

# MARKET BULLETIN

<b>From</b>	Director, Franchise Performance
<b>Date</b>	17 March 2006
<b>Reference</b>	Y3771
<b>Subject</b>	<b>Syndicate Business Forecast (SBF) and Premium Income Monitoring (PIM) returns</b>
<b>Subject areas</b>	Core Market Returns; Syndicate Business Forecast; Premium Income Monitoring
<b>Attachments</b>	Changes to returns with effect from 25 May 2006
<b>Action points</b>	<b>Managing agents to note</b>
<b>Deadlines</b>	<b>Thursday 22 June 2006 for the first SBF Monday 10 July 2006 for the first PIM</b>

This bulletin provides information on the Syndicate Business Forecast (SBF) for the 2006 and 2007 years of account and the changes to the Premium Income Monitoring (PIM) return from 2006 Q2. It also makes reference to a related change to Form 105 of the Quarterly Monitoring Return (QMR) from 2006 Q2.

## **SBF Submission Dates**

The SBF must be submitted by 12.00 noon on:

Thursday 22 June 2006  
Thursday 27 July 2006 (only required where there is a change to the plan)  
Thursday 21 September 2006

## **Rates of Exchange**

The mandated rates of exchange for the 2007 SBF will be advised shortly by Market Bulletin.

## **Instructions and Supplementary Files**

The instructions and other data files relating to the amended SBF and PIM returns will be available for agents to download from the Market Returns Website from Tuesday 21 March 2006.

### **Individual Capital Assessments**

The requirements for ICA submissions are advised in Market Bulletin Y3770.

### **Software Releases**

The revised software for the amended SBF and PIM is planned for release on 25 May 2006 and a test version should be available from early May.

### **Further Information**

Any queries relating to this market bulletin should be sent by email to the Business Plans mailbox ([Lloyds-Businessplans@lloyds.com](mailto:Lloyds-Businessplans@lloyds.com)).

This bulletin has been sent to all underwriting agents and market associations.

Rolf Tolle

## RETURN CHANGES WITH EFFECT FROM 25 MAY 2006

There have been some minor amendments to the SBF forms for the 2007 prospective year and 2006 updated return, but they are largely unchanged.

The quarterly PIM forms have been amended and simplified and this will apply from 2006 Q2 (due date 10<sup>th</sup> July 2006).

The QMR amendments are under discussion with the LMA but Form 105 should incorporate acquisition costs and class of business premium development by quarter as well as ultimate premiums. This will apply from 2006 Q2 (due date 17<sup>th</sup> August 2006)

A brief summary of the changes is given below.

### Changes to SBF

SBF 020 Exchange Rates	For the current year syndicates have to complete the average rate of exchange used for USD consistent with UK GAAP. For the prospective year the Franchisor will continue to provide a mandatory plan rate for settlement currencies.
SBF 100 Technical Account	The Net Operating Expenses has been split into acquisition costs and administrative costs in order to provide more information on expenses.
SBF 105 Underwriting Performance Forecast	<p>Within the gross premiums written, an estimate of expected reinstatement premiums by class of business is now to be provided. Outwards reinsurance expected reinstatement premiums are also required. These numbers will be a subset of overall gross premiums inwards and reinsurance premiums.</p> <p>Several of the calculated fields (Stamp net premiums written, stamp gross ULR and stamp net ULR) have been removed.</p>
SBF 163 Source of Business	<p>The first part of this form has been redesigned to incorporate some of the information which was previously collected in SBF 164.</p> <p>The contract count for binder business (delegated and service companies) and for line slips is now included here. The number of coverholders by syndicate is also collected here.</p> <p>The list of categories is now split into direct (split binder, line slip and "other" being open market) and several types of reinsurance.</p> <p>The breakdown of delegated authority categories has changed and these figures are calculated totals from the more detailed analysis in the revised form SBF164.</p>
SBF 164 Delegated Underwriting	The delegated underwriting authority form has been modified as it proved to be cumbersome and complicated to complete. It is now

<p>Authority</p>	<p>recorded in converted sterling.</p> <p>The form records the premiums and acquisition costs by class of business on a “total” and “led” basis. Recording the contract count of binders and coverholders by class of business was distorted by multiclass binders so this data is now recorded on a total book basis within form SBF 163.</p>
<p>SBF 171 Total Investment Returns</p>	<p>A column for the amount of funds managed has been included.</p>
<p>SBF 182 Underwriting Rating Index</p>	<p>This form has been modified slightly. To make the transition from last year’s premium to prospective year premium more transparent, a column for last year’s premium has been added. The moving parts (columns D to H) are totalled in column I and this difference should reconcile with the difference between previous year premium and prospective year premium.</p>
<p>SBF 452 RDS</p>	<p>The list of events has amended to reflect the 1/4/2006 RDS return.</p> <p>Figures are required in GBP or USD and this now converts automatically to CNV.</p>
<p>SBF 990 Comments</p>	<p>The business plan information that syndicates have been asked to submit has been updated this year. In previous years the standard of completion of this section has been varied. The revised instructions should provide clearer guidance of what information is required and when.</p> <p>The supplementary information is now required in the June submission. Any changes to the plan which require commentary will need to be updated in any later submissions e.g. business plan assumptions, current competitive environment.</p> <p>The business plan narrative is a summary of the portfolio contents, view of the current market place and syndicate’s underwriting strategy given the current environment.</p> <p>The business plan assumptions section is new. It reflects the need for syndicates to explain how and why their incomes and loss ratios are changing. It should also include reinsurance assumptions – changes to the current structure etc. This information was sourced mainly through meetings with syndicates last year. The requirement for written business rationale of changes should streamline the business plan process.</p> <p>Peer review – this is a new section.</p> <p>Claims Business Plan – the claims department will be requesting additional information on claims business plans separately.</p>

## Changes to PIM

The quarterly extended version of PIM has been amended and these changes will apply from Q2 2006 with submission due date of 10<sup>th</sup> July.

Form 164 Class of Business Premiums	This form has been removed. The development of income by class of business will now be recorded in QMR Form 105. The data split by type of placement will no longer be recorded.
Form 185 Change in Premium Volumes	An additional column for "Outstanding" business has been added. This will record premium that was due for renewal but due to some delay has not been finalised as yet. This income was previously not recorded for example it could have been booked as lapsed or renewed depending on syndicate's view.

## Changes to QMR Form 105

The following changes apply only to performance monitoring by class of business in order to support the quarterly Performance Information pack and internal analysis by Franchise Performance Directorate. There are other changes being proposed to the QMR from 2006 Q2 and these will be advised separately.

Form 105 Class of Business Performance	Acquisition costs will be collected by class of business.  Gross premiums written will now be collected on a cumulative basis as well as Ultimate basis. This will show the development of syndicate income by quarter.
--	---

The full revised instructions on SBF and PIM and the template forms are available to download from the Market Reporting website.