MARKET BULLETIN

From	Head, Market Reporting (extn 5129)
Date	9 June 2006
Reference	Y3830
Subject	**Q2 2006 QMR incorporating the 2006 interim return**
Subject areas	
Attachments	**Forms**
Action points	**Agents to note dates for workshops and submission of return**
Deadlines	**Thursdays 17 & 31 August 2006**

The purpose of this bulletin is to provide you with the instructions for the Q2 2006 QMR and advise you that an Excel version of the forms is available for download from the MSU Market Returns website from Monday 12 June.

Changes in requirements

In March the LMA circulated a set of draft forms for comment. The comments that were received from managing and members' agents have been incorporated into the revised return. Appendix 1 attached to this bulletin provides a summary of the changes to each form.

Auditor review of interim return

Appendix 2 provides a list of the QMR forms that will comprise the 30 June 2006 interim return: these are the forms to be covered by the auditor review. The auditor review will cover both the interim return, as last year, and the interim profits, as reported on AR100, to be recognised for capital setting within the November Coming-into-line (CIL) exercise and for Release Test purposes (see market bulletin Y3807). The wording of the review report has not been finalised but will be provided to the market as soon as it is available.

Review of reporting requirements

Please note that Market Reporting is conducting an extensive review of the quarterly and annual reporting requirements for managing agents in conjunction with MRRU and FPD. This review includes consultation with managing agents directly and through the LMA, and with syndicate auditors and consulting actuaries. We appreciate the feedback from agents and auditors and recognise that the level and format of Lloyd's reporting requirements is a major concern. We propose to issue a full response to the feedback, together with early notice of the reporting requirements for December 2006 taking this into account, by 31 July. The level of reporting required for June 2006 has taken into account feedback to date but should be considered as an interim measure, as Lloyd's reviews its reporting requirements in the longer term.

Instructions

Appendix 3 provides the detailed instructions for the completion of the Q2 QMR. The Q2 instructions confirm where completion of certain cells is optional and, at the end, include a summary of these reduced reporting requirements.

Deadlines

The submission date of 17 August represents the deadline by which all syndicates must submit their full QMR, but in electronic form only. Agents then have a further two weeks for the completion of the audit review. By 31 August each syndicate must submit the hardcopy interim return (ie the forms listed in Appendix 2), including the auditors' review report. If the QMR has been modified in any way from the 17 August submission then the revised QMR will also need to be submitted in electronic form with the same version and time stamp as the hardcopy. Early submission of the audited hardcopy return is welcome.

Cut-off for data completion

We have received a number of queries from managing agents regarding the required cut-off date for data required to complete the QMR and the Annual Return. To be clear, Lloyd's has no absolute requirement that all information must report entries precisely as at the quarter or year end date. Provided that agents agree suitable timings with their auditors, which enable annual accounts to be prepared in accordance with UK GAAP and present a true and fair view of the results and state of affairs of the syndicate, data may be prepared based on an earlier cut-off date than the quarter or year end. For example, written premium estimates and paid claims may be cut-off earlier than the balance sheet date provided this is agreed with the auditors and after consultation with the independent actuaries. For quarterly reporting, Lloyd's requires that the information is prepared on a consistent basis. i.e. we would not accept Q2 data based on, say, May management accounts if at year end, agents prepare equivalent figures on December accounts, since this would not provide a true underlying quarterly development through the year.

Exchange rates

For completeness, Lloyd's confirms that the Q2 QMR should be based on transaction, average and closing rates, as applicable, as determined by the managing agency. Lloyd's will issue a Market Bulletin on 3 July providing suggested rates of exchange as assistance to agents, but they are not mandatory. With respect to non-monetary items in the balance sheet, Lloyd's confirms that these should be reported in accordance with the managing agents' accounting policies and it is not mandatory to convert these items at balance sheet rates.

Post Balance Sheet Events

The Q2 QMR should be prepared based on all information available to the agency at the date of signing the return. The QMR should be prepared in accordance with UK GAAP as applied for each syndicate, including the guidance within the ABI SORP regarding post balance events not capable of prediction at the balance sheet date. As noted above the deadlines for submission of the QMR and submitting the review opinion of the auditors are 17 and 31 August. The auditor's review opinion may be submitted earlier, and indeed, we would encourage agents to submit the auditor's opinion with the original submission, since this eliminates the risk of adjusting balance sheet events occurring in the intervening period. Where adjusting balance sheet events do occur and require restatement, a full resubmission of the relevant QMR forms, which are those subject to auditor review, will be required.

We confirm that where the QMR and auditor's opinion are submitted prior to 31 August, no resubmission is required for information received after the submission of the return.

Restatement of June 2005 and December 2005 comparatives

The Q2 QMR includes a number of forms that only require completion if there is to be a change of accounting policies for the 31 December 2006 annual accounts compared to those used at 31 December 2005. Where there is such a change and the application of the new accounting policies to the prior period results in a material change to the amounts previously reported then the restatement forms must be completed with the restated figures.

For the avoidance of doubt, we are not expecting restatements of the 30 June 2005 figures except where there is to be a change in accounting policies between 2006 and 2005. While the 31 December 2005 Lloyd's Annual Report Pro-forma Results did restate the 2004 comparative, the impact of that restatement was limited to a change in the original profit reported of £1,357m to a profit of £1,367m with total recognised gains and losses of £1,345m. We consider that a restatement of the 2005 interim results would have a similarly immaterial impact. A number of syndicates did report exchange movements through reserves at December 2005, whereas in the 2005 interim return all exchange movements were reported through the P&L. However, for the purpose of the market's 30 June 2006 interim results we are content to use as comparatives the figures as originally reported to us last year.

FRSs 23, 24, 25 and 26

Under UK GAAP, an unlisted entity using accounting policies that are consistent with the fair value accounting rules set out in the Companies Act 1985 must apply, for accounting periods beginning on or after 1 January 2006, a package of standards consisting of:

- FRS 23, the effects of changes in foreign exchange rates
- FRS 24, Financial Reporting in Hyperinflationary economies
- FRS 25, Financial instruments: disclosure and presentation
- FRS 26, Financial instruments: Measurement.

Whether or not a syndicate adopts this package of standards (they must be adopted as a package and not cherry picked) is a matter for the managing agent to decide in prior consultation with the syndicate auditors. Lloyd's will not provide any instruction on whether this package of standards applies to any syndicate for the interim return. The decision will depend on the circumstances of the syndicate. For instance, in FRS 26, para N10 states:

> Similarly, for insurance entities under Schedule 9A, the current value rules permit or require fair value accounting through the profit and loss account for investments and certain other assets. Where an insurance entity applies fair value accounting only to those financial instruments for which it is specifically permitted under these rules, it does not fall within the scope of FRS 26. However, the standard will apply to insurance entities that use fair value accounting through profit and loss account for any derivatives, or for any other financial instruments that are not specifically covered by the current value rules in Schedule 9A

The purpose of this note is to confirm how the Q2 QMR is to be completed if the package is adopted and in particular FRS26.

Under FRS26 assets are classified into four categories for valuation:

(a) Fair value through profit and loss
(b) Held to maturity
(c) Loans and receivables

(d) Available-for-sale.

In summary, fair value through profit and loss is used for assets which are classified as trading. Derivative investments must be classified as fair value through profit and loss. Any investment may be classified as fair value through profit and loss.

Held to maturity assets must be held to maturity and must be proved through the cash flow as not being sold. Valued at amortised cost.

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Can value at original cost.

Available-for-sale assets are a half way house. They are valued at fair value but gains and losses are classified through equity.

In form 110 of the QMR the STRGL has a specific line for investment gains and losses that the agent has decided be taken to equity, these should be entered at line 51.

In respect of the categories of assets to be reported in the balance sheet, financial investments are still to be reported analysed by those categories set out in lines 1 to 17 of QMR201.

Where the package of standards is adopted at 1 January 2006 then the profit and loss, balance sheet and cash flow information for June 2005 and December 2005 will need to be restated as if the Standards had always been in use. The standards do accommodate non-restatement where it is impracticable but you would have to indicate the extent to which the information has been restated.

Reporting performance issues

We would encourage all agents to report any issues they have with the performance of the software and accessing the systems as soon as they arise. This will enable the ITG help desk to help resolve the issue earlier in the process and enable us to monitor service levels in real time and respond quickly as issues emerge. The contact details for the Data Management team 020 7327 5252 (e-mail: ITGDataManagement@Lloyds.com).

QMR800 – Major losses

The catastrophes that must be reported within QMR800 are:

1	01G	Act of terrorism in USA
2	04C	Hurricane Charley
3	04D	Hurricane Frances
4	04E	Hurricane Ivan
5	04G	Hurricane Jeanne
6	05A	UK and European storms, Erwin, Jan 05
7	05H	Hurricane Katrina
8	05L	Hurricane Rita
9	05M	Hurricane Wilma
10	05Q	Oil Storage Explosion, Buncefield

Agents are reminded that if they have any loss to be reported on QMR800 that does not have an XIS Catastrophe code, they need to ensure that the loss has been allocated a major loss code. Details of the procedure for obtaining a major loss code were issued in an e-mail from MSU today. The deadline for submission of requests for new major loss codes to Market Reporting is Friday 7 July.

Please note that the Q2 loss code list will not be updated in the return software until after this date.

Agents are also reminded that a number of events have been assigned an XIS Catastrophe code and these should also be reported if a material loss to the syndicate: for this purpose a loss is material if the "Incurred Gross Loss" or the "Estimated Ultimate Net Loss" exceeds 5% and 1% respectively of the syndicate's capacity for the relevant reporting year of account.

If any major loss does occur between the date of this bulletin and 30 June 2006 then, through a market bulletin, it may be added to the list of losses to be reported in QMR800.

Workshops

There are three dates for the workshops for the Q2 2006 QMR as follows:

Date	Venue	Time
Tuesday 27 June	Lloyd's Training Room 7	0930 to 1130
Tuesday 27 June	Lloyd's Training Room 7	1430 to 1630
Monday 3 July	Old Library	0930 to 1130

Please complete the form at Appendix 4 if you wish to attend. Accommodation at each of the workshops is limited and therefore there will be places for two people from each active managing agent or audit firm for the workshop. Places on the workshops will be allocated on a "first come, first served" basis. Agents/auditors delaying responding to this bulletin may therefore find that their delegates do not have a choice as to which session they attend.

If delegates need a pass to enter the 1986 Building please tick the appropriate box on the booking form.

If you do not wish to attend the workshops but do want to receive the presentation material, then please complete the final section of the attached booking sheet.

Queries

Any queries or comments on the return should be submitted via e-mail to Market Reporting (lloyds-MRD-ReturnQueries@lloyds.com). We would encourage agents to review the instructions in good time so that queries can be resolved as early as possible.

This bulletin is being sent to all managing agents, members' agents and recognised auditors.

John Parry

Appendix 1

Summary of key changes to data requirements for the Q2 2006 QMR (data requirements that are additional to those in the March draft are prefaced with "Additional")

Form	Change in data requirements	Comment
101 – Continued/discontinued business	Includes comparatives at (additional) June 05 and December 05 but only to be completed if continued/discontinued split has changed.	Form reports the split of GWP and the result between continued and discontinued business for 30.6.06. If the comparative figures have changed then they must also be reported in this form as per FRS3, para 64.
104 – Segmental analysis	New in QMR but same format as required at year-end and in last year's interim return. Data on balance sheet provisions and analysis by accident year are not required.	To be completed on the same basis as the year-end AR104. Data to be reported for interim is just lines 1 to 13 and also only certain classes are required (see instructions for details).
105 – Class of business performance	One new cell for cumulative gross premiums written. Two new cells for cumulative and ultimate acquisition costs. Additional cell for ultimate reinsurance commissions and profit participations. .	This has been moved from PIM164, which is being removed completely from the PIM from Q2. This is needed for performance monitoring and quarterly Performance Information packs to agents. For this form acquisition costs do not include any reallocation from administrative expenses to other acquisition costs and should correspond to the acquisition costs on SBF and QMR110 lines 27 and 28. Information required separately from acquisition costs as the latter is needed to compare premiums, net of brokerage, against stamp capacity. All of these new items are required for pure YOA 2002 and subsequent except ultimate acquisition costs which is only required for 2005 and post years.

109 technical account forecast	New lines for: 1.) reinsurers' share of claims; 2.) acquisition costs (excluding other acquisition costs); and 3.) non P&L recognised gains and losses to report full result. Additional column, D, for prior year data reported, if applicable, in column C, software then generates pure year data in column E.	The changes have been made to make the form more logical and provide better information for analysis purposes.
110 – Technical account by pure year	Line 48, now designated for any non-technical items and lines 50 to 53 added to pick up any STRGL items.	The use of line 48 for non-technical account amounts and the inclusion of lines for STRGL information should enable syndicates to report their data in a similar format to their report and accounts.
120 – Forecast result to ultimate	Line added for acquisition costs.	The additional line gives third parties the split of forecast syndicate expenses/acquisition costs. The first two lines give the pure year underwriting result forecast with line 4 then reporting the forecast for the prior year underwriting result. This change has been made to make the form more logical.
130 – Analysis of administrative expenses	New line for "transfer to acquisition costs"	Form to be completed as in previous quarters.
218/219 – Investment analysis – asset and credit classifications	These are new forms for the QMR but replicate the equivalent forms in the AR. Only required at Q2.	They are completed on the same basis as the equivalent forms in the AR except that 218 requires the duration of US$ investments separate from other currencies and 219 has an additional column for "collective investment schemes".
260 – Matching and localisation	This is a new form for the QMR but replicates the equivalent form in the AR. Only required at Q2.	The form is equivalent to that in the AR. The data is to be reported in currency.
270 – Exchange differences	This is a new form for the QMR but replicates the equivalent form in the AR. Only required at Q2.	The form is to be completed on the same basis as in the AR.
3/310/320/330 – Cash	None	Forms to be completed as for the

flow		AR.
350 – Cash flow summary	Line added for the loan to the central fund	Form to be completed on the same basis as before but with the additional line.
610 – Reconciliations	Two additional specific reconciling items added to the balance due to from members table	Complete as in the AR.
862 – Signed premium	Additional form to be completed by third party syndicates	Members' agents have requested signed premium information to be completed as required on the form.
990 - Comments	Tick box included for each note to confirm whether or not the comment is to be made available to third parties.	Tick box will default to blank, ie the comment is not to be provided to third parties. If the agent wants a comment to be included in the information provided to members' agents then the box must be ticked.
Restatement forms – only to be completed if new accounting policies are adopted in 2006.		
190 – Restated P&L and STRGL	Additional form only to be completed if restatement required.	The form does not have to be completed unless the 30.6.05 and/or the 31.12.05 figures need to be restated.
290 – Opening balance sheet	Column for adjustments added if opening balance sheet requires restatement.	The additional column has been added in case a syndicate changes accounting policies and therefore needs to restate its opening balance sheet.
295 – Restated balance sheet as at 30.6.05	Additional form only to be completed if restatement required.	The form does not have to be completed unless the 30.6.05 figures need to be restated.
298 – Prior year adjustment	Additional form only to be completed if restatement required.	The form does not have to be completed unless there is a prior year adjustment.
390 – Restated cash flow	Additional form only to be completed if restatement required.	The form does not have to be completed unless the 30.6.05 and/or the 31.12.05 figures need to be restated.

Appendix 2

Q2 QMR Information forming the Interim Return and subject to Auditor Review

The following table lists the forms in the Q2 QMR that comprise the interim return. They are subject to auditor review and must be included in the hardcopy submission to be made by August 31. In certain cases, not all of the information on the form is subject to auditor review, the table highlights where this is the case. Those forms highlighted in grey only require completion/submission if there has been a restatement of the figures from a prior period. For the avoidance of doubt, QMR104 and QMRs 270 and 610, segmental analysis and reconciliations, do not form part of the auditor reviewed interim return.

Form	Description	Limitations	Comment
1	Overall P&L account	None	
100	P&L account by reporting year	Column A (CNV) only	Only the cnv figures are relevant to the interim return and also the cnv interim net profit for capital setting.
101	Continued/discontinued splits	None	
190	Restated P&L account	None	Only to be completed if there is a restatement
201	Balance sheet - assets	Column A (CNV) only	
205	Balance sheet - liabilities	Column A (CNV) only	
290	Opening balance sheet	None	Only part of the interim return if the 31.12.05 balance sheet is to be restated.
295	30.06.05 balance sheet	None	Only part of the interim return if the 30.06.05 balance sheet is to be restated.
298	Prior year adjustment	None	Only completed if there is a restatement
3/310/320/330	Cash flow statement	None	
360	Analysis of results and cash calls	Col A, lines 1 to 5 only	The split of the cumulative balance due to members is required for solvency purposes. The potential cash call/distribution dates are not part of the interim return.
390	Restated cash flow	None	Only completed if there is a restatement
910	Managing agent's report	None	
930	Auditor report	None	Wording to be finalised
990	Comments	None	Where they relate to the interim return

Appendix 3

Quarterly Monitoring Return

Q2 2006

Instructions

Index to Forms

		Page
GENERAL		1
BASIS OF PREPARATION		5
FORMS		
Matrix	Syndicate details including matrix	7
QMR1	Technical account: standard format	7
QMR100	Technical account by reporting year	7
QMR101	Continued/discontinued business	7
QMR102	Cumulative technical account by reporting year	8
QMR104	Segmental analysis	8
QMR105/105s	Class of business performance	10
QMR109	Technical account forecast	13
QMR110	Technical account by pure year	14
QMR120	Forecast result to ultimate	17
QMR130	Analysis of administrative expenses – other	18
QMR190	Restated P&L account	18
QMR201	Balance sheet – assets	19
QMR203	Analysis of amounts due from members	21
QMR205	Balance sheet – liabilities	21
QMR218	Investment analysis – asset classification	23
QMR219	Investment analysis – credit classification	23
QMR260	Matching and localisation	24
QMR270	Exchange differences	25
QMR290	Opening balance sheet – 31 December 2005	26
QMR295	Restated opening balance sheet – 30 June 2005	26
QMR298	Prior year adjustment	26
QMR3	Cashflow statement – summary	26
QMR310	Cashflow statement - reconciliation of operating profit to net cash flow from operating activities	27
QMR320	Cashflow statement - movement in cash and investments	27
QMR330	Cashflow statement – net cash inflow/(outflow) on portfolio investments	28
QMR350	Cash flow summary – all years of account by calendar year	28
QMR360	Analysis of result and cash calls	28
QMR390	Restated cash flow statement	29
QMR460	Exposures	29
QMR610	Reconciliations	31
QMR710	Reinsurance recoverables	31
QMR800	Top 10 named catastrophe losses, plus any material losses	34
QMR860	Technical account and RITC by pure year	35
QMR861	Technical account by reporting year - third party capital providers	36
QMR862	Signed premiums	36
QMR863	Technical account forecast	36
QMR865	Cumulative technical account	36
QMR867	Balance sheet - Assets - Third party capital providers	36
QMR868	Balance sheet - Liabilities - Third party capital providers	36
QMR870	Premium by class	36
QMR900	Sign-off	37
QMR910	Managing agent's report – reviewed section	37

QMR930	Independent review report on reviewed section	37
QMR990	Comments	37
Summary of forms where completion of certain cells is optional		39

General instructions

1 Quarterly monitoring return (QMR)

1.1 The QMR provides the information needed to enable Lloyd's to, among other things:

- Monitor the development of all syndicates as part of its Franchise Performance function;
- Provide relevant data to members' agents to enable them to monitor the performance of syndicates to which they currently and/or may provide capital;
- From data in the quarter 2 return, produce the Lloyd's market interim results on an annually accounted UK GAAP basis; and
- Recognise interim results to June 2006 for capital purposes.

1.2 The QMR is prescribed under the Solvency and Reporting Byelaw (No. 13 of 1990) as amended.

2 Overview of return

2.1 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.

2.2 Parallel corporate syndicates must complete and submit a separate QMR.

2.3 The return must be completed in respect of all open years of account and all run-off years of account, in order to reflect the total insurance business transacted by underwriting members of Lloyd's.

2.4 When setting up a return, the system will generate the matrix of pure years and reporting years. From this matrix 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.

3 Electronic reporting

3.1 The return must be completed electronically, to be submitted using the market returns web site. No hardcopy is required for the Q1, Q3 and Q4 QMRs, just the electronic version.

3.2 Certain forms of the Q2 QMR will be used to produce the Lloyd's market interim results. These forms comprise the interim return as set out in Appendix 2 to this bulletin. The interim return must be reviewed by a recognised accountant and a hard copy version must be filed as well as the electronic version of the full QMR.

3.3 The hardcopy interim return will only be considered valid if it has a version date and time which corresponds exactly to the version date and time of the electronic submission of the return. When a return is ‘locked’ and sent to Lloyd’s it will be automatically stamped with a version date and time, after which the hard copy interim return should be printed, signed and submitted to Lloyd’s. If the electronic submission and the hard copy version date and time do not agree exactly then the submission will be deemed invalid and a resubmission will be required.

4 Signing and page numbering of interim return

4.1 Every sheet of paper that is submitted, including additional analysis schedules, must be sequentially numbered.

4.2 Managing Agent's Report
The managing agent's report, QMR910, must be signed and dated 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 for additional paragraphs or non standard wordings.

4.3 Independent Review Report
The interim return must be reviewed by a recognised accountant. The QMR930 report must be signed and dated on behalf of the recognised accountant by a partner or director. The standard scope and opinion of the independent 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.

The managing agent's report and independent review report may need to be amended as a result of a resubmission of the interim return.

5 Submission of the Q2 QMR

5.1 Deadline
The electronic version of the full 2006 Q2 QMR must be submitted by 12.00 noon on Thursday 17 August 2006. All forms, including those of the interim return but excluding 910 and 930, must be completed at this stage.

There is then an additional two weeks available for the completion of the auditor’s review. The hardcopy interim return (see Appendix 2 to this bulletin) and the final electronic version of the full return must be submitted by 12.00 noon on Thursday 31 August 2006. It is not expected that the figures will change between 17 and 31 August but there may need to be a resubmission of the electronic version to ensure the version date and time agree with the hardcopy interim return.

The Q2 QMR should be prepared based on all information available to the agency at the date of signing the return. The QMR should be prepared in accordance with

UK GAAP as applied for each syndicate, including the guidance within the ABI SORP regarding post balance events not capable of prediction at the balance sheet date. As noted above the deadlines for submission of the QMR and submitting the review opinion of the auditors are 17 and 31 August. The auditor's review opinion may be submitted earlier, and indeed, we would encourage agents to submit the auditor's opinion with the original submission, since this eliminates the risk of adjusting balance sheet events occurring in the intervening period. Where adjusting balance sheet events do occur and require restatement, a full resubmission of the relevant QMR forms, which are those subject to auditor review, will be required.

We confirm that where the QMR and auditor's opinion are submitted prior to 31 August, no resubmission is required for information received after the submission of the return.

5.2 Submission

The electronic QMR in respect of each managed syndicate must be submitted by the managing agent to the Core Market Return site and the hard copy interim return 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 and Reporting Byelaw (No. 13 of 1990), as amended. A resubmission of the return after the deadline will be considered a late submission.
Managing agents will be subject to disciplinary action and fines will be imposed if the return is submitted after the due deadline, in accordance with the following schedule:

Per return per syndicate – flat fine	£5,000
Per return per syndicate – additional fine per working day late	£1,000

Persistent delays will lead to further disciplinary action.

6 Assistance in completing forms

6.1 Any queries about the completion of the interim return should be directed by e-mail to Market Reporting at lloyds-MRD-ReturnQueries@lloyds.com. All queries will be responded to by the end of the following working day. Please contact John Parry via e-mail (john.parry@lloyds.com) if a response remains outstanding at that time.

7 Exchange rates

7.1 Except where stated figures are to be provided in GBP (including other currencies except USD), USD and CNV£. Unless otherwise stated all conversions must be made on a UK GAAP basis.

7.2 Lloyd's will provide suggested, but not mandatory, average and closing rates via a market bulletin immediately after the quarter end.

8 Interpretation

8.1 The return must be compiled in accordance with UK GAAP and these instructions. The meaning given to expressions used in these instructions is as defined in UKGAAP, the Solvency and Reporting Byelaw, the Syndicate Accounting Byelaw or LLD unless otherwise stated.

9 Reporting configuration

9.1 All forms are to be completed in currency units, not 000's, unless specified on the form.

10 Completion of forms

10.1 All amounts on each form must be completed as indicated on the form. Additional guidance is provided in respect of each form in these instructions.

10.2 Certain figures disclosed on some forms in the return must agree or relate to figures on other forms. These cross-references are set out in the instructions.

11 **‘Analysis’ items**

11.1 Certain cells require analysis of material amounts to be provided in the analysis section (ie a description and details of the material amount must be disclosed). For such items, the system will generate a sequentially numbered continuation sheet. Where we have identified common reasons for an ‘other’ entry, use the suggested description in the analysis section where appropriate.

Basis of preparation

The Quarterly Monitoring Return must be prepared in accordance with the instructions. In addition, the following bases of preparation must be adhered to:

Reporting by whole account/reporting year/pure year

Each form must be completed at one of the following levels:

- Whole syndicate
- Reporting year of account
- Pure year of account

Whole syndicate means all of the transactions or assets as appropriate for the syndicate as a whole.

Reporting year of account is the 'traditional' Lloyd's method of identifying years of account and means each year of account upon which members had a participation during 2006. This will be for either the 2004, 2005 or 2006 years of account during 2006 and also various 2003 and prior run-off years of account which had not been reinsured to close as at 31 December 2005. **When reporting on the transactions for a reporting year of account, it is necessary to include the movements on any earlier years of account previously closed into that reporting year of account unless the instructions explicitly state otherwise**.

Pure year of account relates to the year of account in which the business was originally written and to which the original premiums and all subsequent transactions are signed. The pure original year of account may still be open, or subsequently reinsured to close into another year of account. For general (non-life) business the pure original year may be from the 1993 to the 2006 year of account, all liabilities in respect of 1992 and prior years having been reinsured into Equitas effective at 31 December 1995. When reporting on the transactions for a pure original year of account, only the transactions relating specifically to that pure year of account must be reported.

Analysis by pure year of account will be required in respect of each reporting year of account. For instance, where the syndicate started trading in 1993, has a 2004 reporting year of account into which the 2003 and prior years have closed into at 31 December 2005, and has separately accepted the RITC of a 1997 run-off year of account of another syndicate into its 2006 year of account at 31 December 2005, the analysis by pure year in respect of the 1997 and prior pure years of account will be required separately in respect of the 2004 and 2006 reporting years of account.

The instructions in respect of each form state whether the form is required at whole account, reporting year or pure year level.

Convention of data entry

Generally, all income and assets must be entered as positive numbers and all expenses and liabilities as negative numbers. The purpose of this is to enable simplified entry from trial balances held by syndicates.

Exchange rates

Certain forms must be completed in GBP (which includes all other currencies excluding USD), USD (US dollars) and CNV (all currencies combined in converted sterling). However, cash flow information is generally required in CNV only. Furthermore, for **aligned syndicates** only the cnv column of forms 110, 201, 203 and 205 has to be completed, the GBP and USD columns are optional.

For the profit and loss account, all conversions will normally be made using average rates of exchange as defined under UK GAAP. Lloyd's will not prescribe the actual rates to be used.

For the balance sheet, conversions must be made in accordance with UK GAAP. You must report the closing rate used in respect of USD in the syndicate details page of the return. Non-monetary items should be treated in the QMR on the same basis as in the syndicate annual accounts.

Lloyd's provides suggested, but not mandatory, average and closing rates via a market bulletin immediately after the quarter end.

QMR010 – Control page

This collects/confirms basic information regarding the syndicate, including the syndicate number, managing agent, reporting years of account and their status (open/closed/run-off) and pure years comprising each reporting year.

The software will generate the forms required to be completed in accordance with the data in the matrix. It is important that you check that the matrix is populated correctly.

The capacity for each reporting year will be entered by the system in the capacity line, in the relevant reporting year’s column. The capacity reported there is that at the return period end. Thus, if you are completing the Q2 return, the capacity reported will be that at 30 June: if any movements occur in capacity between 30 June and submission of the return, that movement will not be reflected in the capacity figure reported in the return.

The rest of the table identifies which reporting year of account currently includes the reinsurance to close of which pure years. Thus if a syndicate commenced in 2002, closed 2002 into 2003, and 2003 into 2004, both 2002 and 2003 would be flagged as being closed within 2004. Note, the table would not show 2002 closed into 2003 and then 2003 closed into 2004. If a year has passed its normal date of closure but has not closed, then it will be flagged as open.

This form also requires the closing rate of exchange used for balance sheet US dollars. Where the accounting policies of the syndicate are such that more than one rate is used in the balance sheet, then the rate to be entered in this cell is the predominant rate, normally the one used for monetary items.

QMR1 – Profit and loss account

All data in this form is derived, ie there is no data entry required

It presents the standard annual accounting format profit and loss account for the calendar year, together with STRGL, and is completed automatically by the software from QMR100.

QMR100 – Profit and loss account by reporting year

This form is completed automatically for each reporting year of account and shows the profit and loss account, together with STRGL, for the calendar year.

All data in this form is derived automatically, in respect of each reporting year, from the data entered on QMR110.

QMR101 – Continued/discontinued split

This form is required at Q2 only. Agents must identify any material class/sector of business that is discontinued under UK GAAP and in particular FRS3.

The figures to be split are gross written premiums (lines 1 and 2) and the overall result (lines 4 and 5).

Where there is a change in the business identified as discontinued at 30 June 2006 compared to 30 June 2005 and/or 31 December 2005, then the previous period's split of business must be restated to reflect the new analysis (normally this would be caused by a decision to close the syndicate since the last reporting period). The form therefore has additional lines to provide revised figures if required (lines 7 to 12 in relation to the 31 December 2005 figures and lines 13 to 18 in relation to 30 June 2005).

If there has been no change in the analysis of the business split then there is no need to complete lines 7 to 18. (A warning message will be generated for each of lines 9 and 12 but these can be ignored).

If there is a change in the analysis of continued/discontinued business, then the relevant lines should be completed for 30 June 2005 and/or 31 December 2005 as appropriate. The software will compare the 31 December 2005 information with that in QMR1 at Q4 2005 and generate a warning message if the totals in QMR101 do not agree with those reported at Q4. The information in QMR101 should be reanalysed to agree with that at Q4 unless there has been a restatement of the full P&L account due to a change in accounting policies since 1 January 2006.

Where there is a restatement of the figures from either June and/or December 2005 due to a change in accounting policies then QMR190 will be completed. That form includes the continued/discontinued split so, in that circumstance, there is no need to complete QMR101 lines 7 to 18.

QMR102 – Cumulative technical account by reporting year

This form reports the syndicate's profit and loss account figures by reporting year of account on a cumulative basis. The form is only to be completed for CNV.

The software picks up the cumulative aggregate annual accounting figures as at Q4 2005 and reports them in column "a". The 2006 calendar year movement is derived from QMR100 and reported in column "b". In column "b" the RITC cells are open but no data is expected to be entered here. Column "c" reports the aggregate annual accounting data as at the period end.

At quarter 2 the only data that is required to be entered in this form is in column "d" where the RITC received and related claims provisions are to be reported. This will normally apply to run-off years and the 2004 reporting year.

If any data needs to be reported through the STRGL then lines 50 to 53 should be used. However, there is no requirement to make such disclosures in QMR102 as it does not reconcile to the QMR205 balance sheet which is on an annual accounting basis.

QMR104 – Segmental analysis

This form is required at Q2 only so that the franchisor may perform segmental analysis and present information to rating agents and regulators to support the market results.

The format is the same as at the year-end. However, at Q2 not all rows and columns need to be completed.

At Q2 we do not require the balance sheet information, line 16 or the split of the result into current and prior accident years (lines 17 to 21).

In the interim return we do not publish a schedule 9a segmental analysis but we do use the data for the market commentary. Therefore to reduce the burden on agents for Q2 we only require certain columns to be completed, ie to analyse the data by our market reporting classes. The following table shows the market commentary classes we use and the single columns that are appropriate to them.

Class	**QMR 104 column to be completed**
Direct	
Casualty	J – Third party liability
Property	I – Fire and other damage to property
Marine	D – Marine
Motor	C – Motor, other classes
Aviation	E – Aviation
Energy	G – Energy, marine
Life	L – Life
Reinsurance	O – Reinsurance accepted (including facultative)

If your systems are designed to provide the split of business across all 14 analysis columns then you may continue to provide the full breakdown and we will reanalyse the data to our market commentary classes.

There is no requirement to build the analysis in QMR104 from risk code level: agents may build the analysis from their own classes of business

Where a syndicate has accepted the RITC of another syndicate, the impact of that RITC should be reported by the original classes, not solely as reinsurance accepted.

<u>Lines 1 to 4 – Gross written premium</u>

Gross written premium are normally analysed according to geographic location of where the risk is closed. For the purposes of the Q2 QMR all risks may be reported as being closed in the UK, ie line 1 of columns N and O. The total at line 4, column p must agree to the total of gross premium written in QMR1, the technical account

<u>Line 5 – Net premium written</u>
The total at line 5, column p must agree to the total of premiums written, net of reinsurance in QMR1.

<u>Lines 6 to 8 - Net premium earned</u>
Line 6, column p should agree with gross premium earned in QMR1(lines 3 + 6 +

10). This therefore includes “other technical income, net of reinsurance”. It is anticipated that any figure in QMR1 line 10 will be immaterial. Line 7, column p must agree with outward reinsurance premiums earned in QMR1 (lines 4 + 7).

Lines 9 to 11 - Net claims incurred
Line 9, column p, should agree with the aggregate of the amounts for gross claims paid plus the change in the gross claims provision amount in QMR1 plus “change in other technical provisions net of reinsurance”. It is anticipated that any figure in the latter category will be immaterial. Line 10, column p, must agree with the aggregate of reinsurers’ share of claims paid plus the change in the gross claims provision, reinsurers’ share.

Line 12 - Operating expenses
Line 12, column p should agree with net operating expenses in QMR1(line 24) and other technical charges, net of reinsurance (QMR1, line 25). It is anticipated that any figure in the latter category will be immaterial.

Lines 13 to 15 – Net technical result
The investment return will be derived by the software from QMR1 and reported in line 14, column p. Line 15, column p will then report the aggregate of the net technical result in line 13 of column p, and the investment return to give the syndicate’s annual accounting result. That result must agree with the result reported on QMR1 line 26.

Line 16 – Net technical provisions
This line does not need to be completed at Q2.

Lines 17 to 21 – Net technical result split
These lines do not need to be completed at Q2

QMR 105 – Class of business performance

Reporting basis

This form is required to be completed for the 2002 pure year and onwards, irrespective of whether the year has been closed. Cumulative premiums and acquisition costs need only be completed from pure year of account 2005 onwards but agents may optionally supply this data for older years of account.

All entries should relate to the pure underwriting year only.

Accounting period

The data for column A is on a cumulative basis from the start of the year of account, rather than for the calendar year to date.

Reporting in currency

All data should be submitted in the two main settlement currencies and in converted sterling. Cumulative figures (column A) should be converted to CNV on the same basis as for QMR102, i.e. an aggregation of each calendar year using each calendar year's average rates. Ultimate figures (column B) should be converted to CNV on the same basis as for QMR109.

Class of business breakdown

All data are broken down by the syndicate's own classes of business for each pure year of account, as approved through the Syndicate Business Forecast return for that year of account.

Gross and Net

Gross data are required in this form, but corresponding data for outwards reinsurance are optional.

Premiums

From 2005 Q3 this form collects gross premiums written before deduction of acquisition costs, in line with UK GAAP.

From 2006 Q2 this form collects cumulative gross premiums written. These were previously collected on the quarterly version of the Premium Income Monitoring return. Agents need only supply cumulative premiums for pure year of account 2005 onwards.

From 2006 Q2 acquisition costs and reinsurers' commissions and profit participations are also collected on lines 27a and 35 respectively.

Claims provisions

The cumulative change in provision for reported claims (lines 18 & 21) includes reported claims only. IBNR and other provisions should be excluded from these items (except for claims expenses – see below).

Claims handling expenses

Claims handling/loss adjustment expenses that are allocated to a class of business should be included as part of cumulative and ultimate claims on QMR105. Any claims handling/loss adjustment expenses (and change in any related provision) that are not allocated to a class of business should be excluded from QMR105 but included in the whole account technical account forms (for example, lines 15 and 20 on QMR110).

This applies to all claims data on this form.

Acquisition costs

Acquisition costs on line 27a are to include brokerage, commissions and business arrangement fees as per the agent's accounting policies under UK GAAP.

Ultimate acquisition costs should be provided for all years of account, but cumulative acquisition costs need only be provided for pure year of account 2005 onwards.

Reconciliation with other forms

Note that QMR105s, which was added from 2005 Q4, contains calculated totals across classes of business. Please see below for an explanation of this form and the reconciliations required.

Feedback

This data will also be used to provide managing agents with a quarterly report that compares the gross loss ratio development of each line of business for each year of account with the market average benchmarks for all of their syndicates. If managing agents supply the optional outwards reinsurance data then the report will contain benchmarks net of reinsurance.

QMR 105 – Class of business performance summary

This form displays calculated totals from QMR105 by pure year of account and currency, across all classes of business.

Certain reconciliations are expected between this form and others in the QMR. However, the CMR system does not validate these automatically because it would be likely to result in a large number of validation warnings.

As originally advised in market bulletin Y3812, where managing agents do not manage their business at net level by class of business and completion of net data is based on high level allocations of outward reinsurance premiums and recoveries, then net data is not required.

Reconciliation of cumulatives

Total cumulative claims (gross and net of reinsurance) should agree to the running sum of incremental figures in QMR110 for the same pure year of account and currency, where these exist. It is noted that not all agents provide underlying currency figures for QMR110.

For example:

1. For pure YOA 2006 at 2006 Q2, QMR105 totals should agree to QMR110.
2. For pure YOA 2005 at 2006 Q2, QMR105 totals should agree to QMR110 at 2006 Q2 plus QMR110 at 2005 Q4.
3. For pure YOA 2004 at 2006 Q2, there is no QMR110 running sum.

The matching items are:

QMR105s Column A:	**QMR110:**
Line 3 (Gross premiums written)	Line 3
Line 14 (Gross claims paid ex ULAE)	Line 14

Line 16 (Reinsurers' share of claims paid)	Line 16
Line 18 (Change in provision…gross…)	Line 18
Line 21 (Change in provision…reinsurers'…)	Line 21
Line 27a (Acquisition costs…)	Line 27 + 28

Reconciliation of ultimate projections

The CNV total ultimate premium and claims projections (gross and net of reinsurance if supplied) by class of business for pure years of account that are still open should normally agree to the forecasts in QMR109 Column E for the corresponding reporting year of account. However, figures may not reconcile precisely, depending on the method used for converting currencies at the different levels of granularity.

The matching items are:

QMR105s CNV Column B:	**QMR109 Column E:**
Line 3 (Gross premiums written)	Line 3
Line 4 (Outwards reinsurance premium)	Line 4
Line 21g (Gross claims incurred…)	Line 14+18+19
Line 21r (RI share of claims incurred)	Line 21r
Line 27a (Acquisition costs)	Line 27a
Line 35 (RI commissions…)	No match

QMR109 – Technical account forecast

This form must be completed for all reporting years of account.

The first column of this form is derived from, and repeats, the year to date figures from QMR100. Agents must then complete the second, third and fourth columns with:

Col b - their forecast for the calendar year result to 31 December 2006 of the reporting year of account;

Col c - the forecast to ultimate for the reporting year of account, ie the 'traditional' three year funded forecast for a year of account. The data from this column is fed to QMR120, the best and worst case forecasts. For run-off syndicates this is the forecast position for the reporting year as it will be reported cumulatively in the 31.12.06 accounts: it is not the forecast for the calendar year to 31.12.06, that is covered by col b; and

Col d- the prior year element of col c. The software then deducts the information in col d from that in col c to report the pure year forecast in col e.

The lines on QMR109 all have equivalent lines on QMR110, however, QMR109 does not have all the lines that are on QMR110. QMR109 only has those lines that the franchisor requires for analysis purposes. Thus, for instance, syndicates are asked to report their total reinsurers' share of claims incurred in line 21r.

When completing the "Forecast" columns of this form, syndicates can report claims paid to date in lines 14 and 15 and use the change in provision lines to generate the relevant claims incurred level for the forecast, ie you do not need to project the level of claims that will be paid at the calendar year end (col b) or for the forecast to ultimate (col c).

Forecasts for acquisition costs are to be reported in line 27a. However, the acquisition costs to be reported here are brokerage and commissions and any business arrangement fees considered to be acquisition costs. Other acquisition costs, ie those that have been reanalysed from syndicate expenses (line 29 of QMR110), are not to be included in line 27a in QMR109, instead they should be reported as part of the forecast of net administrative expenses on line 33a.

Line 33a, net administrative expenses, includes the forecast of other acquisition costs and profit/loss on exchange as well as administrative costs.

Line 47 reports the forecast of investment return as a single figure.

If there are any accounting figures that form part of the result but that are not included in lines 3 to 49, the technical account, then they can be reported in line 50, other recognised gains and losses.

QMR110 – Technical account by pure year

As originally advised in market bulletin Y3812, for wholly aligned syndicates, the only data required in this form is that in the cnv column: there is no requirement to provide information by currency in QMR110: syndicates with third party capital must continue to provide the information in gbp and usd as well as cnv.

The data in this form is required on a pure year of account basis, as allocated to each reporting year, subject to the following paragraph. It is possible that business in respect of the same pure year may appear in more than one reporting year; eg the syndicate may have business originating from its own 1997 pure year subsequently reinsured to close into its 2004 reporting year of account, but have accepted business including that relating to the 1997 pure year from another syndicate into its 2006 reporting year of account. In such case the relevant 1997 pure year business attributable to the 2004 and 2006 reporting years of account must be reported separately on the QMR110s in respect of these reporting years of account.

Lines 1 to 13, 19, 20, and all lines 22 to 66 may be reported in aggregate in the youngest year closed into the reporting year. Thus for a syndicate with 1993 to 2003 all closed into 2004, the premiums and IBNR data for pure years 1993 to 2003 can all be entered in aggregate in the 2003 pure year for lines of QMR 110. Claims paid and reported claims data must be reported on a pure year basis in lines 14 to 17, 18 and 21. In summary, paid and incurred claims data must be completed by pure year. All premiums and IBNR may be entered in aggregate for all prior years (being all pure years reinsured into the reporting year).

All items are to be reported per UK GAAP, except that the analysis of changes in claims provisions and analysis of acquisition costs and expenses are required in more detail for Lloyd's performance management.

While this form is to be completed for all pure years of account, non-underwriting items (entry lines 31 to 63) are to be reported only in those pure years that are also reporting years. By way of example, a syndicate that has underwritten since 1993 with all closed years reinsured into 2004, need only report expenses and investment return data in the 2004 pure year to cover it and all preceding years. Where a syndicate is in run-off, commissions, expenses and investment return will be reported in the pure year that is the run-off reporting year.

Lines 3 – gross premiums written: this is to be reported on the UK GAAP basis and thus gross of acquisition costs and will normally be entered as a positive figure.

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.

Line 10 – other technical income net of reinsurance: we do not expect to see anything reported here.

Lines 11, 12 and 13 – reinsurance to close: these lines have been added to give consistency of line numbering across the equivalent forms. However, RITC should not be relevant to the annual basis of accounting and so it is expected that syndicates will not report any data in these lines in QMR110.

Lines 14, 15 and 16 - gross claims paid are to be reported on line 14, normally entered as negatives, excluding ULAE: the ULAE on gross claims paid is to be reported on line 15 to assist in the analysis of loss development. The reinsurers' share of claims paid is entered at line 16, normally as a positive figure. All to be reported completed by pure year.

Lines 18 to 23 – 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. Changes in reinsurers' share are entered on lines 21 and 22, with the opposite signage to the gross claims figure. Lines 18 and 21 must be reported by pure year. Lines 19, 20 and 22 may be entered in aggregate for all prior years reinsured into the reporting year: enter data in the youngest closed pure year.

Line 25 – change in other technical provisions net of reinsurance: we do not expect to see anything reported on this line.

Line 27 to 29 – acquisition costs: where acquisition costs include business arrangement fees these may be reported separately on line 28 or they may be aggregated in line 27.

Line 30 – 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.

Lines 31/48/50 – profit/loss on exchange: there are three lines in QMR110 where movements on currency transactions can be reported: which are to be used will depend on the accounting policies and disclosures adopted by the syndicate for the annual accounts. If some or all exchange movements are to be taken through the technical account they should be reported in line 31, if some or all are to be reported in the non-technical account they should be reported in line 48. If there are any exchange movements that are to be posted direct to reserves they should be reported in line 50. In all cases exchange profits are reported as positive figures, exchange losses as negative.

Line 32: Optional. It is permissible for business arrangement fees treated as administrative expenses to be included in line 34, other administrative expenses.

Line 33: all standard personal expenses are to be treated as administrative expenses. The aggregate of all standard personal expenses may be reported on line 33 or they may be included as part of the balance of other administrative expenses on line 34. 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.

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 QMR201 lines 35 and 47.

Line 34: this must exclude claims management costs which must be reported as claims paid (line 15).

Line 37 – other technical charges, net of reinsurance: we do not expect to see anything reported on this line.

Lines 40 to 47 – gross investment gains and losses: any gains from investments must be shown on lines 41 and 42 and any losses on line 43 and 44. You must not report only the net gain or loss for the syndicate year as a whole. We would not expect to see any amounts reported on line 46, value adjustment on investments.

Line 48 – This line is to be used for any accounting figures that would be included in the non-technical account which may include exchange differences. The cell has an analysis table so that the nature of the entries can be specified.

Lines 50 to 53 – STRGL. These lines are included in QMR110 to enable syndicates to report any accounting entries that would normally go through the STRGL in the accounts. A number of specific STRGL entries have been provided including a line for STRGL exchange differences. Any other STRGL figures can be entered in line 53 which has an analysis table so that the nature of the entries can be specified.

Lines 55 to 66 report the amount of RITC/EFL brought forward and also the utilisation in the period of the gross and net IBNR. For the avoidance of doubt, all syndicates must complete this section.

The utilisation figures are calculated by the software but the RITC/EFL brought forward figures must be entered for those pure years that have been closed.

The RITC/EFL brought forward section will normally only need to be completed for those pure years that have been closed into another pure year. Where the RITC brought forward figure includes a significant premium amount, the premium element can be separately analysed on lines 55 and 56, and the claims provisions, lines 57 and 58.

Of the IBNR brought forward, lines 56, 57, 60 and 63 should be entered as negatives with lines 55, 58 and 61 entered as positives, all restated at the current balance sheet rate.

QMR120 – Forecast result to ultimate

The central column is derived from the reporting year of account forecast to ultimate from QMR109. Agents must then put a range around the key metrics for reporting to members' agents and, in the case of the forecast as a percentage of capacity, the Stock Exchange.

The forecasts reported to the Stock Exchange are those for reporting years of account at 18 months and up to and including 36 months. For the avoidance of doubt, all syndicates, including wholly aligned, must complete the best and worst case columns for reporting years at 18 months up to 36 months.

In addition, syndicates with third party capital and reporting years greater than 36 months should also complete the best/worst case columns for the run-off years. The run-off information will not be included in the Stock Exchange announcement but will be fed to the members' agents.

Although the software still has the "button" to generate forecast figures at +/- 2.5% of stamp capacity, this facility has been disabled as agents found that the analysis figures that it generated for premiums, claims etc were not reflective of their own forecasts. Data for the best and worst case columns must be entered into the form.

Lines 1 and 2 report the forecast for pure year premiums and claims to give a net forecast pure year underwriting result at line 3. At line 4 syndicates must report any forecast prior year movement.

Line 6 covers forecast brokerage and commissions: if business arrangements fees are included in acquisition costs the forecast amount should also be included in the line. However, forecast other acquisition costs, ie those that have been reanalysed from syndicate expenses (line 29 of QMR110), are not to be included in line 6 of QMR109, instead they should be reported as part of the forecast of net administrative expenses on line 7.

Line 7, forecast net administrative expenses, includes the forecast of other acquisition costs and profit/loss on exchange as well as administrative costs. Forecast standard personal expenses are also included in this line but non-standard personal expenses do not form part of the forecast result.

QMR130 – Analysis of administrative expenses – other

As first advised in market bulletin Y3812 where a syndicate is wholly aligned and all years have been closed forward into the 2004 year of account or later of the reporting syndicate, then QMR130 does not need to be completed.

The form provides a breakdown of syndicate expenses, eg wages and salaries, accommodation costs etc. The breakdown is by the main categories used in the previous QMR. The form only requires amounts to date, there is no budgetary information.

Expenses are to be entered as negative values, while the credits against expenses are to be entered as positive values. Where an element of syndicate expenses are re-allocated to gross claims as unallocated claims handling expenses, the individual expense category should be completed gross of the transfer, with the re-allocation reported on the line for transfers to claims handling. We would normally expect the amount at that line to agree to the aggregate of the cnv amounts reported in line 15 of QMR100.

Where a part of syndicate expenses are transferred to acquisition costs that transfer should be reported in QMR130 in the line “Other credit against expenses”. The amount so transferred will normally agree to the aggregate of the cnv amounts reported in line 29 “acquisition costs – other” of AR100

Where a run-off syndicate has reserved for expenses these should be reported by the relevant expense category with the credit then reported in the final line.

The balance of expenses will normally agree to the aggregate of the cnv amounts reported on line 34 “administrative expenses – other” on AR100 unless the syndicate has chosen to include standard personal expenses and or profit/loss on exchange amounts in that line. There is no requirement to analyse that additional information.

It had been intended to include an analysis cell so that any material expenses that do not have a specified category can be separately identified. However, the structure of the underlying software means that this has not been feasible.

QMR190: Restated P&L and STRGL

This form is only included in the QMR at Q2 and is only required if the syndicate needs to restate its 30 June 2005 and/or 31 December 2005 profit and loss account figures. A restatement will normally only be required if the accounting policies to be adopted for the next set of syndicate accounts, ie at 31 December 2006, are different to those adopted at 31 December 2005.

If no restatement is required then this form does not have to be completed.

If a restatement is required then this form is to be used to enter the revised figures in the standard P&L format. All figures are entered in cnv and no further analysis is required. If either or both columns are completed, including lines 1 & 2 and 27 & 28, then there is no need to complete the equivalent cells in form QMR101.

QMR201: Balance sheet – assets
QMR205: Balance sheet - liabilities

As first advised in market bulletin Y3812, for wholly aligned syndicates the only data required in these forms is that in the cnv column: there is no requirement to provide information by currency in QMR201 or QMR205. Syndicates with third party capital providers must continue to provide the data by gbp and usd as well as cnv.

The QMR 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.

All lines are to be reported as per UK GAAP, except that the analysis of changes in claims provisions and bad debt provisions are required in more detail for Lloyd's performance management.

<u>QMR201 – assets (normally data will be positive and at balance sheet rate(s))</u>

Lines 1 to 18 - financial investments: syndicate assets must be analysed in the manner and detail as set out on QMR201. The definitions of each category on lines 1 to 18 are included in the eligible asset rules. 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 below regarding the treatment of assets held in the US situs trust funds.

The syndicate loan to the Central Fund is to be reported at line 13. If any other disclosure is made of the loan to the Central Fund, then a note should be included in the comment section on how it has been reported.

Line 19 - 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.

Lines 20 to 25 - 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 20), IBNR claims (line 21), unexpired risk provision (line 22), unearned premiums (line 23) and other (line 24). We are not expecting anything to be reported on line 24.

Lines 26 to 49 – debtors: the analysis must be split between debtors due within one year (lines 26 to 37) and those due after one year (lines 38 to 49).

Lines 26/27/38/39 – debtors arising out of direct insurance operations: all debts due from Xchanging Ins-sure Services are to be treated as due from intermediaries (lines 27/39).

Line 28/40 – 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'.

Line 29/42: inter-syndicate loans (including outstanding interest thereon) made to another syndicate must be reported on line 29 and or 42.

Line 30/43: the QMR balance sheet covers the syndicate as a whole therefore no amounts should be reported for inter-year loans in these lines or their equivalent in QMR205.

Line 35/47: 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 by the quarter end, 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 QMR205 line 10 and not be included here.

Line 36/48: other debtors. These cells are analysis cells. All material amounts included in these cells must be separately listed in the analysis table.

The cnv column will provide the data for the market balance sheet. For this purpose, third party syndicates with exchange account balances should report the debtor and creditor in the relevant GBP and USD columns on line 36 but with a nil amount for exchange accounts in the CNV column.

Line 50 - tangible assets: it is not expected that syndicates will have any assets that would be disclosed here.

Line 52: only cash in hand (ie petty cash and other physical notes and coins held by the syndicate) is to be disclosed here and will not, therefore, normally be a material figure.
Line 53 - 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 52: they must not be included in aggregate as overseas deposits on line 53. 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 53 '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.

Line 54 – other assets. This cell is an analysis cell. All material amounts included in this cell must be separately listed in the analysis table.

Line 58 is calculated by the software; the aggregate of this line and line 40 on QMR205 must equal 0.

QMR203: Analysis of amounts due from members

For wholly aligned syndicates the only data required in this form is that in the cnv column: there is no requirement to provide information by currency in QMR203. Syndicates with third party capital providers must continue to provide the data by gbp and usd as well as cnv.

This form is an analysis of lines 35 and 47 of the balance sheet and captures non-standard personal expenses (the data will therefore normally be entered as positive values and use balance sheet exchange rates). This form reflects the balance sheet position and thus reflects the cumulative non standard personal expenses charged for the reporting year of account.

Line 1/6: this includes all amounts advanced to members' agents in respect of their fees.

Line 2/7: this includes all non-standard personal expenses, including but not limited to, interest on unpaid cash calls, USFIT and CANFIT, Schedule 9a fees and other expenses.

Line 3/8 – unpaid cash calls: report any amounts relating to unpaid cash calls on these lines.

Line 4/9: these lines pick up any additional amounts not reported in the previous lines.

<u>QMR205 – liabilities (the figures on this form will normally be entered as negative values and will use balance sheet exchange rates)</u>

For wholly aligned syndicates the only data required in this form is that in the cnv column: there is no requirement to provide information by currency in QMR205.

Syndicates with third party capital providers must continue to provide the data by gbp and usd as well as cnv.

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.

Line 8 – (Profit)/loss for the period: this is the annually accounted result for the period after standard personal expenses and STRGL movements and is entered automatically by the software from QMR1 line 30, but with the sign reversed. Amounts due from members in respect of non-standard personal expenses (including members' agents' fees) are treated as debtors (QMR201 lines 35/47).

Line 9 – result brought forward: this is the cumulative result on an annual accounting basis up to the previous 31 December.

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.

Line 11 – aggregates lines 8, 9 and 10 to produce the total balance due to members.

Line 14 - 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.

Deposits with ceding undertakings and deposits received from reinsurers may include 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.

Lines 15 to 38 – creditors: the analysis must be split between creditors due within one year (lines 15 to 26) and those due after one year (lines 27 to 38). This is for the purpose of UK GAAP disclosure in the Lloyd's market accounts.

Lines 22/34: inter-syndicate loans (including outstanding interest thereon) received from another syndicate must be reported on these lines.

Lines 23/35: the QMR balance sheet covers the syndicate as a whole therefore no amounts should be reported on these lines or the equivalent in 201.

Line 40: this is calculated by the software. Line 40 + QMRR201 line 58 must equal 0.

QMR218: Investment analysis – asset classification

This form provides an analysis of financial investments (AR201 line 18) by market value, cost and duration and is similar to the equivalent form in the AR.

This form is required by reporting year.

You are required to report on all financial investments reflected on AR201 line 18 held in all premiums trust funds including those held in sterling, and overseas in the Lloyd's American Trust Fund (LATF); the Lloyd's Dollar Trust Fund (LDTF); the Lloyd's Canadian Trust Fund (LCTF); the Surplus Lines Trust Fund (SLTF); and the Credit for Reinsurance Trust Fund (CRTF).

The **duration** of an investment is the weighted average maturity of the discounted cashflows of the investment. Duration can therefore be obtained from the formula below:

$$= \text{the sum of} \left(\begin{matrix}\text{period to} \\ \text{cashflow z}\end{matrix} \times \begin{matrix}\text{discounted value} \\ \text{of cashflow z}\end{matrix} \bigg/ \begin{matrix}\text{total market value} \\ \text{of investment}\end{matrix} \right)$$

Variations on the above formula, known as modified duration, may be recorded on QMR218. The duration of most actively traded investments can be obtained from information providers such as Bloomberg. The duration is required for both USD and GBP portfolios.

<u>Relationship with other forms</u>

The lines on QMR218 equate to the lines in QMR201 as follows:

QMR218 reference	QMR201reference
line 1	lines 1 + 2 + 3
line 2	lines 5 + 6 + 7 + 8
line 3	line 9
line 4	line 10
line 5	lines 11 + 12 + 13 + 14
line 6	lines 15 + 16
line 7	lines 4 + 17

QMR219: Investment analysis – credit classification

This form provides an analysis of financial investments (QMR201 line 18) by credit classification and also partially succeeds SR28A.

This data is required for all reporting years combined.

You are required to report on financial investments held in all premiums trust funds including those held in sterling, and overseas in the Lloyd's American Trust Fund (LATF); the Lloyd's Dollar Trust Fund (LDTF); the Lloyd's Canadian Trust Fund (LCTF); the Surplus Lines Trust Fund (SLTF); and the Credit for Reinsurance Trust Fund (CRTF).

Credit ratings classification must be determined by reference to the higher of a long term debt rating issued by Moodys, S&P or IBCA in relation to the specific security or the issuer of the security. Ratings of recognised agencies specialising in particular countries e.g. Dominion Credit Rating Service in Canada may also be used.

The distinction between 'investment pools' and CIS/Unit Trusts should be by reference to the nature of the investment. If the investment is in a single entity (which may or may not be rated), such as a unit trust (including CICR and CILF), then the exposure is CIS/Unit Trust. If the investment is on a pro rata basis, where the investor owns a part of each investment in the pool (such as the LATF 91 a/c or the Treasury Dept commingled accounts) then the exposure is to an investment pool.

In QMR201 the syndicate loan to the Central Fund is reported on line 13. This means that it must be included in line 5 on QMR219. The credit classification to be used for the syndicate loan to the Central Fund is A+/A/A-.

Relationship with other forms

The following entries on QMR219 must agree to QMR201 on the annual return as follows:

QMR219 reference	QMR201 form reference
line 1 column 7	lines 1 + 2 + 3
line 2 column 7	lines 5 + 6 + 7 + 8
line 3 column 7	line 9
line 4 column 7	line 10
line 5 column 7	lines 11 + 12 + 13 + 14
line 6 column 7	lines 15 + 16
line 7 column 7	lines 4 + 17

QMR260: Matching and localisation: Net technical provisions and assets held in premiums trust funds

With effect from 1 January 2005, the initial responsibility for complying with the matching and localisation of assets to liabilities rules lies with syndicates, under LLD. However the Society continues to monitor and ensure compliance, centrally. This form is required for all reporting years combined.

Net technical provisions

Please complete line 1, columns A, C, D and E in currency. These amounts converted at the respective quarter-end exchange rates should total line 1, column B. Liabilities by currency are determined by reference to the currency in which the liabilities are denominated. Any currency which is not CAD, EUR or USD must be treated as GBP (column D).

Premiums trust funds

Please complete line 2, columns A, C, D and E in currency. These amounts converted at the respective quarter end exchange rates should total line 2, column B. Any currency which is not CAD, EUR or USD must be treated as GBP (column D).

Relationships with other forms

The following entries on QMR260 must agree to other forms on the syndicate return as follows, for all reporting years of account combined:

QMR260 reference	QMR201 reference
line 1 column B =	(lines 25 + 56, column A) + (QMR205 line 7, column A)
line 2 column B =	(lines 58 - 25 - 56, column A) + (QMR205 lines 40 - 7 - 11, column A)

QMR270: Exchange differences

This form is similar to that in the 31 December 2005 annual return and provides a breakdown of the exchange differences included within QMR610.

The closing rates for 31 December 2005, the average rates for the six months to 30 June 2006 and the closing rates as at 30 June 2006 are to be entered in lines 1 to 3. Where the syndicate has used more than one rate in any given category, eg separate balance sheet rates have been used for non-monetary items compared to monetary items, then the agent must select the most appropriate rate to use in the reconciliations. In these circumstances the reconciliation calculations will not give an exact match to the exchange differences shown in QMR610 but should give a reasonable approximation. This proviso applies to all the notes on QMR270.

For columns A to H lines brought forward, ‘used in year’ and carried forward, these amounts should be completed in local currency.

Column I represents the totals of columns A to H converted into GBP. Brought forward balances are converted at opening exchange rates. ‘Used in year’ 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.

For the brought forward balance we would expect the total to agree to the opening balances per the reconciliations on QMR610, subject to the above proviso.

For the ‘used in year’ balance we would expect the total to agree to the movement balance per the reconciliations on QMR610, subject to the above proviso.

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, subject to the above proviso.

The exchange movement line should normally represent the difference between the opening balance converted at opening rate plus the ‘used in year’ converted at average rate less the carried forward balance converted at closing rate.

The exchange movement line should be in GBP for each of columns A to H. Column I will equal the sum of columns A to H for exchange movements and should agree to the appropriate exchange difference per QMR610, subject to the above proviso. This is a calculated cell.

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 comments section of the return as instructed at the foot of the form.

QMR290: Opening balance sheet 31 December 2005

This form is only required at quarter 2 and is to be used as part of the production of the Lloyd’s market interim result. The data for the first column will be generated by the software from the previous year-end return.

If the syndicate is changing accounting policies and has to restate its 31 December 2005 figures, then the adjustments are to be entered in column B. The software will then calculate the revised figures and report them in column C. If there is no restatement column C will simply equal column A.

QMR295: Restated balance sheet 30 June 2005

This form is only required at quarter 2. Furthermore, the form only has to be completed if there is a change in accounting policies which means that the 30 June 2005 figures have to be restated to be on a comparable basis to the figures being reported for 30 June 2006.

If the syndicate is changing accounting policies then the revised balance sheet figures should be reported in this form. Only cnv figures are required.

QMR298: Prior year adjustment

This form is only required at quarter 2. Furthermore, the form does not have to be completed unless there is a prior year adjustment to be reported.

If there is a prior year adjustment then the relevant amount(s) can be entered in lines 2 to 5 as appropriate, with any other adjustments being analysed in line 6. If a prior year adjustment is required then the amount reported in line 9 should agree to the aggregate of the amounts reported in line 52 of QMR100.

QMR3: Cashflow statement

This form is only to be completed at quarter 2 and is to be used as part of the production of the Lloyd's market interim result.

Line 1 is taken directly from QMR310, line 14.

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.

The main entries expected on QMR3 will be fed from QMR 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

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

Since Distributions, cash calls and CSTs exchange rates are predetermined, the foreign exchange movement on these balances is taken automatically from QMR610 line 22 to QMR310 line 12.

The total per QMR3 line 10 must agree to QMR3 line 13.

QMR310: Cashflow – reconciliation of operating profit to net cash flow from operating activities

This form is only to be completed at quarter 2 and is to be used as part of the production of the Lloyd's market interim result.

Most of the lines on this form are derived from elsewhere in the return.

If it is necessary to enter an additional figure, line 13 is available as an analysis cell and an explanation of the entry must be given in the additional analysis schedule.

<u>Line 14 – Net cash flow from operating activities</u>
Line 14 will be picked up by QMR3 line 1

QMR320: Cashflow – movement in cash and investments

This form is only to be completed at quarter 2 and is to be used as part of the production of the Lloyd's market interim result.

The only entries required in this form are those for the cash flows from cash at bank and in hand and overseas deposits.

Column a is automatically generated from QMR290.

Column b lines 3 to 9 and 11 to 13 are generated from QMR330, col 3 lines 1 to 12. Entries are required in column b lines 1 and 2.

Column c is calculated from the other columns once all entries have been made.

This reflects unrealized changes to market value and exchange rates.

Column d is derived from the respective lines in QMR201 and QMR205.

QMR330: Cashflow – net cash inflow/(outflow) on portfolio investments

This form is only to be completed at quarter 2 and is to be used as part of the production of the Lloyd's market interim result.

QMR330 reflects the net purchases and sales of investments throughout the year. For lines 1 to 4 purchases are to be entered in column a as negative values and sales as positive values in column b. The software will then calculate an inflow/(outflow) figure in column c.

For lines 6 to 12 the only entry required for each line is the net cash inflow/(outflow) in column c.

QMR350: Cashflow summary all YOA by calendar year

This form is to be completed at each quarter, including Q2. The form is very similar to that in the "old" QMR, but the figures in the first column represent those for the period 1 January to the current quarter end, not just for the current quarter as was the case in the "old" QMR.

Gross premium income is gross of acquisition costs and net operating expenses now include acquisition costs.

Opening free funds in column one should be retranslated at the current quarter end exchange rates. The same figure will appear in column "b" of row 1.

All other lines in the form are also translated at period end rates rather than average rates. This is to avoid the need to separate out profit or loss on exchange.

QMR360: Analysis of result and cash calls

For wholly aligned syndicates the only data required in this form is that in the cnv column: there is no requirement to provide information by currency in QMR203. Syndicates with third party capital providers must continue to provide the data by gbp and usd as well as cnv.

The purpose of this form is to report a cumulative result by reporting year and to indicate the likely distribution date(s). The software picks up the annual accounting result for the current period (a profit is reported as a positive on QMR360 as it is in QMR100. Agents must then report on row 2 the cumulative result at the previous year-end together with any cash calls/CST on row 4 to give the cumulative balance remaining for distribution. The aggregate of row 2 across the reporting years will normally agree with line 9 of AR205 but with the signage reversed. Similarly, the aggregate of row 4 should agree to line 10 of QMR205, with the signage reversed.

Agents are then required to complete rows 6 to 12 to indicate when the balance, as reported to date, is to be paid or called and on row 14 the likely date of closure, normally a 31 December date. It is accepted that this may mean that rows 6 to 12 may therefore report a loss collection even though the agent has an expectation that, ultimately, the syndicate will make a profit for that reporting year.

QMR390: Restated previous period cash flow

This form is only included in the QMR at Q2 and is only required if the syndicate needs to restate its 30 June 2005 and/or 31 December 2005 cash flow figures. A restatement will normally only be required if the accounting policies to be adopted for the next set of syndicate accounts, ie at 31 December 2006, are different to those adopted at 31 December 2005.

If no restatement is required then this form does not have to be completed.

If a restatement is required then this form is to be used to enter the revised figures. The form is a combination of the data required for QMR3 and QMR310. All figures are entered in cnv and no further analysis is required.

QMR460 – Exposures

This form is only to be completed in respect of syndicate years of account that are older than 36 months, and the naturally open years of orphan syndicates. The essence of the form is to capture information relating to exposure during the current year, whether by way of 'pure' exposure or as a consequence of extended reporting provisions.

At Q1, provide the actual figures for that Quarter and forecasts for each of the three subsequent quarters of that year of account. After Q1, columns must be re-stated in order to monitor development through the year, as the actual figures become available.

Data is to be provided separately by year of account for each of the following three categories.

"Binders"

Binders encompass binding authorities and agency agreements, together with participations in consortia and lineslips, unless the information held on consortia and lineslip participations supports their inclusion in the ''Long Term Individual Risks' section of this form.

You should include a binder within the total number shown for those using a claims made form only if its individual declarations definitely have live sunset periods, or they have live extended claims reporting periods, or the equivalent.

If a binder on which you are reporting has declarations under it which are in their own right binding authorities, you should nonetheless report it as one binder within the overall "total number of binders" each Quarter. It would be helpful if you would briefly report on such situations within the comments section.

<u>“Long Term Individual Risks”</u>

These are risks written separately on a direct insurance or facultative reinsurance basis, where the policy period exceeds 24 months, or where they feature a mandatory renewal obligation of some kind, such that the total period of exposure will effectively exceed 24 months.

Do <u>not</u> include data on declarations under “Binders”. As referred to above, if sufficient information is held to allow exposure arising from consortia or lineslips then it should be reported here and not in the ‘Binders’ section.

You should include an individual long term risk within the total number shown for those using a claims made form only if it has a live sunset period, or a live extended claims reporting period, or the equivalent.

The “value” to be declared in each case will be the largest sum insured under the policy, but noting always that:

- (i) for package and combined policies and the like, please nonetheless select the policy limit which is catastrophe exposed (e.g. Property, rather than Public Liability).
- (ii) Do not factor in reinstatements of cover.

If a risk can reasonably be defined as being both a long term individual risk and a catastrophe exposed individual risk, please include the relevant data under <u>both</u> categories. For the avoidance of doubt, use the same “value” under both categories.

<u>“Catastrophe Exposed Individual Risks”</u>

These are risks written separately on a direct insurance or facultative reinsurance basis, where the class of business is considered by the Managing Agent to be catastrophe exposed (e.g. property, marine hull, marine cargo, energy, War and Political Risks. It is accepted that the constituents of this category may well vary from one Managing Agent to the next. The comments section can usefully be used by Agents in this regard).

Do <u>not</u> include data on declarations under “Binders”.

The “value” to be declared in each case will be the largest sum insured under the policy, but noting always that:

- (i) for package and combined policies and the like, please nonetheless select the policy limit which is catastrophe exposed (e.g. Property, rather than Public Liability).
- (ii) Do not factor in reinstatements of cover.

<u>All categories</u>

Please provide any additional information which you consider will help us interpret your data in the comments section, or by attaching a supplementary document to the return.

QMR610: Reconciliations

This form is only to be completed at quarter 2 and is to be used as part of the production of the Lloyd's market interim result. The 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.

For each of these reconciliations the software derives the movement in period and period end balance as per the technical account in QMR1 and the balance sheet in QMR201 and 205. The opening balances are derived from the opening balance sheet, QMR290.

Where a difference is reported on the reconciliation the reconciling items should be analysed in the analysis grid 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.

In the table for "balance due to/(from) members" there are seven 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.

The movement in any losses / cash calls made but not yet paid should be input into line 26. This amount has come into the reconciliation because lines 35 and 47 of QMR201 are included within balance due to/from members. A further analysis line 27 is to be used to report any continuing solvency transfer made in the calendar year.

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.

QMR710: Reinsurance recoverables

General information

Further to market bulletin Y3812, columns C (reinsurance premiums), J (IBNR), Q (provision for bad debt on IBNR), R (offset), T (write-offs) and U (disputes) are optional and do not need to be completed at quarters 1, 2 and 3.

Most of the data in this form is balance sheet data and hence should be translated using the balance sheet rates. However, column (c) reports premium ceded and the rates to be used for this column are those used for line 4 of QMR110, "outward reinsurance premiums".

Signage on this form will vary from column to column as set out in the following notes.

Data in this form are provided on an "aggregate of all years" basis. The one exception is column C, premium ceded, where the only information to be provided, if completed, is for the current reporting year of account, ie in 2006, the 2006 year of account.

De Minimis Provision: there is an aggregate requirement such that where the recoverable amount by reinsurer exceeds £30,000, a breakdown must be provided. Reinsurance recoverables which aggregate to under £30,000 may be shown as a single line under "de minimis".

Affiliated reinsurers/split: For the purposes of this form, an affiliate is defined as an entity that is within the holding company system or a party that, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with the syndicate. This split is likely to be more important for syndicates with capacity largely provided by corporate members. An affiliate includes a parent or subsidiary and partnerships, joint ventures, and limited liability companies. The software defaults each reinsurer entry to non-affiliate.

Control is defined as per the annual IID return, i.e. the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a person, whether through (a) the ownership of voting securities, (b) by contract other than a commercial contract for goods or non-management services, (c) by common management, or (d) otherwise. Control shall be presumed to exist if an insurer and its affiliates directly or indirectly, own, control, hold the power to vote, or hold proxies representing 10% or more of the voting interests of the entity.

The 10% ownership threshold shall be measured at the holding company level. For example, if one member of an affiliated group has a 5% interest in a company and a second member of the group has an 8% interest in the same company, the total interest is 13%, and therefore, each member of the affiliated group shall be presumed to have control. These presumptions can be overcome by predominant evidence to the contrary. However, they shall stand until overcome by such predominant contradictory evidence. An insurer with 10% or more of the voting interest shall evaluate all facts and circumstances relating to the investment and reach a judgement about whether the presumption of control is overcome. The corollary is required to demonstrate control when an insurer owns less than 10% of the voting interest of an investee.

Information per column

Columns A (LORS Code, name of reinsurer)

To select a reinsurer click on the drop down box in column B and start to type the reinsurer name until the relevant name is highlighted. This column includes the domicile of the reinsurer to assist in identifying the correct company. Alternatively click on the drop down box for LORS Code and enter the relevant LORS code.

Where a reinsurer does not have a LORS code, enter "Other1" in the LORS code box. If a second reinsurer with an unknown LORS code is to be entered, enter "Other2". If a third reinsurer with an unknown LORS code is to be entered, enter "Other3".

Column B – Affiliates

The column defaults to non-affiliate to indicate that the current reinsurer is not an affiliate (as defined above) of the syndicate. If the reinsurer is an affiliate of the syndicate then “affiliate” must be entered in this column.

Where this form is being completed by csv upload the affiliate or non-affiliate reference of AFF or NONAFF should be entered in the CSV as follows:

Base element, value, LORS code, AFF (or NONAFF)

Column C – Premium ceded -not required

Columns D to H – Reinsurance recoverable before provision for bad debts, by age on gross paid losses(normally entered as positive figures).

Enter into columns D to G the figures for reinsurance recoverables as at the period end on paid losses, split by the age of the debts as per the column headings. The figures to be entered are after reinstatement premiums, net of bad debts which have already been written off but gross of bad debt provisions. The total of column H, aggregated with that of column O, will normally agree to the total column of the “Conv£” line of “reinsurance recoveries due but not received” in QMR201. If this is not the case then a note should be included in QMR990 confirming the nature of the reconciling items.

Column I - Reinsurance Recoverable on Unpaid Losses (normally entered as positive figures)
The reinsurance recoverable on reserves is split into the recoverables due on noted outstandings and in respect of IBNR. The information in respect of noted outstandings must be reported in column I quarterly on all years of account combined, including the youngest year.

Column J- Optional - Reinsurance Recoverable on IBNR (normally entered as positive figures)
Recoverables in respect of IBNR may also be completed quarterly in column J but are not required other than at the year end. The amounts should be disclosed after reinstatement premiums and net of bad debts that have already been written off. The associated bad debt provisions must be similarly analysed and reported.

Columns K to O – Provision for bad and doubtful debts on paid losses
Enter into cells K to N the figures (normally reported as negatives) for provisions for bad debts on reinsurance recoverables as at the period end on paid losses, split by the age of the underlying debts as per the cell headings. Where a “general” provision is made against a specific group of reinsurers, that provision should be split over those reinsurers. However, where a general provision is made against reinsurance debtors overall, then that provision should be included as a separate

line called “general provision”. The relevant entry is included in the drop down box for column A, name of reinsurer.

The total figure in column O, aggregated with the total of column H, will normally agree to the “cnv” amount for “reinsurance recoveries” in QMR201.

Column P – Provision for bad and doubtful debts on unpaid losses (normally entered as negatives)
The provision for bad and doubtful debts on reinsurance recoverable on reserves is split into that in respect of outstandings and in respect of IBNR. The provision relating to noted outstandings must be reported in column P quarterly on all years of account combined, including the youngest year.

Columns Q – Optional - Provision for bad and doubtful debts on IBNR (normally entered as negatives)
Provisions on recoverables in respect of IBNR may be completed quarterly in column Q but are not required.

Column R – Optional - Legal right of off-set (amounts owed to reinsurer, normally entered as a negative)
If completed column R should record any amounts owed to a particular reinsurer which are considered to mitigate a large and/or old amount the reinsurer owes to the syndicate. This column has not been included to capture all amounts owed to reinsurers. It has been included because some agents have cited large amounts due to a reinsurer as being a factor in their decision as to whether or not there is a need to provide for a debt from the same reinsurer. Thus this column should only be used where the credit amount has a bearing on the need for a provision for bad debt on reinsurance recoverables on paid losses and unpaid losses and IBNR.

Column S – Collateral on hand to secure recoverable amounts (normally enter as a positive figure)
Insert any collateral (letters of credit, deposits or funds withheld) that secures paid and unpaid loss recoverables from an individual reinsurer.

Column T – Optional - Write-offs (normally enter as a negative)
Where completed enter into this cell the amount of any debt that has already been written-off against the reinsurer in respect of any amounts recoverable.

Column U – Optional - Amount in dispute (normally enter as a positive)
If a dispute does exists with the company which may affect the recoverability of all or part of the balances shown then, where this column is to be completed, enter the amount of recoverable in columns I, J or K which is the subject of that dispute. A dispute exists, for the purposes of this disclosure, when the reinsurer has contested the validity of coverage, or the ceding or assuming insurer has initiated arbitration or otherwise instituted legal actions concerning any amount claimed to be recoverable.

QMR800 – Top 10 Catastrophe losses, plus any material losses
(all figures normally reported as negative)

This form is intended to focus on the losses on the current reporting years of account but it should also report any material losses on closed years where there is still significant movement. The losses which are required to be reported on this form cover the current and previous three reporting years of account and meeting the following criteria:

i) All losses which are material to a syndicate (see below).
ii) The top 10 (normally, more if there is significant loss activity) losses which have been given a catastrophe code by XCS must be included on QMR800, even where this entry is a 'nil return'. These losses will be advised by market bulletin from Market Reporting soon after the close of the relevant quarter.

A material loss to a syndicate must be included on this form. Market Reporting should be advised of any new material losses that do not have a code issued by XCS. Details of the new loss should be reported on the standard template and e-mailed to MajorLossCodes@lloyds.com: Market Reporting will then provide a code for use in the QMR.

A loss is normally regarded as material to a syndicate if the "Incurred Gross Loss" or the "Estimated Ultimate Net Loss" exceeds 5% and 1% respectively of the syndicate's capacity for the relevant reporting year of account. In the majority of cases, however, the Managing Agent's judgement will determine whether the loss is material to the syndicate.

Details of gross paid, gross outstanding and gross ultimate loss are to be reported in columns "c" to "e": these amounts should be entered as negative values. The ultimate loss, net of reinsurers' share, is reported in column "f", normally as a negative value. Both the sterling and US$ tabs will produce a total that agents can use to confirm that entries have been made correctly.

The estimated ultimate net loss represents the net cost to the syndicate, i.e. including reinstatement premiums payable and receivable, co-reinsurance payable etc but should not take account of the potential impact of any whole account stop loss. Comments on the potential impact of whole account stop loss should be provided within the comments form.

Where a material loss affects more than one reporting year, the amount of the loss for each relevant reporting year of account should be separately disclosed.

The software will also produce a control total. This is a simple addition of all the entries in each column and ignores currency. The control total is provided to assist agents in checking that data has been entered/imported to the form correctly.

QMR860: Technical account and RITC/EFL by pure year

This form has been included to provide third party capital providers with the equivalent of the old QMR Form 3 on reserving.

All lines on this form are generated automatically by the software from QMR110: Certain lines have been aggregated, eg the split of investment return in QMR110 is reported as a single line in QMR860.

QMR861: Technical account and RITC by reporting year

This form has been included to provide third party capital providers with technical account and RITC information by reporting year. The information is all derived from form QMR860.

QMR862: Signed premiums

This form is only to be completed by those syndicates with third party capital.

The purpose of the form is to provide members' agents with cumulative signed premium on a reporting year basis, ie this form is on a three year funded, not annual accounting, basis.

The premium income to be reported is on a similar basis to that reported in 2004 and prior, ie for the purpose of this form only, premium income is to be stated after deduction of brokerage and commission.

In line 1, the gross cumulative premium to the quarter end is to be reported. At quarter 2 2006 this would be the gross premium for the first 6 months of the 2006 reporting year, gross premiums for the 18 months to June for the 2005 year and gross premiums for the 30 months to June for the 2004 year. The equivalent figures are to be reported in line 2, but net of reinsurance ceded.

The information is required by currency.

QMR863: Technical account forecast

This form has been included to provide third party capital providers with technical account forecast information on premiums written and earned. The data is derived from QMR109.

QMR865: Cumulative technical account

This form has been included to provide third party capital providers with the cumulative technical account by reporting year. The data is derived from QMR102 but the IBNR figures are omitted and calculations reworked.

QMR867 and QMR868: Balance sheet

These forms have been included to provide third party capital providers with balance sheet details. The data is derived from QMR201 and QMR205 except that, as for the technical account, IBNR movement is excluded. The figures for gross IBNR, reinsurers share thereof and claims expenses **brought forward** at the previous year-end are derived from QMR861, lines 55 to 64.

QMR870: Premium by class

This form has been included to provide third party capital providers with the equivalent of the old QMR Form 19 on premium. All figures in this form are generated by the software. The ultimate gross premium estimate figures are taken from QMR 105 and the gross written premium to date figures are taken from the quarterly PIM form. The original data is provided at syndicate class of business level. That data is reanalysed by the software and reported on QMR870 by Lloyd’s risk categories.

QMR900: Sign-off

This form is completed automatically by the software from standing data.

QMR910: Managing agent’s report

This report is only required at Q2 and is the managing agent’s report on those sections of the QMR that provide the interim return.

The report must be approved, signed and dated, on behalf of the directors of the underwriting 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.

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 interim return (ie from the print option box select just those forms that comprise the interim return) and any additional pages of analysis. The standard scope and opinion of the independent 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.

QMR930: Independent review report

This report is only required at Q2 and is the independent review report on those sections of the QMR that comprise the interim return.

Each report must be signed and dated on behalf of the recognised accountant by a partner or director.

The standard scope and opinion of the independent review report are included within the software. Where additional paragraphs or non-standard wordings are required, these can be included with the hard copy submission only.

QMR990: Comments

This form enables managing agents to provide comments on the return.

The form includes a tick box for each comment to indicate whether or not the comment is to be included within the information provided from the QMR to members’ agents. Where the box is not ticked, the default position, the comment will not be included in the extract. If the box is ticked then the comment will be included in the extract.

Summary of forms where completion of certain cells is optional

Form	Aligned syndicates	Third party syndicates
105 – Class of business performance	Where managing agents do not manage their business at net level by class of business and completion of net data is based on high level allocations of outward reinsurance premiums and recoveries, then net data is not required.	Where managing agents do not manage their business at net level by class of business and completion of net data is based on high level allocations of outward reinsurance premiums and recoveries, then net data is not required.
110 – Profit and loss account	Do not have to complete GPB or USD columns. Business arrangement fees (line 28) may be combined with other acquisition costs (line 29) and business arrangement fees (line 32) and personal expenses (line 33) may be combined with other administrative expenses (line 34). The separate analysis of these lines is optional. The data for most lines of QMR110 can be reported in aggregate in the youngest closed year. Thus for a syndicate with 1993 to 2003 all closed into 2004, the data for pure years 1993 to 2003 can all be entered in aggregate in the 2003 page. This applies to all lines of QMR 110 except lines 14 to 17, 18 and 21: claims paid and reported claims data must still be reported on a pure year basis.	Business arrangement fees (line 28) may be combined with other acquisition costs (line 29) and business arrangement fees (line 32) and personal expenses (line 33) may be combined with other administrative expenses (line 34). The separate analysis of these lines is optional.
130 – Syndicate expenses	This form does not have to be completed provided that all years have been closed forward into the 2004 year of account or later of the reporting syndicate.	
201/203/205 – Balance sheet	Do not have to complete GPB or USD columns.	

360 – Analysis of results	Do not have to complete GPB or USD columns.	
710 – Reinsurance recoverables	Columns C (reinsurance premiums), R (offset), T (write-offs) and U (disputes) are optional and do not need to be completed. The de minimis limits are increased from £10,000 to £30,000. Please continue to submit all data lines, where agents complete the form by upload from underlying systems and exclusion of data is more onerous than a full submission. Confirm completion of columns J and Q (IBNR) is optional and does not need to be completed.	Columns C (reinsurance premiums), R (offset), T (write-offs) and U (disputes) are optional and do not need to be completed. The de minimis limits are increased from £10,000 to £30,000. Please continue to submit all data lines, where agents complete the form by upload from underlying systems and exclusion of data is more onerous than a full submission. Confirm completion of column J and Q (IBNR) is optional and does not need to be completed.
862 – Signed premiums	This form does not have to be completed by wholly aligned syndicates.	

Appendix 4

FAX

To Janice Sinclair (Market Reporting) Fax No: 020 7327 6178

From: ________________________________

Managing Agent/Auditor: ________________________________

Telephone: ________________________________

Fax: ________________________________

E-mail: ________________________________

Q2 QMR WORKSHOPS

Delegate name	Preferred date (please tick one per delegate)			Please tick if Lloyd's pass required
	27 June am	27 June pm	3 July	
1.				
2.				

If you do not wish to attend any of these workshops but would like to receive the presentation material please tick this box	

Please return completed form to Janice Sinclair by Wednesday 21 June 2006.