

MARKET BULLETIN

REF: Y4752

Title	2011 Account Syndicate Results Collection
Purpose	To advise of changes to the data requirements for submission of year-end results files to Market Services
Type	Scheduled
From	Karen Oliver, Senior Manager, Market Services Finance and Operations Contact details: +44 (0)1634 392120
Date	16 December 2013
Deadline	
Related links	N/A

This bulletin provides information regarding the collection of syndicate results in respect of the 2011 year of account.

1. Exchange Rates and Data Checking

Consistent with the treatment of the previous year-end reporting periods, all Distribution Data (DD) files must be prepared using the same exchange rates that are used within the syndicate underwriting year accounts. This will allow much greater clarity for members when validating their Consolidated Personal Accounts (CPA) against their underwriting year accounts.

The DD files should also be prepared on the same basis as year-end form QMA102. Market Services will utilise the QMA102 to check the returns wherever possible, and agents will be required to provide an explanation for any discrepancies.

Any agents using the Non-Distribution (ND) interest amounts calculated by Market Services will need to include the total value within line 3 (unpaid cash calls) of QMA215.

2. Cash calls on Run-off Syndicates within DD files

In principal, Market Services will process cash calls as part of the DD file process. However in certain circumstances, run-off syndicates making cash calls via the DD files can cause a disproportionate amount of manual work in respect of processing Special Reserve Fund transactions. Consequently, spread syndicates are advised that where there has been a call submitted under transaction code RX04 (distribution amount) which exceeds the total declared result, the DD file will not be accepted. In such cases, the cash call must be submitted outside the DD process via a separate cash call statement with a due date of 16 June.

3. File Specifications – Members’ and Managing Agents

There are no changes being made to the DD, ND or Agents Expenses (AE) specifications for this year. Please advise Graham Bonner (graham.bonner@lloyds.com) if you or your software company require an up-to-date copy of the latest specification.

4. Vertical Deficit Clauses

Schedule 1 Part B of the general Managing Agents Agreement sets out a deficit clause in relation to the calculation of the agent's profit commission. This confirms that the Syndicate Profit for the current year should be reduced by the eligible losses (which are at syndicate level) and the Syndicate Adjusted profits are attributed to each member in accordance with that members’ allocation.

Please note that this has the effect that all members in the closing year of account can offset losses arising in previous years against profits of the same syndicate in following years, even if that member has not previously participated in the syndicate.

As a reminder, within the DD file, RX75 (Result for Profit Commission) should continue to be reported as THE TOTAL COMMISSIONABLE RESULT **BEFORE** THE APPLICATION OF ANY DEFICITS BROUGHT FORWARD.

For example, if a syndicate has a commissionable result (RX75) of £1000, deficit brought forward (RX71) of (£300) and a profit commission (PC) rate of 15% then the numbers should be input on the DD File as follows:-

RX75	£1,000
RX71	(£ 300)

PC (RB07)	£ 105 (15% of £700)

This will allow the correct treatment of the profit commission calculations on the CPA. Agents should ensure that their systems show the component parts of the PC calculation correctly when creating their DD file.

5. Members' Agents AE Files

As previously requested, when submitting any items using codes RX17 or RX19 (all other expenses PTF & non-PTF respectively), please provide a spreadsheet detailing the expenses to which these relate. This can be provided at the same time as the control sheet. Where agents are collecting profit commission in respect of members' open year releases, these amounts should be submitted as RX19. The accompanying spreadsheet should specify the relevant year of account that profit commission has been charged for. In addition, any members' agents fees being collected for naturally open years should be reported on the DD file as RX17 with the relevant year of account specified. For the closing year of account the total additional members' agents fee associated with that year of account should be reported on the AE file as RX10, with any adjustment for early payment being made using RX21. In the same way the total profit commission charge associated with the closing year of account must be reported under RX11 with any credits for early payment being processed under RX17. This will enable the correct figures to be extracted from the file for tax reporting.

Only the 2011 year of account members' agent fee adjustment and total 2011 year of account profit commission are to be included as RX10 and RX11 respectively. These codes should not include any items for the naturally open years.

6. Hard Copy Control Sheets

Market Services would prefer to receive control sheet information (control sheet, checklists, statement of managing agents' responsibilities, audit certificates for DD files, and control sheets only for ND and AE files) electronically via e-mail. Therefore, all control sheets should be signed and scanned and sent to the following mailbox:

Distribution@lloyds.com

N.B. The original documents are not required by Market Services, but should be retained within your offices.

7. Single Member Corporate Syndicates

Single member corporate syndicates are required to submit a DD file in respect of their results. However, it is recognised that agents of such syndicates may not have the software to create these files or an MQ-ADEG connection to allow them to be sent, therefore Market Services can offer the following services:

- a. Managing agents may provide data in a spreadsheet in accordance with Market Services specification which, on receipt, will be converted into the correct format for further processing. The cost per file processed will be £260 (plus VAT).
- b. Managing agents may create their own DD file in a text format in accordance with Market Services specification. This may be e-mailed to Graham Bonner for validation and transmission via MQ-ADEG. The cost of this service will be £52 plus VAT per syndicate file.

Agents wishing to take advantage of either service should contact Graham Bonner. The relevant templates & spreadsheets will be available in January.

8. Distribution Timetable

Market Services are again planning to run a two tier distribution for 2011 account. The two deadlines for submission of DD files will be 27 February 2014 for single member and other eligible “fast track” syndicates (usually those spread syndicates with wholly owned corporate members) and 10 March 2014 for all other syndicates. Market Services are currently working on the timetables for the results process and agents will be advised of the dates on which each syndicate will be required to submit their files in January.

Please direct any queries regarding the content of this bulletin or the Results Distribution process to Graham Bonner (+44 (0)1634 392056, e-mail graham.bonner@lloyds.com).

Karen Oliver
Senior Manager
Market Services