LLOYD'S

# MARKET BULLETIN

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| **From** | Head, Market Reporting (extn 5129) |
| **Date** | 28 September 2006 |
| **Reference** | Y3877 |
| **Subject** | **Q3 2006 QMR instructions** |
| **Subject areas** | |
| **Attachments** | **Instructions** |
| **Action points** | **Agents to note** |
| **Deadlines** | **Thursday 23 November 2006** |

The purpose of this bulletin is to provide you with the instructions for the Q3 2006 QMR and other information relevant to that return. There have been no substantive changes to the instructions and no additional requirements.

**Deadlines**

The submission date for the Q3 QMR is Thursday 23 November. The forecasts of the 2004 and 2005 reporting years will subsequently be issued through the Stock Exchange and posted on the Lloyds.com site on the afternoon of Wednesday 29 November.

**Instructions**

Appendix 1 provides the detailed instructions for the completion of the Q3 QMR: they are also available on the Core Market Returns site. The instructions confirm where completion of certain cells is optional and, at the end, include a summary of these reduced reporting requirements.

Form QMR110, technical account by pure year
As advised for previous quarters, aligned syndicates may report 2003 and prior premiums and IBNR data en bloc in the QMR110 for the youngest closed year, rather than having to report the information across the individual closed prior years. If it is easier to provide this information direct from your systems by pure year, then the QMR110 can be completed in full on that basis. However, if your systems provide IBNR information for 2003 and prior in total and it is therefore easier to provide those figures in aggregate in the QMR110 for 2003 then you may do so. Similarly, in view of the minimal level of premium figures for 2003 and prior year, you may provide these in aggregate in the QMR110 for the 2003 year.

Form QMR360, analysis of result and cash calls

At Q2 an FAQ was issued advising that the cash call/distribution lines 6 to 12 were only to be completed in relation to any forecast ultimate loss and that no entry need be made if the reporting year is expected to make a profit. This is now incorporated within the instructions for this form.

Form QMR800, major losses

Aligned syndicates may, if they wish, report major losses for a given catastrophe that occurred in 2005 or earlier, against just the year the event occurred, ie as opposed to having to report the loss across all reporting years affected by that loss. Syndicates backed by third party capital must continue to report all their major losses across all relevant reporting years as previously.

**Software**

While a Q3 2006 QMR can currently be set up in the CMR system, it will include in the print forms 910 and 930 the managing agent and auditor reports. These are not required at Q3 and the production software will be amended next Tuesday to ensure these forms are excluded. That change will also reinstate QMR862, the signed premium form to be completed by syndicates with third party capital. That form is to be completed each quarter.

**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 DataManagement 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 will be issued in an e-mail from MSU on Friday. The deadline for submission of requests for new major loss codes to Market Reporting is Friday 13 October. **Please note that the Q3 loss code list will not be updated in the return software until after this date.**

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

**Queries**
Any queries or comments on the return should be submitted via e-mail to Market Reporting (lloyds-MRD-ReturnQueries@lloyds.com).

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

John Parry

# APPENDIX 1

# Instructions

# QUARTERLY MONITORING RETURN

## INSTRUCTIONS FOR THE Q3 2006 RETURN

## Index to Forms

# 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.

## 4 Assistance in completing forms

4.1 Any queries about the completion of the QMR 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.

## 5 Exchange rates

5.1 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.

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

## 6 Interpretation

6.1 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.

## 7 Reporting configuration

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

## 8 Completion of forms

8.1 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.

8.2 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.

## 9 'Analysis' items

9.1 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.

# FORMS

## Matrix – Syndicate details

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 Q3 return, the capacity reported will be that at 30 September: if any movements occur in capacity between 30 September 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.

## 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 3 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.

**QMR 105 – Class of business performance**

<u>Reporting basis</u>

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.

<u>Accounting period</u>

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.

<u>Reporting in currency</u>

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.

<u>Class of business breakdown</u>

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.

<u>Gross and Net</u>

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 105s – 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.

<u>Reconciliation of cumulatives</u>

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 |

<u>Reconciliation of ultimate projections</u>

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.

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.

Any amounts that have been included in the STRGL lines of QMR109 are not included in the figures pulled through into QMR120. If a syndicate wants to include these amounts within the ultimate best/worst case forecasts that are provided to third parties and to the Stock Exchange, then they should be included as part of line 7 in columns A and C.

**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.

**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.

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 51: 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.

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

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 – Total recognized gains and losses 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.

**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 QMR360. 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 two fold, firstly to report a cumulative result by reporting year and secondly to indicate when cash calls based on the year of account ultimate result are likely to be made.

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 required to complete rows 6 to 12 only where they expect **actual** cash calls to be made based on the syndicate ultimate result per QMR109 less any cash calls already made to date (See example below). A cash call is to be entered as a positive figure in QMR360. If a "to date loss" is reported in line 5 but the ultimate forecast in QMR109 is for a profit then no entry would be expected in lines 6 to 12. Distributions of profit do not need to be reported so a year with a forecast ultimate profit will not have an entry in lines 6 to 12. [The only exception is a year of account showing an ultimate profit on QMR109 but which is making a cash call for syndicate liquidity reasons.]

For a reporting year the cumulative loss to date is £11m: a cash call has already been made for £3m. However, the forecast ultimate result in QMR109 is a loss of £4.5m. The final loss to be called is therefore £1.5m, ie the overall loss of £4.5m less the cash call already made. The entries in QMR360 are:

Example

| Line | Description | Amount |
|---|---|---|
| | Cumulative to date actual | CNV |
| 3 | Cumulative profit/(loss) to date | -11,000,000 |
| 4 | Cash calls made/(distributions to members) to date | 3,000,000 |
| 5 | Members' balances attributable to underwriting (3+4) | -8,000,000 |
| | **Cash Call/(Distribution) forecast schedule (CNV)** | |
| 12 | Thereafter | 1,500,000 |
| 13 | Total (6 to 12) | 1,500,000 |

**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.

**“Long Term Individual Risks”**

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 not 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 both categories. For the avoidance of doubt, use the same “value” under both categories.

**“Catastrophe Exposed Individual Risks”**

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 not 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.

**All categories**

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.

**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.

<u>Information per column</u>

Columns A (LORS Code, name of reinsurer)

To select a reinsurer 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)**

Wholly aligned syndicates may report the total data for any major loss in calendar years 2005 and prior against the year of the loss, rather than identifying the separate years impacted by the loss: a 2006 event however must be reported against all relevant years. Thus, for instance, all losses relating to Hurricane Katrina would be reported against "underlying pure year of account" 2005 rather than across 2005, 2004, 2003 etc. Syndicates with third party capital providers must continue to provide the loss data by "underlying pure year of account".

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.

Gross claim estimates are to be stated before any adjustment for inwards or outwards reinstatement premiums. The net estimates are the final net loss estimates which will include adjustments for inwards and outwards reinstatement premiums but are prior to any whole account stop loss covers.

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. It is recognized that the aggregation of the RITC figures includes the naturally open year receiving the RITC but the correct movement in RITC can be derived by deducting the naturally open year's figures as per 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 9 months of the 2006 reporting year, gross premiums for the first 18 months of the 2005 year and gross premiums for the first 33 months of 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 data is taken from QMR 105. 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 sign-off is completed automatically by the software from standing data.

**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.<br><br>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.<br><br>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.<br><br>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. |
| 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.<br><br>The de minimis limit is £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.<br><br>Completion of columns J and Q (IBNR) is optional and does not need to be completed at Qs 1, 2 and 3. | Columns C (reinsurance premiums), R (offset), T (write-offs) and U (disputes) are optional and do not need to be completed.<br><br>The de minimis limit is £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.<br><br>Completion of columns J and Q (IBNR) is optional and does not need to be completed at Qs 1, 2 and 3. |
| 800 – Major losses | The total data for any major loss in calendar years 2005 and prior may be reported against the year of the loss, rather than identifying the separate years impacted by the loss: a 2006 event however must be reported against all relevant years. | |
| 862 – Signed premiums | This form does not have to be completed by wholly aligned syndicates. | |