

# MARKET BULLETIN

**From** Head, Market Reporting (extn 5129)

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**Date** 28 June 2006

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**Reference** Y3839

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**Subject** Q2 2006 QMR additional information

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**Subject areas**

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**Attachments** Forms

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**Action points** Agents to note

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**Deadlines** Thursdays 17 & 31 August 2006

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The purpose of this bulletin is to provide the wordings of the managing agent and audit review reports of the interim return. The bulletin also clarifies some points raised on the interim return and the Q2 QMR in general.

## **Managing agent report (QMR910) and auditor review report (QMR930)**

The wordings of these reports are attached to this bulletin as Appendices 1 and 2. The auditor review report covers both the interim return and the use of the interim results for capital purposes.

## **Interim return – review scope**

Appendix 2 to market bulletin Y3830 included a table of the forms that comprise the interim return. The interim return forms include QMR100 which, at lines 55 to 66, reports the breakdown of the RITC brought forward. These lines are not in the scope of the auditor review, only lines 3 to 54 are in scope. The table, duly amended, is attached to this bulletin as Appendix 3. As noted in the text at the head of the table, QMR forms 104, 270 and 610 are not within the scope of the auditor review.

## **Reduced reporting requirements**

The instructions included in market bulletin Y3830 highlighted where dispensations had been given on some disclosure requirements. These dispensations included for form QMR110: "Lines 1 to 13, 19, 20, and all lines 22 to 66 may be reported in aggregate in the youngest year closed into the reporting year. Thus for a syndicate with 1993 to 2003 all closed into 2004, the premiums and IBNR

data for pure years 1993 to 2003 can all be entered in aggregate in the 2003 pure year for lines of QMR 110. Claims paid and reported claims data must be reported on a pure year basis in lines 14 to 17, 18 and 21. In summary, paid and incurred claims data must be completed by pure year. All premiums and IBNR may be entered in aggregate for all prior years (being all pure years reinsured into the reporting year).

The table at the end of the instructions indicated that this dispensation was available to aligned syndicates but we confirm here that it is also available to third party syndicates. An amended version of the table is attached to this bulletin at Appendix 4.

**Queries**

Any queries or comments on the return should be submitted via e-mail to Market Reporting ([Lloyds-MRD-ReturnQueries@lloyds.com](mailto:Lloyds-MRD-ReturnQueries@lloyds.com)). We would encourage agents to review the instructions in good time so that queries can be resolved as early as possible.

This bulletin is being sent to all managing agents, members' agents and recognised auditors.

John Parry

**910 Managing Agents' Report**

**To the Council of Lloyd's**

**Managing Agent.....**

**Responsibilities**

Either:

- (a) The Interim Return comprises QMR forms 1, 100, 101, 201, 205, 3, 310, 320, 330, 360, 910, 930 & 990.  
or, where a restatement is made of prior period figures
- (b) The Interim Return comprises QMR forms 1, 100, 101, 190, 201, 205, 290, 295, 298, 3, 310, 320, 330, 360, 390, 910, 930 & 990.

The Market Bulletin Y3830 dated 9 June 2006 – “Q2 2006 QMR incorporating the 2006 Interim Return” and Y3839 dated 28 June 2006 – “Q2 2006 QMR additional information” requires the managing agent to prepare the Interim Return in respect of syndicates that it manages for the 6 months ended 30 June 2006 in accordance with the instructions and guidance contained therein (“the Instructions”).

In preparing the Interim Return, the Managing Agent is required to comply with the Instructions including;

- selecting suitable accounting policies which are applied consistently;
- making judgements and estimates that are reasonable and prudent; and
- following applicable accounting standards and the guidance within the ABI SORP (modified in accordance with the Instructions), subject to any material departures being disclosed and explained in the Interim Return.

**Certificate**

We certify that the Interim Return (pages \_\_\_\_\_ to \_\_\_\_\_ ) has been properly prepared in accordance with the Instructions.

Signed: .....Finance Director\*

Name:.....(Block capitals)

Signed: .....Director\*

Name:.....(Block capitals)

On behalf of.....Managing Agent

Date.....

\* The signatories must be different

**930 Independent review report*****Independent review report to the directors of the managing agent and to the Council of Lloyd's*****Managing Agent:**

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**Syndicate no:**

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We have been instructed [by the managing agent] to review the attached Interim Return in respect of the above syndicate for the six months ended 30 June 2006, which has been prepared by the Managing Agent pursuant to the requirements set out in the Market Bulletin Y3830 dated 9 June 2006, entitled "Q2 2006 QMR incorporating the 2006 Interim Return" and Y3839 dated 28 June entitled "Q2 QMR additional information".

This report is made solely to the addressees in accordance with guidance contained in Bulletin 1999/4 "Review of interim financial information" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than the addressees of this report, for our work, for this report, or for the conclusions we have formed.

**Responsibilities of the Managing Agent**

The Interim Return, including the financial information contained therein, is the responsibility of, and has been approved by, the directors of the managing agent. The directors are responsible for preparing the Interim Return in accordance with the Instructions which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

**Review work performed**

We conducted our review in accordance with guidance contained in Bulletin 1999/4 "Reviews of interim financial information" issued by the Auditors Practices Board for use in the United Kingdom," A review consists principally of making enquiries of management and applying analytical procedures to the financial information and underlying financial data, and based thereon, assessing whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed and assessing whether the instructions have been complied with. It excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

**Review conclusion**

On the basis of our review we are not aware:

(i) that the Interim Return has not been prepared in accordance with the Instructions; or

(ii) of any material modifications that should be made to the financial information as presented for the six months ended 30 June 2006; or

(iii) that the interim net profits as reported in the statement have not been calculated on the basis of the accounting policies adopted by the Managing Agency in drawing up its annual financial statements for the year ended 31 December 2005 *[except for changes arising from the adoption of revised accounting policies that will first be applied in the financial statements containing the interim period]\*; and*

(iv) that those accounting policies differ in any material respects from those required by Schedule 9A to the Companies Act 1985, UK financial reporting standards and the Statement Of Recommended Practice on Accounting for Insurance Business issued by the Association of British Insurers.

**Name of Recognised Accountants:** \_\_\_\_\_

**London**

**Date:** \_\_\_\_\_

\* = delete as applicable

**Appendix 3**

**Q2 QMR Information forming the Interim Return and subject to Auditor Review**

The following table lists the forms in the Q2 QMR that comprise the interim return. They are subject to auditor review and must be included in the hardcopy submission to be made by August 31. In certain cases, not all of the information on the form is subject to auditor review, the table highlights where this is the case. Those forms highlighted in grey only require completion/submission if there has been a restatement of the figures from a prior period. For the avoidance of doubt, QMR104, QMR270 and QMR610, segmental analysis and reconciliations, do not form part of the auditor reviewed interim return.

Form	Description	Limitations	Comment
1	Overall P&L account	None	
100	P&L account by reporting year	Column A (CNV) only Lines 3 to 54 only	Only the cnv figures are relevant to the interim return and also the cnv interim net profit for capital setting.
101	Continued/discontinued splits	None	
190	Restated P&L account	None	Only to be completed if there is a restatement
201	Balance sheet - assets	Column A (CNV) only	
205	Balance sheet - liabilities	Column A (CNV) only	
290	Opening balance sheet	None	Only part of the interim return if the 31.12.05 balance sheet is to be restated.
295	30.06.05 balance sheet	None	Only part of the interim return if the 30.06.05 balance sheet is to be restated.
298	Prior year adjustment	None	Only completed if there is a restatement
3/310/320/330	Cash flow statement	None	
360	Analysis of results and cash calls	Col A, lines 1 to 5 only	The split of the cumulative balance due to members is required for solvency purposes. The potential cash call/distribution dates are not part of the interim return.
390	Restated cash flow	None	Only completed if there is a restatement
910	Managing agent's report	None	
930	Auditor report	None	
990	Comments	None	Where they relate to the interim return

Summary of forms where completion of certain cells is optional

Form	Aligned syndicates	Third party syndicates
105 – Class of business performance	Where managing agents do not manage their business at net level by class of business and completion of net data is based on high level allocations of outward reinsurance premiums and recoveries, then net data is not required.	Where managing agents do not manage their business at net level by class of business and completion of net data is based on high level allocations of outward reinsurance premiums and recoveries, then net data is not required.
110 – Profit and loss account	<p>Do not have to complete GPB or USD columns.</p> <p>Business arrangement fees (line 28) may be combined with other acquisition costs (line 29) and business arrangement fees (line 32) and personal expenses (line 33) may be combined with other administrative expenses (line 34). The separate analysis of these lines is optional.</p> <p>The data for most lines of QMR110 can be reported in aggregate in the youngest closed year. Thus for a syndicate with 1993 to 2003 all closed into 2004, the data for pure years 1993 to 2003 can all be entered in aggregate in the 2003 page. This applies to all lines of QMR 110 except lines 14 to 17, 18 and 21: claims paid and reported claims data must still be reported on a pure year basis.</p>	<p>Business arrangement fees (line 28) may be combined with other acquisition costs (line 29) and business arrangement fees (line 32) and personal expenses (line 33) may be combined with other administrative expenses (line 34). The separate analysis of these lines is optional.</p> <p>The data for most lines of QMR110 can be reported in aggregate in the youngest closed year. Thus for a syndicate with 1993 to 2003 all closed into 2004, the data for pure years 1993 to 2003 can all be entered in aggregate in the 2003 page. This applies to all lines of QMR 110 except lines 14 to 17, 18 and 21: claims paid and reported claims data must still be reported on a pure year basis.</p>
130 – Syndicate expenses	This form does not have to be completed provided that all years have been closed forward into the 2004 year of account or later of the reporting syndicate.	
201/203/205 – Balance sheet	Do not have to complete GPB	

	or USD columns.	
360 – Analysis of results	Do not have to complete GBP or USD columns.	
710 – Reinsurance recoverables	<p>Columns C (reinsurance premiums), R (offset), T (write-offs) and U (disputes) are optional and do not need to be completed.</p> <p>The de minimis limits are increased from £10,000 to £30,000. Please continue to submit all data lines, where agents complete the form by upload from underlying systems and exclusion of data is more onerous than a full submission.</p> <p>Confirm completion of columns J and Q (IBNR) is optional and does not need to be completed.</p>	<p>Columns C (reinsurance premiums), R (offset), T (write-offs) and U (disputes) are optional and do not need to be completed.</p> <p>The de minimis limits are increased from £10,000 to £30,000. Please continue to submit all data lines, where agents complete the form by upload from underlying systems and exclusion of data is more onerous than a full submission.</p> <p>Confirm completion of column J and Q (IBNR) is optional and does not need to be completed.</p>
862 – Signed premiums	This form does not have to be completed by wholly aligned syndicates.	