

MARKET BULLETIN

REF: Y4077

Title	2007 Annual Returns
Purpose	To inform managing agents and auditors that the instructions for the annual return and the Q4 QMR are available for download and that the waiver for the FSA return has been extended
Type	Scheduled
From	John Parry, Head, Market Finance Contact details: 020 7327 5129
Date	9 November 2007
Deadline	Annual Return – 28 February 2008 Q4 QMR – 13 March 2008 SRD – 10 April 2008 FSA – 24 April 2008

Related links

The main purpose of this bulletin is to advise managing agents and syndicate auditors that, from 12 November, the forms and instructions for the annual return and the year-end quarterly monitoring return are available for download from either the Core Market Returns website or from the Market Services market returns website. The instructions take account of FAQs issued last year and of comments from managing agents. Additional information on the year-end returns is given below.

Software and testing

The software for the annual return is currently being revised and should be available for testing in December. All managing agents are encouraged to take the opportunity to test and familiarise themselves with the software. If as a result of the testing you do have any issues on the forms and instructions please e-mail them to Market Reporting (lloyds-MRD-ReturnQueries@lloyds.com). Any queries specific to the software should be sent to ITGDataManagement@Lloyds.com.

The software for the Q4 QMR will then be made available for testing later in December.

In respect of the performance of the production website, we continue to encourage all agents to report any issues they have with the performance of the software and accessing the systems as soon as they arise. This will enable the Data Management help desk to resolve the issue earlier in the process and enable us to monitor service levels in real time and respond quickly as issues emerge. The contact phone number for the Data Management team is 020 7327 5252 (e-mail: ITGDataManagement@Lloyds.com).

Schedule 9A data

To assist corporate members to prepare their accounts in accordance with Schedule 9A of the Companies Act 1985 Lloyds' will again be operating a central facility for the provision of the corporate members' share of each syndicate. A separate managing agent's report and audit report is required in respect of the Schedule 9A data, as defined in the annual return instructions. A separate bulletin will be sent to corporate members and their advisers, inviting subscriptions to Lloyd's central Schedule 9A facility as at 31 December 2007.

Audit

The audited section of the annual return (including the Schedule 9A data) must be audited by a registered accountant. The standard wording for the audit reports is attached as Appendix 3 to the annual return instructions. If a firm of auditors intends to use an alternative wording for its audit reports, it would be helpful if a draft of the alternative wording could be e-mailed to lloyds-MRD-ReturnQueries@lloyds.com in advance of the submission deadline.

Items to note**Cut-off for data completion**

Lloyd's has no absolute requirement that all information must report entries precisely as at the year end date. Provided that agents agree suitable timings with their auditors, which enable annual accounts to be prepared in accordance with UK GAAP and present a true and fair view of the results and state of affairs of the syndicate, data may be prepared based on an earlier cut-off date than the year end. For example, written premium estimates and paid claims may be cut-off earlier than the balance sheet date provided this is agreed with the auditors and after consultation with the independent actuaries. For quarterly reporting, Lloyd's requires that the information is prepared on a consistent basis. i.e. we would not accept Q2 data based on, say, May management accounts if at year end, agents prepare equivalent figures on December accounts, since this would not provide a true underlying quarterly development through the year.

Exchange rates

For completeness, Lloyd's confirms that the year end returns should be based on transaction, average and closing rates, as applicable, as determined by the managing agency. Lloyd's will issue a Market Bulletin at the beginning of January providing suggested rates of exchange as assistance to agents, but they are not mandatory. With respect to non-monetary items in the balance sheet, Lloyd's confirms that these should be reported in accordance with the managing agents' accounting policies and it is not mandatory to convert these items at closing rates. For solvency information, all assets and liabilities are required to be converted at closing rates.

Post Balance Sheet Events

The annual return should be prepared based on all information available to the agency at the date of signing the return. It should be prepared in accordance with UK GAAP as applied for each syndicate, including the guidance within the ABI SORP regarding post balance events not capable of prediction at the balance sheet date. As noted above the deadlines for submission of the Annual Return and the syndicate annual report and accounts are 28 February and 20 March. The syndicate annual accounts may be submitted earlier. Where adjusting balance sheet events do occur and require restatement, a full resubmission of the annual return will be required.

We confirm that where the audited syndicate annual accounts are submitted prior to 20 March, no resubmission is required for information received after the submission of the accounts and the annual return.

Restatement of December 2006 comparatives

The Annual Return includes a number of forms that only require completion if there has been a change of accounting policies for the 31 December 2007 annual accounts compared to those used at 31 December 2006. Where there is such a change and the application of the new accounting

policies to the prior period results in a material change to the amounts previously reported then the restatement forms must be completed with the restated figures.

The SRD and FSA returns

For the 2006 year-end the FSA granted a twelve month waiver that enabled us to reduce the level of information that had to be reported in the FSA return. The FSA has recently extended that waiver for a further three years. We have reviewed the return and form FSA107 is to be deleted from the 31 December 2007 FSA return.

As noted in market bulletin Y4066, the only change to data entry in the SRD return is the addition of a cell for acquisition cost by risk code in SRD199.

The forms and instructions for the SRD and FSA returns are still under review in the change control process but will be made available for download before the end of November.

Queries

Any queries concerning any aspect of the returns should be submitted via e-mail to Market Reporting (lloyds-MRD-ReturnQueries@lloyds.com). Queries will be responded to by the end of the following working day. Please contact me by e-mail (john.parry@lloyds.com or jonathan.may@lloyds.com) if a response remains outstanding at that time.

This bulletin is being sent to the compliance officers of all managing agents and to recognised accountants.

John Parry