

Signage convention for the Syndicate Accounts & Schedule 3

To facilitate the aggregation of the Syndicate Accounts and preparation of the Schedule 3 outputs by Lloyd's, signage of values reported in the Syndicate Accounts must follow a prescribed convention.

1. General principles

The general principle in the financial statements is that sub-totals and totals are the sums of the relevant items. There is no subtraction in the financial statements or notes. For example, in the following note all of the totals (both columns and rows) are sums of the relevant items:

	20x2			20x1		
	Gross provisions	Reinsurance assets	Net	Gross provisions	Reinsurance assets	Net
	£000	£000	£000	£000	£000	£000
Unearned premiums						
Balance at 1 January	100,600	(13,650)	86,950	145,100	(25,500)	119,600
Premiums written during the year	362,500	(87,000)	275,500	338,400	(90,000)	248,400
Premiums earned during the year	(337,500)	80,000	(257,500)	(383,400)	102,000	(281,400)
Effect of movements in exchange rate	(50)	-	(50)	500	(150)	350
Other	-	-	-	-	-	-
Balance at 31 December	125,550	(20,650)	104,900	100,600	(13,650)	86,950

2. Primary statements

The convention to be applied is as follows:

Statement	Positive items	Negative items
Statement of profit and loss and other comprehensive income	Income and gains (accounting credits)	Expenses and charges (accounting debits)
Balance sheet – Assets	Assets (accounting debits)	None
Balance sheet – Liabilities	Equity Liabilities (accounting credits)	None
Statement of changes in members balances	Balances or increases in balances due to the members (accounting credits)	Balances or increases in balances due from members (accounting debits)
Statement of cash flows	Cash inflows	Cash outflows

These are the default conventions. Where an item would normally be a positive item and a negative item has been entered instead, this would mean that the item is the opposite to the default. For example, if Gross Written Premium was entered as a negative number this would imply it is negative premium i.e. an accounting debit.

3. Notes to the financial statements:

The notes to the financial statement use a positive item to represent the purpose of the table being presented. For example the purpose of the Gross and Net technical provisions table is to present a liability therefore in these tables liabilities are represented as positives (and therefore assets are negative). The convention can be summarised as follows:

Purpose of the note	Positives	Negatives
To analyse income or profit	Income (accounting credits)	Expenses (accounting debits)
To analyse expenses	Expenses (accounting debits)	Income (accounting credits)
To analyse an asset or movement in an asset	Assets (accounting debits)	Liabilities (accounting credits)
To analyse a liability or movement in a liability	Liabilities (accounting credits)	Assets (accounting debits)
To present staff numbers	Staff numbers	N/A
To present discount rates and term	Discount rates Number of years	N/A
To present FX rates	FX rates	N/A

When presenting a balance sheet movement analysis, it is important to remember that the note is the movement from the perspective of the balance sheet. Therefore, the movement items will be the balance sheet side of the movement items so for example:

	20x2			20x1		
	Gross provisions £000	Reinsurance assets £000	Net £000	Gross provisions £000	Reinsurance assets £000	Net £000
Unearned premiums						
Balance at 1 January	100,600	(13,650)	86,950	145,100	(25,500)	119,600
Premiums written during the year	362,500	(87,000)	275,500	338,400	(90,000)	248,400
Premiums earned during the year	(337,500)	80,000	(257,500)	(383,400)	102,000	(281,400)
Effect of movements in exchange rate	(50)	-	(50)	500	(150)	350
Other	-	-	-	-	-	-
Balance at 31 December	125,550	(20,650)	104,900	100,600	(13,650)	86,950

The main purpose of this note is the analysis of a liability on the balance sheet therefore it has the following convention:

Purpose of the note	Positives	Negatives
To analyse a liability or movement in a liability	Liabilities (accounting credits)	Assets (accounting debits)

In the first column the movements in gross UPR are presented as the balance sheet effect of that movement. Writing premium increases the liability for gross UPR (hence it creates a liability - is an accounting credit on the balance sheet - and is therefore shown as positive), whilst earning premium decreases the liability for gross UPR (hence it reduces the liability – is an accounting debit on the balance sheet – and is therefore shown as a negative).

Appendix 1 provides a summary of the purpose and convention for all notes within the Illustrative Syndicate Accounts and Schedule 3 template.

Appendix 1

The following table lists out the convention applied to each note disclosure:

Note	Purpose	Positive items	Negative items
Insurance sensitivity	Analysis of profit	Income and liabilities (accounting credits)	Expenses and assets (accounting debits)
Credit risk - Assets by credit rating	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Credit risk - Summary of past due and impaired assets	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Credit risk - Reconciliation of impairment allowance	Analysis of a movement in a liability	Liabilities (accounting credits)	Assets (accounting debits)
Credit risk - Age analysis of past due but not impaired assets	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Liquidity risk - Maturity of liabilities	Analysis of a liability	Liabilities (accounting credits)	Assets (accounting debits)
Market risk – Assets and liabilities by currency	Analysis of an asset	Assets (accounting debits)	Liabilities Equity (accounting credits)
Market risk – Sensitivity to market risk	Analysis of profit	Income and liabilities (accounting credits)	Expenses and assets (accounting debits)
Analysis of underwriting result	Analysis of profit	Income (accounting credits)	Expenses (accounting debits)
Gross premiums written by location	Analysis of income	Income (accounting credits)	Expenses (accounting debits)
Net operating expenses (all tables)	Analysis of expenses	Expenses (accounting debits)	Income (accounting credits)
Key management personnel compensation	Analysis of expenses	Expenses (accounting debits)	Income (accounting credits)
Staff costs notes	Analysis of expenses	Expenses (accounting debits)	Income (accounting credits)
Staff numbers notes	Present number of staff	Number of staff	N/A
Investment return	Analysis of income	Income (accounting credits)	Expenses (accounting debits)
Distribution on open years of account	Analysis of profit	Income (accounting credits)	Expenses (accounting debits)

Note	Purpose	Positive items	Negative items
Financial investments (all tables)	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Debtors arising out of direct insurance operations	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Debtors arising out of reinsurance operations	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Other debtors	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Deferred acquisition costs	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Tangible fixed assets	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Other assets	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Claims development tables	Analysis of a liability	Liabilities (accounting credits)	Assets (accounting debits)
Technical provisions (all tables)	Analysis of a liability	Liabilities (accounting credits)	Assets (accounting debits)
Provisions for other risks	Analysis of a liability	Liabilities (accounting credits)	Assets (accounting debits)
Discounted claims – Average rate and terms	Present discount rate and term	Discount rate Term in years	N/A
Discounted claims - amounts	Analysis of a liability	Liabilities (accounting credits)	Assets (accounting debits)
Creditors arising out of direct operations	Analysis of a liability	Liabilities (accounting credits)	Assets (accounting debits)
Creditors arising out of reinsurance operations	Analysis of a liability	Liabilities (accounting credits)	Assets (accounting debits)
Other creditors	Analysis of a liability	Liabilities (accounting credits)	Assets (accounting debits)
Cash and cash equivalents	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Analysis of net debt	Analysis of an asset	Assets (accounting debits)	Liabilities (accounting credits)
Foreign exchange rates	Present FX rates	FX rates	N/A