

# MARKET BULLETIN

REF: Y4960

<b>Title</b>	2013 Account Syndicate Results Collection
<b>Purpose</b>	To advise of the data requirements for submission of year-end results files to Market Services
<b>Type</b>	Scheduled
<b>From</b>	Karen Oliver, Senior Manager, Market Services Finance Contact details: +44 (0)1634 392120
<b>Date</b>	15 January 2016
<b>Deadline</b>	
<b>Related links</b>	N/A

This bulletin provides information regarding the collection of syndicate results in respect of the 2013 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.

From 1<sup>st</sup> January 2017 (2014 Distribution), it is planned that Results data will be collected directly via the QMA without the need for a separate DD file in its current format. In

preparation for this change, we would like all Agents to complete their DD files in respect of the 2013 year of account using a standard mapping from the QMA 102 to the DD files. Most syndicates already use this mapping so we are trying to establish consistency across all syndicates in order to aid the checking process.

For a 2013 syndicate, the transactions should map as follows:-

DD File	DD description	QMA Form	Column	Field No	
RA01	Underwriting Result	QMA102	E	39 – 36	Balance on general business technical account minus Net operating expenses
RA02	Profit/Loss on exchange	QMA102	E	31 + 50	Administrative expenses profit/(loss) on exchange plus OCI - Currency translation differences
RA03	Syndicate Operating Expenses	QMA102	E	29 + 32 + 34	Acquisition Costs (Other) plus Administrative Expenses (Business Arrangement Fees) plus Administrative Expenses (other)
RA04	Investment gains less losses	QMA102	E	41 + 42 + 43 + 44 + 51 + 53	Gains on the Realisation of Investments plus Unrealised Gains on Investments plus Losses on the Realisation of Investments plus Unrealised Losses on Investments plus OCI Investment Return plus OCI Other Recognised Gains and Losses
RA05	Investment Income	QMA102	E	40	Income from Investments
RA06	Investment Expenses	QMA102	E	46	Investment Management Charges
RA07	Brokerage & commissions	QMA102	E	27 + 28 + 30 + 35	Acquisition Costs (Brokerage & Commissions) plus Acquisition Costs (arising from a service company) plus Change in deferred Acquisition Costs plus Reinsurers' Commissions and profit participations

For 2012 and prior syndicates in run-off, please submit the same data using Column B (Movement in Year). Personal expenses are picked up separately and compared on a totals basis rather than at the individual expense level.

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

Normally, 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 2016.

## 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](mailto: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' agent 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' agent 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 2013 year of account members' agent fee adjustment and total 2013 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](mailto: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 £270 (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 £54 plus VAT per syndicate file.

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

#### **8. Distribution Timetable**

Market Services are again planning to run a two tier distribution for 2013 account. The two deadlines for submission of DD files will be 26 February 2016 for single member and other eligible “fast track” syndicates (usually those spread syndicates with wholly owned corporate members) and 9 March 2016 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 due course.

Please direct any queries regarding the content of this bulletin or the Results Distribution process to Graham Bonner (01634 392056, e-mail [graham.bonner@lloyds.com](mailto:graham.bonner@lloyds.com)).

Karen Oliver  
Senior Manager  
Market Services