Provisions*

A provision for unexpired risks is made when it is anticipated that unearned premiums will be insufficient to meet future claims and claims settlement expenses of business in force at the period end. The provision for unexpired risks is included within technical provisions in the balance sheet.

### *Profit Commission*

Profit commissions due to the managing agent is recognised as earned pro rata to the recognition of underwriting profits on an annual basis.

### *Exchange Rates*

Syndicate assets and liabilities expressed in convertible currencies are translated at the rates of exchange ruling at 30 June. Income and expenditure transactions in 2005 are translated using average exchange rates. Underwriting transactions in other foreign currencies are included in the accounts at historical rates. All differences on the translation of foreign currency amounts in the syndicates are dealt with in the underwriting account.

### *Investments*

Listed investments are shown at market value.

### *Investment Return*

The investment return comprises investment income, investment gains less losses realised and unrealised, and is net of investment expenses and charges. The returns on investments arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

### *Taxation*

No provision has been made for United Kingdom taxation on the result show in the underwriting account. Under Schedule 20, FA1993, managing agents are not required to deduct basic rate income tax from trading income, including capital appreciation, of the syndicate.

It remains the responsibility of members to agree their personal UK tax liabilities, including any liability to higher rate tax, or in the case of corporate members, their corporation tax liabilities with the Inland Revenue.

## Managing Agent's Report

### Syndicate

#### Syndicate Return 6 months ending 30 June 2005

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To the Council of Lloyd's

Managing agent.....

### Responsibilities

The Market Bulletin Y3554 dated 6 May – “Interim Return” requires the managing agent to prepare Forms IRFront to IR890 in respect of syndicates that it manages for the 6 months ended 30 June 2005 in accordance with the instructions and guidance contained therein and in Market Bulletin Y???? entitled “2005 Interim Return – Software and Other Information” (“the Instructions”).

In preparing the IR, the Managing Agent is required to comply with the Instructions including;

- selecting suitable accounting policies which are applied consistently;
- making judgements and estimates that are reasonable and prudent; and
- following applicable accounting standards and the guidance within the ABI SORP (modified in accordance with the Instructions) , subject to any material departures being disclosed and explained in the IR.

### Certificate

We certify that forms IRFront to IR890 (pages \_\_\_\_\_ to \_\_\_\_\_ ) the Interim Return have been properly prepared in accordance with the Instructions.

Signed \_\_\_\_\_ Finance Director\*

Name \_\_\_\_\_ (BLOCK CAPITALS)

Signed \_\_\_\_\_ Director/Compliance Officer\*

Name \_\_\_\_\_ (BLOCK CAPITALS)

On behalf of \_\_\_\_\_ Managing Agent

Date \_\_\_\_\_

\* The signatories must be different

## **INTERIM RETURN – 30 June 2005**

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

**Syndicate no:**        **XXX**

**Managing Agent** *ABC Managing Agent Limited*

We have reviewed the attached Interim Annual Accounting Return comprising Forms IRFront to IR910 ("the IR") in respect of syndicate no: XXX for the six months ended 30 June 2005, which has been prepared by the Managing Agent pursuant to the requirements set out in the Market Bulletin Y3554 6 May 2005, entitled "Interim Return" and the Market Bulletin dated ?? May 2005 ref: Y???? entitled "2005 Interim Return – Software and Other Information" ("the Instructions").

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

### **Responsibilities of the Managing Agent**

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

### **Review work performed**

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

A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

### **Review conclusion**

On the basis of our review:

- (i) the IR has been prepared in accordance with the Instructions; and
- (ii) we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2005.

Name of syndicate auditor

Address

Date

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

# Instructions

## **1 IR3d – Cash flow statement – 31 December 2004 comparative**

- 1.1 This form has been included to collect the 31 December 2004 comparative information and enable managing agents to make amendments if required: this would normally only be the case if the technical account and/or balance sheet comparative information have had to be amended or where the figures in line 6 and 7 of AAR8c where the split of loans and deposits with credit institutions was made incorrectly.
- 1.2 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.
- 1.3 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 31 December 2004 reporting in line with that at the year end. They should also review the split of loans and deposits with credit institutions which were not always correctly followed through into column 2 of AA8c.

## **2 IR890 – Basis of preparation notes**

- 2.1 This provides standard paragraphs for the basis of preparation. Where an agent uses one or more different bases the standard paragraphs can be deleted and appropriate paragraphs provided on a continuation sheet.

## **3 IR910 – Managing agent's report**

- 3.1 For the avoidance of doubt the page numbering in the managing agents report does include those forms that hold comparative data, eg IR1c and IR3c.