

# MARKET BULLETIN

|                      |                                                                                        |
|----------------------|----------------------------------------------------------------------------------------|
| <b>From</b>          | Head, Market Reporting (extn 5129)                                                     |
| <b>Date</b>          | 20 October 2005                                                                        |
| <b>Reference</b>     | Y3646                                                                                  |
| <b>Subject</b>       | <b>CORE MARKET RETURNS</b>                                                             |
| <b>Subject areas</b> | <b>Feedback on June 2005 interim returns, arrangements for December 2005 reporting</b> |
| <b>Attachments</b>   | <b>Reporting timetable for December 2005 year end and June 2006 interim results</b>    |
| <b>Action points</b> |                                                                                        |
| <b>Deadlines</b>     | <b>See Appendix 1</b>                                                                  |

The purpose of this bulletin is to provide feedback on the 30 June 2005 interim returns provided by the market, set out some issues relating to the forthcoming year end exercise and provide an updated timetable for the 31 December 2005 year end and 30 June 2006 interim reporting exercises.

## **Feedback on 30 June 2005 interim returns**

The standard of returns for the interim annual accounting was generally very good with very few resubmissions required. However, some areas did give cause for concern and these are highlighted here.

### *Technical account*

One area of the technical account that does seem to cause problems is in relation to brokerage on years of account beyond 24 months. Within the latest interim returns a number of syndicates reported sometimes quite significant levels of brokerage on relatively low written/earned premium for the 2003 and prior years of account. Generally the explanations given for these disproportionate levels of brokerage were that they were adjustments to bring the aggregate annually accounted amount of brokerage charged into

line with the amount calculated for the year as a whole. Managing agents need to ensure that the correct level of brokerage is recognised in the first 24 months so that the brokerage amount in the latter development period is not disproportionate to the earned premium income.

#### *Balance sheet*

Most syndicates reported the loan to the Central Fund in line 13 of the balance sheet, "investments – loans", as instructed. The new returns include a specific line for the loan to the Central Fund and all syndicates should report the period end value of the loan in that line: this information is relevant to the member level solvency calculations.

In the new format the liability page of the balance sheet has three lines for the balance due (to)/from members: "(Profit)/loss for the year", "Result brought forward 1 January" and "(Cash calls made) / distributions to date". Where the balance brought forward represented an amount due from members some syndicates reported the figure within the debtors section of the balance sheet. The balance brought forward is part of the overall amount due (to)/from members and stands in the place of shareholder funds. Furthermore, reporting the figure as a debtor balance could affect the amounts reported in the cash flow forms. The balance brought forward must therefore be reported on line 9 of the liability page of the balance sheet as part of the balance due (to)/from members, even where it is a debtor balance.

#### *Segmental report*

We recognise that the analysis required for the segmental form can be onerous but its contents are important and is featured in the market's published accounts. The segmental report is used in two parts of the PFAAS. Firstly, the data is used to meet the Schedule 9a segmental reporting requirements (classes, accident and health, third party liability, MAT etc) and secondly it is used to provide the combined ratios, split between current and prior accident years, reported in the market commentary (classes, casualty, property, reinsurance, motor, marine, energy, aviation). To be able to report by these various categories it has been necessary to require syndicates to analyse their figures over a number of classes which can then be aggregated as required to the Schedule 9a and market commentary classes. With both the most recent interims and previous annual accounting returns we have had examples of disclosure in the segmental form of one syndicate that, if it had not been adjusted, would have distorted the aggregated market figures. It is important therefore that syndicates make their segmental analyses as accurate as possible, including the current/prior accident year split, to ensure that the market disclosures are reasonable. Please review the figures on this form carefully.

### **Reporting at 31 December 2005**

#### *Timetable*

Attached at Appendix 1 is an updated timetable for the 31 December 2005 year end and 30 June 2006 interim reporting exercises.

*Year end returns – forms and instructions*

The final forms and instructions for the 31 December 2005 annual return, solvency and reserving data and FSA return are currently being finalised and will be made available for download early in November. The forms are substantially the same as those which were made available with Market Bulletin Y3607 '2005 Year End Returns', dated 29 July 2005.

*Solvency and Reserving data*

Following a review of resourcing available, and likely usage of the facility, it has been decided not to provide a facility to enable the solvency and reserving data (SRD) to be used to pre-populate the annual return and FSA returns.

As a result of this, breakdown of the SRD by placement method is now not required. In addition, SRD199 lines 9 to 15 and SRD299 lines 17 to 19 will no longer be required for completion.

*Syndicate Annual Reports*

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 (SI 2004 No. 3219) require that the Lloyd's market results must be an aggregation of syndicate annual reports. In practice, the Lloyd's market results will be prepared from an aggregation of the annual returns provided by managing agents. Managing agents will be asked to submit a confirmation with their syndicate annual report, to be signed by the compliance officer and another director, that the disclosures in the syndicate annual report are the same as those in the annual return.

This bulletin has been sent to all underwriting agents and recognised auditors. If you have any queries, please contact Robert Smith on extension 5459 ([robert.smith@lloyds.com](mailto:robert.smith@lloyds.com)) or Paul Appleton on extension 6433 ([paul.appleton@lloyds.com](mailto:paul.appleton@lloyds.com)). Queries on the market returns must be e-mailed to [lloyds-mrd-returnqueries@lloyds.com](mailto:lloyds-mrd-returnqueries@lloyds.com).

John Parry  
Head, Market Reporting

## Appendix 1

**Timetable of reporting to 31.12.2005 and 30.06.2006 (excludes overseas reporting)**

| Activity                                                                      | 2005 deadline     | 2004 deadline                |
|-------------------------------------------------------------------------------|-------------------|------------------------------|
| Annual return workshops (including SRD and FSA return)                        | 6, 7, 12 Dec 2005 | 3, 10, 13 Dec 2004           |
| Agents to submit 31.12.2005 AR                                                | Thur 2 Mar 2006   | Thur 24 Feb/ Thur 3 Mar 2005 |
| Agents to submit 31.12.2005 QMR                                               | Thur 9 Mar 2006   | Thur 24 Mar 2005             |
| Agents to submit 31.12.2005 syndicate report and accounts                     | Thur 23 Mar 2006  | Thur 24 Mar 2005             |
| Agents to submit 31.12.2005 SRD                                               | Thur 13 Apr 2006  | Thur 14 Apr 2005             |
| Agents to submit 31.12.2005 FSA return                                        | Thur 13 Apr 2006  | Thur 21 Apr 2005             |
| Agents to submit 31.03.2006 QMR                                               | Thur 25 May 2006  | Thur 26 May 2005             |
| Agents to submit 30.06.2006 QMR (including <b>unaudited</b> interim results)* | Thur 17 Aug 2006  | Thur 18 Aug 2005             |
| Agents to submit 30.06.2006 QMR (including <b>audited</b> interim results)*   | Thur 31 Aug 2006  | Thur 1 Sept 2005             |

\* Although the audited 30.06.2006 QMR is not required to be submitted before 31 August 2006, earlier submission would be of considerable assistance.