

MARKET BULLETIN

REF: Y4105

Title	2007 SYNDICATE REPORT AND ACCOUNTS
Purpose	To set out the annual deadlines and filing requirements relating to the submission of syndicate annual accounts and syndicate underwriting year accounts
Type	Scheduled
From	Jonathan May, Senior Manager, Market Reporting Contact details: 020 7327 6500, jonathan.may@lloyds.com
Date	20 December 2007
Deadline	Thursday 20 March 2008 – filing of syndicate annual accounts with Lloyd's together with agent and auditor confirmation of results Thursday 27 March 2008 - filing of underwriting year accounts with Lloyd's Monday 31 March 2008 – dispatch of syndicate annual accounts and syndicate underwriting year accounts to member's agents / capital providers
Related links	

Summary

This bulletin covers the:

- (a) requirements for the agreement of the information in the annual return to the syndicate annual accounts;
- (b) requirements for the dispatch of syndicate annual and underwriting accounts; and
- (c) information on disclosures in the syndicate annual and underwriting accounts

Consistency of syndicate annual accounts with annual return

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 (the Regulations 2004) require that the Lloyd's aggregate accounts must be an aggregation of syndicate annual accounts. In practice, the Lloyd's aggregate results will be prepared from the annual returns submitted by Thursday 28 February 2008. Lloyd's expects to publish the market results on Thursday 3 April and therefore we do need to have received the syndicate annual accounts before this date together with confirmation that the annual return data is consistent with that in the syndicate annual accounts.

Managing agents are therefore required to submit, by 20 March 2008, the syndicate annual accounts together with a confirmation, to be signed by the finance director and another director, that the 2007 year-end disclosures in the syndicate annual accounts agree with those in the 2007 annual return (as originally submitted or as resubmitted). If the 2006 comparative figures in the 31 December 2007 accounts have been restated from those reported in the 31 December 2006 accounts then the confirmation must also state that the 2006 comparative disclosures in the syndicate annual accounts agree with those in the comparative forms of the 2007 annual return. Appendix 1 considers the types of confirmation that may be required and Appendix 2 provides the wording of the managing agent's report.

The confirmation must also be reported on by the auditor of the syndicate annual accounts (the content of the confirmation is attached at Appendix 3). The auditor confirmation must also be submitted by 20 March.

The confirmation relates to agreement of the disclosures in the:

- (a) profit and loss account with those in column C of form AR1 in the annual return;
- (b) balance sheet with column C of the AR2;
- (c) notes to the accounts where the disclosures are reflected in column C of AR1 and AR2 and also in AR138 and AR217.

Point (c) has been added this year to highlight the need to review notes such as the split of debtors and creditors between less and greater than one year. While there is other information in the annual return that relates to disclosures in the accounts, it is not a requirement that these are an exact match. It is recognised, for instance, that the classes of business reported in the segmental analysis vary from syndicate to syndicate.

Life syndicates

The format of the profit and loss account of a life syndicate is different to that of a non-life syndicate. No distinction is made for life business in the market level technical account or balance sheet, instead the segmental note provides the split between life and non-life business. For the purposes of the confirmation therefore, it will be sufficient for life syndicates to agree any change in the long term business provision in their accounts to the figures in AR1, lines 15 to 17. The investment return that is analysed into various sub categories in the life technical account can be agreed, in aggregate, to line 11, investment return, in AR1. Where the balance sheet of a life syndicate has long term business provisions, it will be sufficient to agree those figures to AR2 line 34.

Dispatch date for syndicate annual accounts and syndicate underwriting year accounts

Managing agents must prepare syndicate annual accounts for all syndicates that they manage at 31 December 2007 (regulation 3 of the Regulations 2004). Furthermore, they must also prepare syndicate underwriting year accounts for all syndicates that they manage at 31 December 2007 and which either had an underwriting year closing at that date (regulation 4 of the Regulations 2004) or remaining open despite being at the 36 month stage of development or older (para 4(1) of the Syndicate Accounting Byelaw). Syndicate underwriting year accounts are not required for syndicates that only have years of account at the 12 or 24 month stage or where the members of the relevant year(s) of account of the syndicate agree unanimously in writing that no syndicate underwriting year accounts shall

be prepared (regulation 4(1) of the Regulations 2004).

Monday 31 March 2008 is the date by which managing agents must dispatch their syndicate annual accounts and, where applicable, syndicate underwriting year accounts to each underwriting member and members' agent. However, earlier deadlines have been set for dispatch to Lloyd's.

Thursday 20 March 2008 has been prescribed as the date by which managing agents must dispatch their syndicate annual accounts to Lloyd's and Thursday 27 March is the date by which the syndicate underwriting year accounts must be dispatched to Lloyd's. Two copies of the syndicate annual accounts and syndicate underwriting year accounts must be sent to:

Sika Deegbe
Market Reporting
Gallery 5
Lloyd's 1986 Building
One Lime Street
London EC3M 7HA

Accounts delivered by hand should be taken to the 6th floor reception, accessed via the Red lifts, ie the canopy entrance.

Managing agents must ensure that both copies of each set of accounts submitted to Lloyd's contain original signatures of those signing the report and accounts. In order to facilitate the earlier dissemination of reporting data to interested parties, including the FSA, managing agents are also asked to submit their accounts in a PDF electronic file format via the Market Services Market Returns website. These files should be submitted with the file convention format 'xxxxa.pdf' for the syndicate annual accounts and 'xxxxu.pdf' for the syndicate underwriting year accounts, where xxxx is the syndicate number. Where the annual accounts and underwriting year accounts are included in one document a single file should be submitted with the file convention format 'xxxxc.pdf' for combined accounts. All these files must be submitted by 27 March 2008.

Managing agents are reminded that a copy of the syndicate annual accounts and syndicate underwriting year accounts prepared in respect of a closed year of account must be submitted to the FSA by no later than 30 June 2008 (regulation 5(2) of the Regulations 2004). Lloyd's will submit a copy of the accounts to the FSA on behalf of managing agents to meet this requirement. Run-off accounts do not need to be sent to the FSA.

Managing agents are also required to complete and submit, by 27 March 2008, the form attached at Appendix 4 which verifies that the electronic PDF file version of the 31 December 2007 syndicate annual report and accounts submitted via the Market Returns website is identical to the signed hardcopy submitted to Market Reporting. The verification must be completed in respect of every syndicate for which the managing agent prepares accounts and must be signed by either the Compliance Officer or a Director of the managing agent. The form must be submitted in hard copy to the address indicated at the bottom of the form.

Disclosures in the syndicate annual and underwriting year accounts

As noted in the equivalent market bulletin last year, Y3933 dated 22 December 2006, the requirement for the enhanced business review (Section 234ZZB of the Companies Act

1985) and disclosure of information to auditors (Section 234ZA of the Companies Act 1985) are to be applied to the accounts of Lloyd's syndicates.

That bulletin also referred to concerns that capital providers had with the level of disclosures in the 2005 year-end accounts and asked agents of syndicates backed by third party capital to address those concerns by providing certain specified additional information in their 2006 accounts.

Attached as Appendix 5 is a note of the additional areas of disclosure. We consider that inclusion of this additional information represents best practice and is generally consistent with the enhanced business review. Agents of third party syndicates should consider these particular areas in drafting their 2007 reports.

Queries on this bulletin should be e-mailed to (Lloyds-MRD-ReturnQueries@lloyds.com).

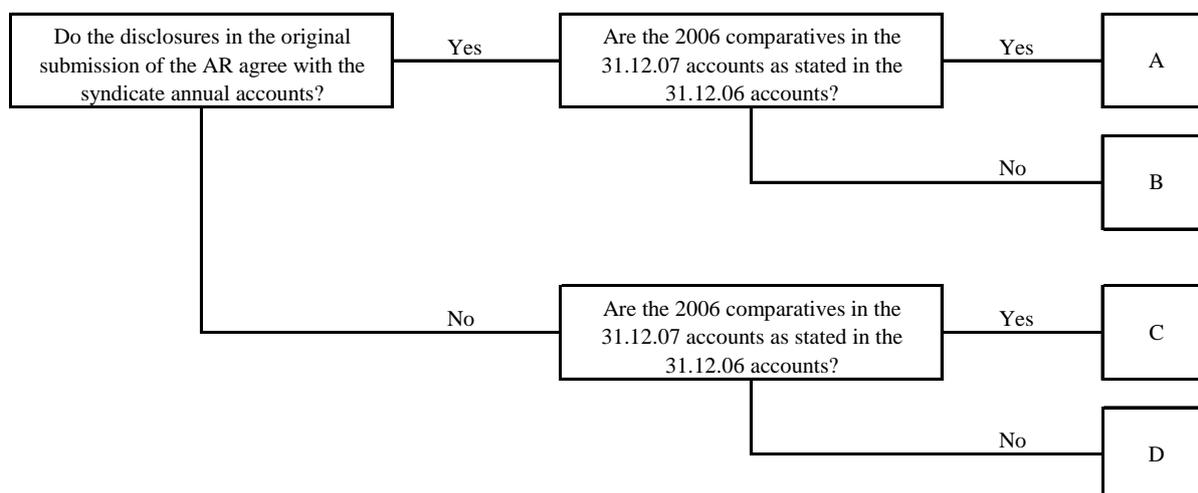
Jonathan May
Senior Manager
Market Reporting

Confirmation of consistency between syndicate annual accounts and annual return

The following decision chart identifies the form of confirmation that needs to be provided for a syndicate based on whether or not:

- i) the disclosures in the original annual return are consistent with the syndicate annual return; and
- ii) the 2006 comparative figures are being restated in the 31 December 2007 syndicate annual accounts from the figures disclosed in the syndicate annual accounts as at 31 December 2006.

There are four potential scenarios (A to D) and the specific confirmations required in each case are set out at the foot of the chart.



Confirmation required

- A Hard copy of managing agent report (Appendix 2) and auditor report (Appendix 3) confirming that the disclosures for the 2007 calendar year information in the original submission of the annual return are consistent with those in the syndicate annual accounts.
- B Hard copy of managing agent report (Appendix 2) and auditor report (Appendix 3) confirming that the disclosures for the 2007 and 2006 calendar year information in the original submission of the annual return are consistent with those in the syndicate annual accounts.
- C Hard copy of managing agent report (Appendix 2) and auditor report (Appendix 3) confirming that the disclosures for the 2007 calendar year information in the resubmitted electronic annual return are consistent with those in the syndicate annual accounts and, if not already submitted, hard copy of the resubmitted AR’s managing agent report and auditor report.

- D Hard copy of managing agent report (Appendix 2) and auditor report (Appendix 3) confirming that the disclosures for the 2007 and 2006 calendar year information in the resubmitted annual return are consistent with those in the syndicate annual accounts and, if not already submitted, hard copy of the resubmitted AR's managing agent report and auditor report.

SYNDICATE ANNUAL ACCOUNTS AND LLOYD’S ANNUAL RETURN

31 DECEMBER 2007

Syndicate No: _____
 Managing Agent: _____

Statement by the managing agent to the Council of Lloyd’s

In accordance with Market bulletin Y4105 dated 20 December 2007, “2007 Syndicate Report and Accounts”, we confirm that the disclosures in column C of AR1 and AR2 of the Annual Return as submitted to Lloyd’s on ... [February/March] 2008 agree with those for the 2007 profit and loss account balance sheet, and related notes of the syndicate annual accounts as at 31 December 2007.

[If applicable] Following a restatement of the 2006 comparative figures, the disclosures in column C of AR190 and AR290 of the Annual Return as submitted to Lloyd’s on ... [February/March] 2008 agree with those for the restated 2006 profit and loss account and balance sheet in the syndicate annual accounts as at 31 December 2007.

Signed _____ Finance Director*
 Name _____ (BLOCK CAPITALS)
 Signed _____ Director*
 Name _____ (BLOCK CAPITALS)
 On behalf of _____ Managing Agent
 Date _____

* The signatories must be different
 Date

Report of the independent auditors to the Council of Lloyd’s

We have reviewed the statement dated March 2008 by the managing agent.

This report is made solely to the addressees in accordance with Market Bulletin ref: Y... dated ... December 2007 entitled “2007 syndicate report and accounts”. Our work has been undertaken so that we might state to the addressees of this report those matters which we are required to state in this report by the Instructions and for no other purpose. 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 opinions we have formed.

Our opinion dated..... on the syndicate annual accounts was/was not qualified.

[Either] There are no additional matters referred to in that opinion which have not been referred to in our opinion dated on the 2007 [and 2006] Calendar year information in the Annual Return.

[or] There are additional matters referred to in that opinion which have not been referred to in our opinion dated on the 2007 [and 2006] Calendar year information in the Annual Return.

OPINION

In our opinion:

- a) the statement dated ... March 2008 has been properly prepared by the managing agent; and
- b) it was not unreasonable for the managing agent giving the statement to have made the statements therein.

Registered Auditor
 London
 Date

**SYNDICATE ANNUAL ACCOUNTS AND SYNDICATE UNDERWRITING YEAR
ACCOUNTS
31 DECEMBER 2007**

Syndicate No.

Managing Agent:

In respect of the above syndicate:

I confirm that the version of the 31 December 2007 syndicate annual accounts [and syndicate underwriting year accounts] submitted to Lloyd's in electronic PDF file format, via the Lloyd's Market Returns Website on or before 27 March 2008, is/are identical to the hardcopy signed version of the syndicate annual accounts [and syndicate underwriting year accounts] submitted to Lloyd's Market Reporting Department on or before 20 March 2008 for the annual accounts and 27 March 2008 for the underwriting accounts.

Signed.....

Director / Compliance Officer

Name

(Block capitals)

Date

This form is to be signed and dated by a Director or compliance officer and returned to Sika Deegbe Market Reporting, 1986 Building/G5, 1 Lime Street, London, EC3M 7HA, by Thursday 27 March 2008.

**Disclosure points for consideration in the syndicate annual/underwriting year
accounts of
third party syndicates**

A number of comments have been received from members expressing concern that the levels of disclosure in the directors' reports, particularly in the syndicate underwriting year accounts, were varied across the market. While some provided levels of detail that were equivalent to those required under the old Syndicate Accounting Byelaw, others provided minimal information, making it difficult for members to assess the syndicate's performance. The following summarises the areas of concern and agents of third party syndicates are encouraged to consider each of these areas of disclosure and how to address them in their 2007 syndicate accounts.

Seven Year Summary

A key change for members is that not all syndicates included a Seven Year Summary. Although the final result as a percentage of capacity may be included in the text, other information relating to capacity utilisation, investment return etc are not easily comparable. Agents should therefore include a seven year summary, in similar format to that which was required under the old Syndicate Accounting Byelaw.

RITC

The data included in the RITC notes of some syndicates did not include outstanding claims and IBNR information, both on a gross and net basis as the Report & Accounts used to. Hence it is difficult for members to assess reserves. Agents should include such information, in similar format to that which was required under the old Syndicate Accounting Byelaw.

Members' Agents' Fees/ personal expenses

The treatment of members' agents' fees and personal expenses in the accounts differed across syndicates making it particularly difficult to analyse the final result. Personal expenses should be shown separately from syndicate expenses in the technical account and members' agents' fees should not be included therein, but rather should be disclosed as one of the items in the "amounts due to/from members" note.

Commentary on the Year

The standard of commentary on the closed year and open years was mixed. Managing agents should include the levels of disclosure that were included in the underwriter's report under the old Syndicate Accounting Byelaw and in particular:

- (a) a description of the business underwritten;

- (b) a review of the open years of account, including forecast result as well as the one just closed; and
- (c) an outline of current trading and likely future developments.

Brokerage

The new accounting format for the annual accounts includes brokerage within net operating expenses and this should be disclosed separately in the note on net operating expenses. This also applies to the syndicate underwriting year accounts where not all syndicates reported acquisition costs separately in that note. This makes it more difficult to compare the current closed year with previous closed years.

Analysis of underwriting result: Pure and Prior years

Now that premiums are normally stated gross of brokerage the comparison of pure and prior year data can be distorted if the underwriting result does not take account of the brokerage expenses. Any analysis of the underwriting result should take account of the brokerage expense.

Investment return

Investment return should be analysed by currency and the average fund and size disclosed for each currency, as under the old Syndicate Accounting Byelaw. This should be accompanied by an appropriate commentary.