

FROM: Manager, Tax Operations, Members' Services Unit EXTN: 2433

DATE: 29 March 2005 REF: Y3532

SUBJECT: **RETURNS REQUIRED FOR 2004 US INCOME TAX YEAR**

SUBJECT AREA(S): Reporting Information forming the basis of the United States Federal Income Tax Return.

ATTACHMENTS:

ACTION POINTS: **Complete Syndicate Information Statements and Expense Analysis Form**

DEADLINE(S): **06 May 2005**

1 Background

- 1.1 In order that Lloyd's may prepare and file the Lloyd's Consolidated US tax return, Lloyd's Syndicates must provide a Syndicate Information Statement (SIS) Return to Lloyd's. The SIS Return consists of the SIS form, the Expense Analysis form and the Reasonability Report.

The SIS Return is used to determine the US tax liability of the members who participate on the syndicate, and the US tax funding requirement from the syndicate. Ultimately, this information will form the basis of the tax return filed with the IRS. Consequently compliance with the deadlines and instructions within this document is mandatory.

In order to ensure the quality of each SIS Return, this year we are requiring the Finance Director of the relevant managing agent to sign off on the accuracy of the Returns provided for that agency (See Market Bulletin Y3508 for further information).

2 Syndicate Information Statements

- 2.1 Managing Agents must submit an SIS Return for each syndicate year of account open during 2004 including run-off syndicates except:-
- I. A single member corporate syndicate that did not write US business may submit a nil SIS Return both for years of account that were open during the tax year and for those in run-off
 - II. All other syndicates which did not write US business are not required to complete an SIS Return until the syndicate year of account has reached the end of its third year as at December 31 2004. But an SIS Return must be submitted for each underwriting year of account if the syndicate year is in run-off.

If the syndicate did not write US taxable business but received an RITC from a syndicate that did write US taxable business then an SIS is required in respect of the assuming year of account.

- 2.2 The software for the submission of the SIS Return will be available on 8 April 2005, on the Lloyd's Market Returns Website. (The SIS Return format has not changed from that used last year, but some tests have been updated.) All SIS Returns should be made using the software provided. Please note that if MSU need to key the data to the system, because it has not been provided via the Lloyd's Market Returns Website, a charge of £80 per hour plus VAT will be made (both for inputting data and resolving any queries thereon).
- 2.3 The instructions for completing the SIS Return are attached as Appendix 1, please read these carefully, **as these have changed from prior years.**
- 2.4 The format of the CSV files for importing data into the SIS Return is included in Appendix 2. Instructions for logging onto the SIS database and changing user ID's have been included in Appendix 3.
- 2.5 The SIS Returns must be submitted to MSU, via the Lloyd's Market Returns Website, by 6 May 2005.
- 2.6 Please ensure that the correct e-mail address for correspondence regarding the SIS Return has been entered on the Lloyd's Market Returns Website as this will be utilised to raise any queries that we may have regarding the data in the SIS Return.
- 2.7 This bulletin has been sent to all Managing Agents and other preparers of SIS Returns.
- 2.8 Any queries relating to the electronic form software should be addressed in the first instance to Ian Chidgey on extension 2393, business and general queries should be directed to me on extension 2433 or to Ian Chidgey. Alternatively you may e-mail your query to Lloyds-Tax-Ops@lloyds.com.
- 2.9 This market bulletin has been sent to all managing agents and other preparers of SISs.

Christine Allcott
Manager, Tax Operations
Members' Services Unit

SIS Instructions

1. Moving around the forms

- 1.1 Firstly, log in utilising the User ID and password that has been provided to you in Appendix 3.
- 1.2 On the initial screen you may also delete years of account if they are being returned by another Agency.
- 1.3 On entering the software a list of your Syndicates/Tax Years will be displayed. Alongside each is a **select action** box. Clicking on the downward arrow will produce the following options:
 - 1.4 **Delete:** This option will delete the Syndicate/Tax Year from the database.
 - 1.5 **Export to MSU file:** When all SIS Returns are complete and Signed-Off this option is used to prepare a data file to be returned to MSU Tax Operations via the Lloyd's Market Returns Website.
 - 1.6 **Import Expense data from a CSV file:** This option enables the import of data directly into the Expense Analysis form section of the database for the selected Syndicate / Tax Year, see Appendix 2 for file details.
 - 1.7 **Import SIS data from CSV file:** This option will import data directly into the SIS form section of the database for the selected Syndicate / Tax Year, see Appendix 2 for file details.
 - 1.8 **Print:** This option will print all years of account for the selected Syndicate Tax Year. A sub menu will offer the option of printing all the forms (SIS form, Expense Analysis form and Reasonability Report) or any combination of the three.
 - 1.9 **Remove Sign-Off:** Selecting this option will allow you to amend the data after the forms have been signed-off.
 - 1.10 **Update:** This option allows you to complete and/or amend the data in the forms. A sub menu will appear listing the years of account to be completed, together with tabs for the three forms to be completed. (SIS, Expense Analysis and Reasonability). You may move between forms at any time.
 - 1.11 **Validate:** Selecting this option will perform checks against your completed SIS and Expense Analysis forms. A report will be produced, on screen, summarising any errors found, together with any reasonability check failures and answers selected. To pass validation all reasonability checks must be answered.
 - 1.12 **View:** This option is similar to the Update function; however, data can be viewed only and not updated.

- 1.13 **Sign-Off:** This option is available to the Sign Off user only. It should be used when the data is complete and has passed validation. Only signed-off forms can be returned to MSU Tax Operations via the Export function.
- 1.14 The **EXIT** button will take you back to the sign-on screen. To exit the software completely select **Cancel/Logout**.

2. **General**

The accuracy of the SIS Return is important. Please ensure that you read these instructions carefully. The accurate completion of the SIS Return should reduce the number of queries raised with you over the course of the year. Throughout this document the SIS forms are referred to as 12, 24 or 36-month SISs. For example, at 31.12.2004, the 12-month SIS will relate to the 2004 underwriting account, the 24-month SIS to the 2003 underwriting account and the 36-month SIS to the 2002 underwriting account.

- 2.1 The SIS forms have been pre-populated with brought forward figures from the 2003 SIS Return, reflecting any changes made by the MSU, following discussions with you, after submission.

The data provided in the taxable column will be used to complete the 2004 US First Level Tax return on behalf of members. The worldwide data will be utilised to produce tax reports for US members. It is important that the figures in the worldwide column agree to your accounts.

- 2.2 A separate SIS form is required for each underwriting year of account open during the tax year for which the SIS Return is being completed. Syndicates that did not write US business in any open year need not complete a SIS Return until the account reaches the 36- month point, however, a SIS Return is required for each subsequent year should the syndicate go into run-off. A single member corporate syndicate that did not write US taxable business in any of the open years need not submit a SIS Return but must advise MSU of the position.
- 2.3 For 12, 24 and 36-month SISs, the figures entered should show a cumulative result to the end of the tax year being reported e.g., as at 31.12.2004, the 2003 underwriting account must show the position at the end of 24 months. The software will automatically deduct the previous tax year's figures to give the calendar year movement. For syndicates in run-off the calendar year movement must be entered with the exception of line 4 where the opening reserve must be entered and line 9 where the closing reserves must be entered, or alternatively line 7 where the Reinsurance to Close (as appropriate) should be entered.
- 2.4 The Lloyd's year-end rate of exchange, at the end of the tax year being returned, must be used to complete the SIS form. The expenses reported on the Expense Analysis form are converted at an average rate for the year but this is automatically applied by the software. Where comparisons are completed with the solvency data the solvency data is converted to dollars at the year end rate.
- 2.5 Reasonability tests are carried out as the SIS and Expense Analysis forms are completed. These can be viewed for the relevant year of account by clicking on tab. "3 – Reasonability". Reasons for failure of a particular set of criteria can be selected

from the drop down box on the right side of the screen. If you select "written reason" you will not be able to submit the SIS Return until you have completed the box provided.

2.6 Completing the SIS Return

Each section of the SIS Return may be completed by keying data directly into the relevant form. Alternatively, a facility has been provided to allow you to import the data from a CSV file. The file layout is attached as Appendix 2. Details of the expense codes to be used have also been included in Appendix 2.

3. **Definitions**

3.1 *Gross Premiums*

Premiums net of commission and brokerage and including additional premiums with return premiums being deducted in full.

3.2 *Net Premiums*

Gross premiums as defined above but after deducting facultative reinsurance premiums.

3.3 *Gross Claims*

Claims less salvage including settlement costs etc.

3.4 *Net Claims*

Net claims as defined above but after deducting facultative reinsurance.

4. **Schedule A – SIS Form**

- 4.1 Figures entered in the taxable column must represent the US taxable profit or loss. This is business with US taxable FIL codes 1, 4, 5 and 9. The figures entered in the worldwide column should reconcile to your accounts. The SIS Return will use the solvency return to validate these figures. Where the figures do not agree a valid reason must be provided.

The figures in the non-taxable column will generate automatically.

5. **Line 1 Premiums Written**

- 5.1 These are gross premiums as defined above before deducting facultative reinsurance. They should not include reinsurance premiums received; these must be

shown separately at line 2.

- 5.2 The taxes on premiums that are advised to you by Accounting Operations should not be added back to the premium income in the worldwide column. These are reported centrally.
- 5.4 For 2001 and prior years of account where the syndicate is in run-off, the calendar year movement only should be reported converted at Lloyd's year-end exchange rate.

6. Line 2 Reinsurance Premiums Written

- 6.1 These are reinsurance premiums received other than RITC. The reinsurance premiums entered in the taxable column should be those with FIL codes 1, 4, 5 and 9. (The two digit US taxable codes are 1J 1S 5J 5S 5K 5T 4J 4S 9J and 9S.)

6.2 Reasonability Tests Carried Out on the Sum of Lines 1 & 2.

- 1) An explanation is required for zero values in the taxable and worldwide columns.
- 2) An explanation is required for negative values in the taxable and worldwide columns.
- 3) An explanation is required where the taxable figure is greater than the worldwide figure.
- 4) An explanation is required for the 24 or 36-month SIS where the taxable figure is less than that reported for the same underwriting year of account, on the previous tax year's SIS.
- 5) For the worldwide column only. For syndicates not in run-off, the sum of lines 1 and 2 should equal solvency form SR2 line 1 column 3.
- 6) For syndicates in run-off the sum of lines 1 and 2 should equal form SR2 line 1 column 2.

7. Line 3 Reinsurance Ceded

- 7.1 The taxable proportion should be computed as follows:

7.2 Facultative reinsurance premiums

The coding of the original insurance should be followed such that the taxable figure should include premiums coded 1, 4, 5 and 9, US or USB.

7.3 Premiums on reinsurance protecting all US business ("0" coded items)

The safe harbour methods negotiated with the IRS are the gross and net premium method [the IRS preference is for net].

Please note that this does not necessarily mean that other methods are prohibited, but syndicates using such methods are more likely to be required to prove the reasonableness of the method used.

7.4 Pure Year of Account at 12, 24 and 36 months

Gross Premium Method

Allocate "0" coded reinsurance premiums ceded based on the percentage of gross US dollar taxable premiums to total gross US dollar premiums [see definition above].

Net Premiums Method

Allocate "0" coded reinsurance premiums ceded based on the percentage of net US dollar taxable premiums to total net US dollar premiums [see definition above].

Prior Year of Account

When allocating "0" coded syndicate reinsurance premiums ceded with respect to risks originally written in years of account prior to the pure year of account, but now reinsured into the pure year of account, use one of the following methods:-

- i. Allocate "0" coded reinsurance premiums ceded for all prior years of account using either of the methods described above, except that in computing the taxable percentage use the premiums reported for the pure year of account plus those for all prior years of account reported in the third year of the pure year of account.
- ii. Allocate "0" coded reinsurance premiums ceded for all prior years of account using either of the methods described above, except use the allocation percentages for the immediately preceding prior year of account as determined at the end of its third year. E.g. for the 1999 year of account reinsurance and earlier use the allocation percentages for the 1998 year of account at the end of the third year at 31.12.2000.
- iii. Allocate "0" coded reinsurance premiums ceded for each of the prior years of account, using either of the methods described above, except use the allocation percentages originally determined for the year of account to which the reinsurance premium ceded pertains, at the end of its third year. For instance, if the "0" coded premium in 2000 pertains to the 1995 year of account, then allocate it based on the percentage used to allocate the pure 1995 year of account at the end of 1997.

7.5 Run off year of account

When allocating "0" coded syndicate reinsurance premiums ceded for years of account in run-off, including reinsurance assumed by the run-off account, use the methods and allocation percentages, described in 7.4 above which were originally calculated for the run-off year of account in question, at the end of its third year.

7.6 Premiums on stop loss and excess of loss reinsurance covering total worldwide business should be split as in 7.4 above but using the percentage of US taxable

premiums to whole account premiums. Where this premium is not written in US dollars it should be converted at the Lloyd's year-end rate of exchange.

7.7 Reasonability tests carried out on Line 3.

- 1) An explanation is required for zero values in either the taxable or worldwide column.
- 2) An explanation is required for negative values in the taxable and worldwide columns.
- 3) An explanation is required where the taxable figure is greater than the worldwide figure.
- 4) An explanation is required for the 24 or 36-month SIS where the taxable figure is less than that reported for the same underwriting year of account, in the previous tax year's SIS.
- 5) For the Worldwide Column only. For syndicates not in run-off line 3 should equal solvency form SR2 line 2, Column 3.
- 6) For syndicates in run-off line 3 should equal solvency form SR2 line 2, Column 2.

8.0 Line 4 - Closing Reinsurance Assumed/Unadjusted Opening Reserve

The reinsurance premium received by a year of account from an earlier closed year of account **must** be included. The taxable column should show the relative proportion of the closing reinsurance premium that relates to US taxable business. The basis will reflect the method applied to the reinsurance to close. See instructions for line 7.

8.1

If a reinsurance to close premium has been received from another Lloyd's syndicate, the premium must be shown on line 4 in the same proportions as the closing reinsurance reported on the SIS of the ceding syndicate. It is **not** acceptable to report a reinsurance to close received from another syndicate as part of the reinsurance assumed at line 2.

8.2

Where syndicates are in run-off, enter the prior tax year's unadjusted closing reserve for the corresponding underwriting year of account that is line 9 on the previous tax year's SIS, converted at current year's Lloyd's year-end rate of exchange. Additionally, any reinsurance to close premiums received must be included on line 4 in the same proportion as reported on the SIS of the ceding syndicate.

8.3 Reasonability Tests Line 4.

- 1) The first test is based on the assumption that the reinsurance for the closing syndicate will be assumed by the same syndicate's earliest open year. The SIS Return does not currently check the data entered in part D.

- 2) The figure entered should agree to the taxable reinsurance ceded by the prior underwriting year of account at 36 months [prior underwriting year's SIS line 6]. If these figures do not reconcile an explanation will be required, except where the difference is simply due to fluctuations in exchange rates.
- 3) An explanation is required for any values on the 12-month SIS other than zero.
- 4) An explanation is required for any zero values on 24 and 36-month SIS's.
- 5) An explanation is required for negative values in the taxable and worldwide columns.
- 6) An explanation is required where the taxable figure is greater than the worldwide figure.
- 7) An explanation is required for syndicates in run-off where the US taxable, unadjusted opening reserve does not equal the unadjusted closing reserve Line 9, for the same underwriting year of account, on the prior tax year's SIS.
- 8) An explanation is required for 12, 24 and 36-month SISs where the worldwide figures do not agree to solvency form SR2 line 7c column 3.
- 9) An explanation is required for run-off syndicates where the worldwide figures do not agree to solvency form SR2 Line 8c column 2 plus SR2 line 7c column 2.

9.0 **Line 5 – Losses Paid**

Gross claims should be entered on this line. Any claims handling expenses **must** be included within the Expense Analysis form.

9.1 **Reasonability Test Line 5**

- 1) An explanation is required for zero values in either the taxable or worldwide column.
- 2) An explanation is required for negative values in the taxable and worldwide columns.
- 3) An explanation is required where the taxable figure is greater than the worldwide figure.
- 4) An explanation is required for the 24 or 36-month SIS where the taxable figure is less than that reported for the same underwriting year of account, in the previous tax year's SIS
- 5) The worldwide losses paid plus claims handling expenses as reported on the Expense Analysis form should agree to the solvency form SR2 Line 10 column 3.
- 6) For syndicates in run-off, the worldwide figures should agree to SR2 Line 10

10. **Line 6 Reinsurance Recoveries**

10.1 The taxable proportion to be shown in the taxable column should be computed as follows:-

10.2

Facultative Reinsurance Recoveries

The coding of the original insurance should be followed as for syndicate reinsurance premiums [see instructions for Line3].

10.3

Recoveries on Reinsurance Protecting all US Business ("0" coded items)

The safe harbour methods negotiated with the IRS are the gross and net claims methods [the IRS preference is for net].

Please also note that this does not necessarily mean that other methods are prohibited, but any syndicates using such methods are more likely to be required to prove the reasonableness of the method used.

10.4 **Pure Years of Account at 12, 24 and 36 months.**

Gross Claims Method

Allocated "0" coded reinsurance recoveries based on the percentage of gross US dollar taxable claims to total gross US dollar claims [see definition above].

Net claims method

Allocate "0" coded reinsurance recoveries based on the percentage of net US dollar taxable claims to total net US dollar claims [see definition above].

Prior Years of Account

When allocating "0" coded reinsurance recoveries with respect of risks originally written in years of account prior to the pure year of account, but now reinsured into the pure year of account, use one of the following methods:

- i Allocate "0" coded reinsurance recoveries ceded for all prior years of account, using either of the methods described in 10.4 above, except that in computing the taxable percentage use the claims reported for the pure year of account plus those for all prior years of account reported in the third year of the pure year of account.
- ii Allocate "0" coded reinsurance recoveries for all prior years of account, using either of the methods described in 10.4 above, except use the allocation percentages for the immediately preceding year of account as determined at the end of its third year.
- iii Allocate "0" coded reinsurance recoveries for each of the prior years of

account, using either of the methods described in 10.4 above, except use the allocation percentages originally determined for the year of account to which the reinsurance recovery pertains, at the end of its third year. For instance, if the "0" coded recovery is 2000 pertains to the 1995 year of account, the allocate it based on the percentage used to allocate the pure 1995 year of account at the end of 1997.

10.5 Run-off Years of Account

When allocating "0" coded reinsurance recoveries for years of account in run-off, including prior years of account reinsured into such run-off years, use the methods and allocation percentage, described in 10.4 above, which were originally determined for the run-off year of account in question, at the end of its third year.

- 10.6 Recoveries on stop loss and excess of loss reinsurance covering total worldwide business should be split on the same basis as "0" coded items, but using the percentage of US taxable claims to whole account claims. Where these claims are not in US dollars they should be converted at Lloyd's year-end rate of exchange.

10.7 Reasonability Tests on Line 6

- 1) An explanation is required for zero values in either the taxable or worldwide column.
- 2) An explanation is required for negative values in the taxable and worldwide columns.
- 3) An explanation is required where the taxable figure is greater than the worldwide figure.
- 4) An explanation is required for the 24 or 36-month SIS where the cumulative taxable figure is less than that reported for the same underwriting year of account, in the previous tax year's SIS .
- 5) An explanation is required where the worldwide figure does not equal solvency return for SR2 Line 11 column 3 for 12 24 and 36-month SISs.
- 6) An explanation is required where the worldwide figure does not equal solvency return for SR2 line 11 column 2 for syndicates in run-off

11.0 Line 7 – Closing Reinsurance Ceded

This entry should only be completed for those accounts closing at the end of the tax year being reported. There are two methods of calculating the amount of closing reinsurance that relates to taxable business which are allowed by the IRS.

11.1 Coding of Outstanding Claims

The known outstanding claims with a US taxable code plus appropriate loading

should form the basis of the taxable reinsurance to close.

11.2 Stratified Premium Income

The US closing reinsurance is calculated with no reference to tax coding and the figure is divided between taxable and non-taxable according to the gross premium income (see definition) of year of account.

- 11.3 Whichever method is selected, it should be used consistently from year to year. Permission of the IRS is required to change the basis. Should you wish to change the method of calculating the US taxable RITC, please contact the Tax Operations Department.

11.4 Reasonability Tests Carried Out on Line 7

- 1) The figure entered should agree to the reinsurance assumed on the 24-month SIS of the same syndicate. If these figures do not reconcile, an explanation is required, except where the difference is simply due to fluctuations in exchange rates.
- 2) For syndicates closing, an explanation is required for zero values in either the taxable or worldwide column.
- 3) Where a syndicate is in run-off, an explanation is required for non-zero values.
- 4) For syndicates that are closing, an explanation is required for negative values in the taxable and worldwide columns.
- 5) For syndicates that are closing, an explanation is required where the taxable figure is greater than the worldwide figure.
- 6) For syndicates that are closing, an explanation is required if closing reinsurance ceded does not equal solvency form SR2 Line 19 column 3.

12. Line 8 - Underwriting Income or Loss

This field must be calculated by you as follows: $Lines\ 8 = (1+2+4+6)-(3+5+7)$

13. Line 9 - Unadjusted Closing Reserve

This field should be completed for all years of account not closing at the end of the US tax year being reported including those in run-off.

The figure to be entered should be the estimated future liabilities for solvency purposes.

In calculating the US taxable proportion of the unadjusted closing reserve you should use the same method as for determining the equivalent proportion of the closing

reinsurance ceded.

13.1 **Reasonability Test Line 9**

- 1) An explanation is required for zero values in either the taxable or worldwide column.
- 2) An explanation is required for negative values in the taxable and worldwide columns.
- 3) An explanation is required where the taxable figure is greater than the worldwide figure.
- 4) For syndicates that are not closing (12 and 24-month SISs), the worldwide unadjusted closing reserve must equal solvency report SR15 lines 2+3, Column 3.
- 5) For syndicates at 36 months that are not closing or syndicates in run-off, the worldwide unadjusted closing reserve must equal solvency report SR2 line 20, Column 3.

14. **Lines 10, 11, 12, 13, 14, 15 and 16**

Line 10 must be calculated by you and equals line 8 – line 9. The remaining lines will complete automatically from the figures entered in lines 1-10. The bought forward result line 15 is the figure at line 14 from the previous US tax year's SIS.

15.0 **Line 17**

This figure will be entered into the form automatically once the Expense Analysis form has been completed. The figures will be brought into the SIS at the average rate of exchange for 2004.

16.0 **Schedule B**

Line 1 – This should show reinsurance ceded as shown on line 3 of schedule A that has been placed with other Lloyd's syndicates split between taxable and worldwide.

16.1 **Line 2**

This should show the reinsurance recoveries, schedule A, line 6, received from other Lloyd's syndicates split between taxable and non-taxable.

17.0 **Schedule C**

Line 1 – The figure required on this line is the proportion of the closing reinsurance assumed, Line 4, that relates to US dollar non-taxable business (as opposed to all non-taxable business). This figure is utilised to calculate the effectively connected percentage for the subsequent tax year.

17.1 Line 2

US dollar worldwide premiums should be entered in order that the relevant effectively connected percentage can be calculated to allocate certain US dollar expenses between taxable and non-taxable.

18.0 **Schedule D**

Line 1 – This requires completion for all syndicates that show a closing reinsurance ceded at line 7.

To add the information click on the box and then enter the destination syndicate(s) and the underwriting year or account assuming the reinsurance. If the reinsurance ceded has been assumed by more than one syndicate, or a parallel corporate, the percentage split between the syndicates must be shown by adding further lines. Once the first line is completed, clicking on the new RITC box enables further lines to be added.

18.1 Line 2

Please select the appropriate dropdown box to explain how the closing reinsurance has been computed.

18.2 Line 3

Please select from the dropdown box the method that you use to allocate the closing reinsurance between taxable and non-taxable business.

19.0 **Tab 2 – Expenses**

General

An Expense Analysis form must be completed for each underwriting year of account. The underwriting year can be selected by clicking on the dropdown box next to u/w year.

The Expense Analysis form must be completed in original currency (currencies other than £ and Can\$ must be converted to £ and any exchange profits/losses on the retranslation of these amounts should be included under the heading profits and losses of retranslation of currency.)

The effectively connected income will generate automatically from the information that you have provided in 'tab 1 US tax SIS form'. The balance brought forward has been generated from the figures that you provided in last year's return.

The section of the form headed 'Expenses Connected Only with US Taxable Business' is to be used for US dollar expenses that have been paid in respect of

business attributed 100% to US taxable business, such as expenses in respect of the Illinois Attorney in Fact. All other expenses paid in US dollars must be entered in section 1 of the form, where they will be split between taxable and non-taxable based on the percentage that US dollar taxable premiums bear to US dollar worldwide premiums.

Following the US Internal Revenue Service audit it has been agreed that Agents should allocate foreign currency profits/losses to non-US connected income. The IRS has advised that since the functional currency is in US dollars there should be no currency gains/losses from US denominated transactions.

To add an expense category click on the 'New Expense' button. From here it is possible to select from the dropdown box to add new categories of expense. All expenses being entered should be categorised by the descriptions provided. If this causes difficulty, please contact Christine Allcott on 01634 392433 for assistance. Once an expense category has been selected, the tab keys can be used to move around the form. Expenses must be entered in either £, \$ or Can \$. Any expenses paid in other currencies should be converted to sterling for the purpose of completing the form.

The Expense Analysis form is designed to enable the reconciliation of syndicate expenses to the syndicate accounts although solvency data is used to achieve this as follows:

SR2 Line 24 Column 3
+ SR1 Line 5 Column 3
- SR2 Line 23 Column 3

If the figures provided do not agree to the solvency return please provide reconciliation. It is noted, however, that where claims handling has been included as an expense [this is a mandatory treatment of claims handling for the 2002, 2003 and 2004 underwriting accounts for US purposes] this will generate a difference between your accounts and US tax return.

Only the current calendar year expenses must be included.

The Expense Analysis form will ensure that the correct treatment for US tax purposes is applied.

US Tax Syndicate Information Statement (SIS)

CSV Import File Specification

1.1 SIS Data

The CSV file will need to have the following fields:

	Field	Type of field
1	Syndicate	Number
2	Tax Year	Number
3	Year Of Account	Number
4	Schedule	Text
5	Line Number	Number
6	Taxable Value	Number
7	Worldwide Value	Number

- The file needs to be delimited with comma separators.
- Text fields need to be qualified by double quotation marks.
- The "Schedule" field should contain "a" for Schedule A, "b" for Schedule B and "c" for Schedule C.
- File can contain records for all open years of accounts i.e. 1999-2001

Example of text file for fictitious syndicates 4544 for tax year 2001:

```
4544,2001,1999,"a",1,299885,44000858
4544,2001,1999,"a",2,16542,5966683
4544,2001,1999,"a",3,74260,7579607
4544,2001,1999,"a",4,308343,46763314
4544,2001,1999,"a",5,16563,9928396
4544,2001,1999,"a",6,56519,4423539
4544,2001,1999,"a",7,9304,4355325
4544,2001,1999,"a",8,0,0
4544,2001,1999,"a",9,9304,4355325
4544,2001,1999,"a",10,15.8208,0
4544,2001,1999,"b",1,5085,1601161
```

```
4544,2001,1999,"b",2,4038,1283333
4544,2001,1999,"c",1,1234567,1234567
4544,2001,1999,"c",2,9876543,9876543
```

1.2 Expenses Data

The CSV file will need to have the following fields:

	Field	Type of field
1	Syndicate	Number
2	Tax Year	Number
3	Year Of Account	Number
4	Expense Code	Text
5	Sterling Value	Number
6	US Dollar Value	Number
7	Canadian Value	Number

- The file needs to be delimited with comma separators.
- Text fields need to be qualified by double quotation marks.
- The 'Expense Code' field should contain a valid Expense code – invalid codes will be omitted.
- File can contain records for all open years of accounts i.e. 1999-2001

Example of text file for fictitious syndicates 2991 for tax year 2001:

2991,2001,1999,"SAL",131035,0,0
 2991,2001,1999,"CAC",12437,0,0
 2991,2001,1999,"LP",22103,0,0
 2991,2001,1999,"CC",-108574,7404,0
 2991,2001,1999,"PML",23921,105011,2050
 2991,2001,1999,"MF",4334,57284,0
 2991,2001,1999,"CSP",2382,98,0
 2991,2001,1999,"BCH",30,0,1860
 2991,2001,1999,"OOE",142036,817,-657
 2991,2001,1999,"BDW",0,-62,0
 2991,2001,1999,"EE",613,0,0
 2991,2001,1999,"TE",211,0,0
 2991,2001,1999,"GLC",82000,0,0
 2991,2001,1999,"CTS",0,3645,0
 2991,2001,1999,"ILE",0,-1798,0

1.3 Expense categories for SIS return

ACC	GENERAL	Accommodation Costs
BC	GENERAL	Bank Charges
CC	GENERAL	Charitable Contributions
CD	GENERAL	Computer & Data Processing
CH	GENERAL	Claims Handling
CSP	GENERAL	Commun. Stationary & Print
CT	GENERAL	Citibank Trustee & Sec. Fees
DE	GENERAL	Depreciation
EE	GENERAL	Entertainment Expenses
EG	GENERAL	Exchange Gains & Losses
FE2	GENERAL	US Federal Excise Tax 2
G	GENERAL	Gifts over \$25
INT	GENERAL	Interest payable
IVT	GENERAL	Irrecoverable VAT
LDF	GENERAL	LDTF Custody Fees
LL	GENERAL	Lloyd's Reg. Levy
LPA	GENERAL	Legal Professional & Audit

LPS	GENERAL	LPSO Fees
LPU	GENERAL	Legal & Prof Fees (US Bus)
M	GENERAL	Marketing
ME	GENERAL	Meals & Entertainment
MF	GENERAL	Management Fees
MO	GENERAL	Motor
OL	GENERAL	Overseas Levy's
OV	GENERAL	Override expenses
PL	GENERAL	Premium Levy
SR	GENERAL	Salaries & Related Costs
SU	GENERAL	Subscriptions
TE	GENERAL	Travel Expenses
WO	GENERAL	Bad Debt Write Off
WT	GENERAL	Withholding Tax
CCC	MEMBER	Cash call charges
CF	MEMBER	Central Fund Contributions
LPI	MEMBER	Interest on late payment
LS	MEMBER	Lloyds Subscriptions
MAA	MEMBER	Member Agents Fee Advance
MAF	MEMBER	Managing Agents Fees
MAP	MEMBER	Managing Agents Prof. Comm
SNA	MEMBER	Schedule 9A Charges
FE	USD	US Federal Excise Tax 1
IE	USD	Illinois Expenses
KE	USD	Kentucky Expenses

User ID's

The first version of the software will contain five User IDs. These are:

User Name	User ID	Password	Assigned Functions
Operator	op	operator	Print, update, validate, view
Supervisor	sup	supervisor	Delete, export, import, print, remove sign-off, roll-forward, update, validate, view
Administrator	admin	admin	User maintenance, including password resets
Sign Off	so	signoff	Export, print, remove sign-off, sign-off, validate, view
View Only	view	view	View, print

The Administrator is the only user who can maintain log-on IDs.

1.1 To Create a New User

Click the Add User button

Input the requested information – User ID, User Name, Access Level (from the drop down box) and password.

Click OK.

1.2 To Reset A Password

Click once on the user

Click the Reset Password button

Enter a new password

Click OK

1.3 To Delete A User

Click once on the user

Click the Delete User button

Click OK to confirm the delete operation.