

MARKET BULLETIN

REF: Y4582

Title	Completion of United States Syndicate Information Statements
Purpose	To provide Managing Agents with some important information in relation to the preparation of the 2011 US Syndicate Information Statements
Type	Scheduled
From	Christine Allcott, Manager, Tax Operations, Finance Risk Management & Operations Contact details: 01634 392433 email: christine.allcott@lloyds.com
Date	03 April 2012
Deadline	Agents to submit completed SIS via Core Market Returns website by the 07 May 2012 and provide contact details to Tax Operations by 13 April 2012 (the deadline is 21 May 2012 for life syndicates)

Related links

The purpose of this bulletin is to provide Managing Agents with some important information in relation to the US Syndicate Information Statements (SISs) which are used as a basis for preparing the Lloyd's Aggregate US Tax Return (Lloyd's Return). A simplified set of instructions together with the detailed instructions for the completion of the SIS have not been included in this bulletin, but will be provided with the SIS on the Core Market Returns website. This will enable us to update the instructions if necessary. No significant changes have been made to either the SIS software or the instructions this year.

Background

Lloyd's members' tax arrangements are set out in the US Closing Agreements. The current US federal income tax closing agreement took effect from 1 January 2005 and is referred to as the 2005 US Closing Agreement. Under the terms of this agreement, the business on which a member is subject to US federal income tax is dependent upon the member's entitlement to the benefits of a Double Taxation Treaty with the United States. It is for this reason that the SIS breaks down US situs business into four categories: 'Illinois', 'Kentucky', 'Other US Binding Authority' and 'Other US Situs' (the US categories).

Further background information regarding treaty eligibility can be obtained in market bulletin Y3583 dated 4 July 2005. Should you require a copy of the Bulletin please contact Tax Operations (See section 4).

1 Preparing the SIS

Details for accessing the software and logging on are given in Appendix 1 attached.

In general, the SIS requires the Managing Agent to allocate the items reported on the SIS for each syndicate year of account to the various US categories of business as appropriate. The allocation of these items will be used to determine the portion of the underwriting result of a syndicate year of account that is subject to US taxation based on each member's treaty status.

It is important to note that the decision as to which items reported on the SIS are allocable to the US categories may not always be objective. There is an element of judgment required when preparing the SIS to ensure that the result reported accurately reflects the nature and situs of the business underwritten by the syndicate. It is not possible, therefore, for Lloyd's to provide precise allocation instructions that are applicable in all cases. For instance, there are a number of methods which could be adopted initially when allocating reserves between the different categories and in choosing a method the Managing Agent must be satisfied that the result reached is reasonable and reflects the nature of the business of the syndicate. However, it should also be noted that whichever reserve allocation method is selected, such method must be used consistently from year to year. If a change in allocation method is desired, you must contact Helen Harrison (see section 4) before doing so.

2 Which syndicates are required to submit an SIS for 2011?

Under the terms of the 2005 Closing Agreement, all Lloyd's syndicates with an open year of account in 2011 are required to submit an SIS, including syndicates that did not write any US business in the year. **Consequently, compliance with the deadlines set out in this bulletin is mandatory for all syndicates.**

All syndicate years of account that were open during 2011, including run-off syndicates and those that did not write US business (e.g., motor, life, quota share syndicates, etc.), will receive a pre-populated SIS. The data in the pre-populated fields should be reviewed to ensure accuracy.

There is minimal input required from syndicates that did not write any US business in 2011 and did not receive an RITC premium from a syndicate that had previously written US business. Please see section 1.3 of the SIS instructions. However, if any pre-populated data appears in any column other than the 'Worldwide' or 'Other' column, this would indicate that either the syndicate did write some business that is classified as US business under the 2005 Closing Agreement or the syndicate has reinsured another syndicate that wrote US business in the past. In such cases Agents will need to complete the SIS in accordance with the general instructions on the Core Market Returns website. Please contact Helen Harrison, (see Section 4) if you wish to discuss this further.

3 Syndicate which closed into a 2012 year of account.

If the syndicate closed at the end of 2011 but into the 2012 year of account, please contact Tax Operations (see Section 4) for further instructions.

4 SIS Queries

Managing Agents are advised to pay close attention to the instructions provided on the Core Market Returns website before completing the SIS. If you have any questions on the preparation of the SIS, please contact one of the individuals listed below. We will endeavor to ensure a contact is always available but we cannot guarantee an immediate resolution, therefore, queries should be raised as early as possible in the process.

Software, Pre-populated data, and Closure into 2012 queries should be directed to Tax Operations:-

Ian Chidgey

tel: 01634 392393 or

e-mail: Lloyds-tax-operation@lloyds.com

Technical tax queries should be directed to Lloyd's Taxation Department:-

Helen Harrison

tel: 0207 327 6859

5 Accuracy of the SIS

It is important that the SIS returned to Lloyd's is accurate and produces a result that is reasonable based on the business of the syndicate (see 1 above). The Managing Agent is responsible for the SIS and, therefore, the Finance Director or equivalent is required to sign and confirm the accuracy and reasonability of the return. In performing this review, it is important that the taxable profit or loss shown in each of the 'Illinois', 'Kentucky', 'Other US Binding Authority', 'Other US Situs' and 'Other' columns of the SIS (Schedule 90 of the software) is reasonable, based on the business performance of the relevant parts of the syndicate's business. If you believe that the result is unreasonable in the context of the syndicate's performance in the relevant period Agents should discuss this with Helen Harrison as soon as possible. Additionally Linda Sciuto at Sutherland Asbill and Brennan LLP is happy to review a pdf version of the SIS prior to sign off by the Finance Director if that will assist in minimising the number of formal submissions necessary. If you require Linda to review your submission please telephone Linda in the first instance on 001 212 389 5031 or email linda.sciuto@sutherland.com. Should you require assistance please ensure that this is requested at least 5 working days ahead of the deadline for submission.

6 Availability of the SIS

The SIS will be available in the live environment in accordance with the timetable set out below.

7 Xchanging data

The software has been pre-populated utilising data from Xchanging. Xchanging are able to provide Managing Agents with a breakdown of the high level figures to assist with the reconciliation of the data. Requests for the breakdown should be made by completing the 'Request for the US SIS transactional reporting service' form attached to the SIS instructions on the Core Market Returns website and sending it by email to business.intelligence@xchanging.com or by fax on 01634 887514.

In addition, Xchanging can provide a report of Outstanding Claims data. Outstanding Claims may be used to allocate RITC ceded and closing reserves across 'Illinois', 'Kentucky', 'Other US Binding Authority', 'Other US Situs' and 'Other' business. Please note, however, that the Outstanding Claims methodology is not mandatory and in some cases it may not be appropriate (see 1 and 5 above), especially in cases in which some other allocation methodology has already been used in the past. Managing Agents can request the Outstanding Claims data from Xchanging using the 'Request for the US SIS transactional reporting service' form, as detailed above.

Information regarding the reporting services offered by Xchanging can be found within the 'SIS return instructions' on the Core Market Returns website.

The service standard for the provision of data by XIS is 15 working days.

8 Late filing of SISs

The US tax timetable is very time-constrained and because most of the work on the Lloyd's Return depends upon the SISs being completed and all queries resolved, SISs submitted late cause immense time pressure which can lead to additional costs. Where SISs are submitted late or Managing Agents make late changes any additional costs incurred by Lloyd's will be passed on to Managing Agents under the user pays basis. Please note that this return is now governed by Lloyd's consolidated fining policy as set out in market bulletin Y4527 dated 25 October 2011.

9 Point of contact for queries on the SIS

As in previous years the SIS software requires that a contact be listed who can address any questions raised by D&L during their SIS review. It is important to note that the questions raised may require answers from those who are closely involved with the underwriting business of the syndicate which is likely to be members of senior management. For this reason, we ask that two contacts are given. The first contact should be the preparer of the SIS and the second a senior person within the Managing Agent who can answer questions relating to the nature and performance of the business of the syndicate. Whilst the software has provision for contacts, these may not be used consistently across the market. Therefore, please complete Appendix 2 electronically and submit as soon as possible and by no later than 13 April 2012 by e-mail to Lloyds-Tax-Operations@lloyds.com. Should this information change during 2012, please advise Tax Operations accordingly.

Finally, you should note that in order to facilitate a more cost-efficient and expeditious review process, D&L have been instructed to direct SIS queries requiring input from either of these contacts directly to such person or persons. If you would like to discuss any of the queries raised by D&L with Lloyd's, please contact one of the individuals named in Section 4. We would be grateful for your co-operation with this process and request you provide the information directly to D&L, as requested.

Key Dates	Action
03 April 2012	SIS software available on Core Market Returns website
13 April 2012	Provide contact details for SIS to Market Services – Tax Operations
07 May 2012	Deadline for submission of the SIS

Christine Allcott
 Manager, Tax Operations

APPENDIX 1**Accessing the software**

The system is part of the web based Lloyd's Core Market Returns and access is via the Market Returns website (if you do not have access to this site please contact the MS Market Returns helpdesk on 020 7327 5021).

Once logged into the Market Returns using the tabs at the top of the page navigate to the Business Reporting Tasks page and select the US Syndicate Information Statement task. The Core Market returns 'Secure Login' page will be displayed.

Logging On

A username and password is required to logon to the system. These are set up when the user's profile is created by the administrator and can be changed by the user at any time.

Once logged on, the 'Core Syndicate Return Selection' screen will be displayed, at this point more detailed help is available by selecting the 'Help' tab at the top of the screen, then select 'User Manual' from the options available on the left hand panel.

To launch the SIS return, select SIS from the list of available returns.

The specification for the forms can be found in the help pages and may assist with understanding the logic operating within the tables.

CONTACT DETAILS

APPENDIX 2

Agent Name Agent Number Syndicate Number

Preparers Name

Preparers Address

E-mail address

Telephone Number

Second contact Name

Second contact address
(if different from above)

E-mail address

Telephone Number

Please email to

Lloyds-tax-operation@lloyds.com