

# MARKET BULLETIN

REF: Y3997

<b>Title</b>	Completion of United States Syndicate Information Statements
<b>Purpose</b>	To provide managing agents with some important information in relation to the preparation of the US Syndicate Information Statements
<b>Type</b>	Scheduled
<b>From</b>	Juliet Phillips, Head of Tax, Finance, Risk Management and Operations Contact details: 0207 327 6839 <a href="mailto:juliet.phillips@lloyds.com">juliet.phillips@lloyds.com</a>
<b>Date</b>	3 April 2007
<b>Deadline</b>	Agents to submit completed SIS via Core Market Returns Website and provide contact details to MSU by 8 May 2007 (the deadline is 20 May 2007 for life syndicates)
<b>Related links</b>	<a href="#">Market Bulletin Y3583, 4 July 2005</a>

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. Last year a lengthy market bulletin was issued which included the detailed instructions for completing the SIS. This year detailed instructions are provided with the SIS on the Core Market Returns Website, which will enable us to update them if necessary. Please read this Market Bulletin and the SIS instructions carefully as they have been amended to reflect changes to the annual return, adjustments to the SIS software and changes in process.

## Background

Lloyd's members' tax arrangements are set out in the US Closing Agreements. The current Federal Income Tax agreement took effect from 1 January 2005 and is referred to as the 2005 US Closing Agreement. Under the terms of the 2005 Closing 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.

Further background information regarding treaty eligibility can be obtained in Market Bulletin Y3583 dated 4 July 2005 available at [www.lloyds.com/taxation](http://www.lloyds.com/taxation).

## 1 Preparing the SIS

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

The SIS requires the managing agent to allocate the underwriting result of the syndicate for the relevant year of account between the business which is subject to US tax and the business which is not subject to US tax.

It is important to note that the decision as to which items reported on the SIS are allocable to the US categories (i.e. the Illinois, Kentucky, Other Binding Authority or Other US Situs columns of the SIS) may not always be determined on a purely objective basis. There is an element of judgement 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 instances. Often, there are no right or wrong answers. For instance, there are a number of methods which could be adopted 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.

## 2 Which syndicates are required to submit an SIS for 2006?

Under the terms of the 2005 Closing Agreement all Lloyd's syndicates with an open year of account in 2006 are required to submit an SIS, including syndicates that did not write any US business in the year. Consequently, compliance with the deadline set out in this Bulletin is mandatory for all syndicates.

All syndicate years of account that were open during 2006, including run-off syndicates and those that did not write US business, will receive a pre-populated SIS. The data in the pre-populated fields should be reviewed to ensure accuracy.

Syndicates that have not written any US business and have not received an RITC premium from a syndicate that did write US business only need to complete the following:

- Line 5 on the 'Premium' schedule (Sch 40),
- Lines 1,2,3 and 4b on the 'Other Workings' schedule where relevant (Sch 70), and
- The 'Expense' schedule (Sch 30).

The SIS can then be submitted without the need for any adjustments to any other schedules. However, if any pre-populated data appears in any column other than the 'Worldwide' column, this would indicate that either you are mistaken and the syndicate did write some business which 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 you will need to complete the SIS in accordance with the instructions on the

Core Market Returns website. Please call Rosaleen Moore, Helen Harrison or Juliet Phillips if you wish to discuss this further.

If the syndicate has been established to accept a quota share policy from another Lloyd's syndicate, an SIS must be submitted for the ceding syndicate and the assuming syndicate, and this reinsurance arrangement reflected in their SISs.

### **3 Syndicate which closed into a 2007 year of account.**

If the syndicate closed at the end of 2006 but into the 2007 year of account, please contact MSU for further instructions.

### **4 Queries on the SIS**

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 endeavour to ensure that at least one of these individuals is available on a particular day, but we cannot guarantee that we will be able to respond immediately to all questions:

Ian Chidgey (MSU Tax Operations)	tel: 01634 392393
Rosaleen Moore (Tax)	tel: 0207 327 6856
Helen Harrison (Tax)	tel: 0207 327 6859
Philip Waghorne (MSU Tax Operations)	tel: 01634 392472
Juliet Phillips (Tax)	tel: 0207 327 6839
Christine Allcott (MSU Tax Operations)	tel: 01634 392433

### **5 Accuracy of the SIS**

It is important that the SIS returned to Lloyd's is accurate and produces a result which 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, of the managing agent, is required to sign off as to 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', '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 syndicates business. If you believe that the result is unreasonable in the context of the syndicate's performance in the relevant period you should discuss this with Rosaleen Moore, Helen Harrison or Juliet Phillips at Lloyd's as soon as possible.

### **6 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. Request for the breakdown should be sent to [Data.Information@Xchanging.com](mailto:Data.Information@Xchanging.com) or requested on 01634 887800.

In addition, this year Xchanging are introducing a report of Outstanding Claims data. Outstanding Claims may be used to allocate RITC ceded and closing reserves across Illinois, Kentucky, Binding Authority, Other US Situs Business and Other Business. Please note however that the Outstanding Claims methodology is not mandatory and in some cases it may in fact not be appropriate (see 1 and 5 above). However, managing agents can request the Outstanding Claims data from Xchanging using the contact details as above.

**7 Late filing of SISs**

The US tax timetable is very tight and because most of the work on the US tax return is dependent on the SISs being completed and all queries resolved, SISs which are submitted late cause immense pressure to the timetable. This can lead to additional costs. Where SISs are submitted late or late changes are made to SISs by the managing agent, any additional costs incurred by Lloyd's as a result of a managing agent's delay or resubmission will be passed on to managing agents under the user pays basis.

**8 Point of contact for queries on the SIS**

As in previous years the SIS software requires that a contact be listed who can address questions, if any, are raised by LeBoeuf, Lamb, Greene & MacRae LLP ("LLGM") during their review of the SISs. It is important to note that the questions raised may require answers from people who are closely involved with the underwriting business of the syndicate which is likely to be members of senior management. For this reason, we are requesting that two contacts are given for queries relating to the SIS. The first contact will be the preparer of the SIS and the second contact 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 an attachment to the SIS return. Should this information change during 2007 MSU should be advised accordingly.

Finally, you should note that in order to facilitate a more cost-efficient and expeditious review process, LLGM have been instructed to direct SIS queries requiring input from either of these contacts directly to such person or persons. In the past the LLGM queries were sent via MSU, but for this year they will be sent directly to the relevant contact from LLGM. If you would like to discuss any of the queries raised by LLGM with Lloyd's please contact one of the individuals named above. We would be grateful for your co-operation with the change in process and request that you provide information directly to LLGM as requested.

<b>Key Dates</b>	<b>Action</b>
10 April 2007	SIS software available on Core Market Returns website
8 May 2007	Deadline for submission of the SIS

Juliet Phillips  
Head of Tax

**APPENDIX 1****Accessing the software**

The system is part of the web based Lloyds Core Market Returns and access is via the Market Returns web site (<http://info.lloyds/msuapps>) (if you do not have access to this site please contact the MSU 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

Second contact Name

Second contact address  
(if different from above)

E-mail address