

MARKET BULLETIN

REF: Y4353

Title	2009 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	Robert Smith, Manager, UK Reporting, Market Finance Contact details: 020 7327 5459 robert.smith@lloyds.com
Date	17 December 2009
Deadline	Thursday 18 March 2010 – submission to Lloyd's of syndicate annual accounts together with agent and auditor confirmations Thursday 25 March 2010 – submission to Lloyd's of underwriting year accounts and pdf copies Wednesday 31 March 2010 – dispatch of syndicate annual accounts and syndicate underwriting year accounts to members' agents / capital providers

Related links

Summary

This bulletin covers the:

- (a) dispatch of syndicate annual and underwriting year accounts to members;
- (b) submission to Lloyd's of syndicate annual accounts and confirmation reports of agreement with the information in the Annual Return;
- (c) key changes to the disclosure confirmation requirements; and
- (d) submission to Lloyd's of underwriting year accounts and PDF copies of the annual and underwriting accounts.

Dispatch of syndicate annual and underwriting year accounts to members

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the LR 2008) managing agents must prepare syndicate annual accounts for all syndicates that they manage at 31 December 2009. Furthermore, they must also prepare syndicate underwriting year accounts for all syndicates that they manage at 31 December 2009 and which had an underwriting year either closing at that date or remaining

open despite being at the 36 month stage of development or older. 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 6(1) of the LR 2008).

Wednesday 31 March 2010 is the date by which managing agents must dispatch their syndicate annual accounts and, where applicable, syndicate underwriting year accounts, to syndicate members or members' agents on their behalf (but see also section on pdf copies in relation to dispatch to members). However, earlier deadlines have been set for dispatch to Lloyd's.

Submission to Lloyd's of syndicate annual accounts and confirmations of agreement with the information in the Annual Return

Under the LR 2008 the Council of Lloyd's must prepare Aggregate Accounts which are an aggregation of syndicate annual accounts. In practice the Aggregate Accounts will be prepared from the syndicate accounts information in the Annual Return per the 2009 year-end instructions, to be submitted by Thursday 25 February 2010. Lloyd's expects to publish the market results on Wednesday 24 March. We therefore need to receive the syndicate annual accounts before 24 March together with confirmation that the Annual Return data is consistent with the disclosures in the syndicate annual accounts.

Managing agents are required to submit to Lloyd's, by Thursday 18 March 2010, the syndicate annual accounts together with a confirmation, to be signed by the finance director and another director, that the 2009 year-end disclosures in the syndicate annual accounts agree with those in the Annual Return (as originally submitted or as resubmitted). If the 2008 comparative figures in the 31 December 2009 accounts have been restated from those reported in the 31 December 2008 accounts then the confirmation must also state that the 2008 comparative disclosures in the syndicate annual accounts agree with those in the comparative forms of the Annual Return. The managing agent's report must be accompanied by a report of the auditor of the syndicate annual accounts.

The following Appendices are relevant to the confirmation reports:

Appendix	
2	Decision tree for the types of confirmation that may be required
3	Wording of the managing agent's report where there is no restatement of 2008 figures
4	Wording of the managing agent's report where there is a restatement of 2008 figures
5	Standard wording of the report by the auditor of the syndicate annual accounts.
6	Further information on the content of the confirmation report

The accounts and the managing agent and auditor reports must be sent to:

Abdul Motalib
Market Finance
Gallery 5
Lloyd's 1986 Building
One Lime Street
London EC3M 7HA

There is no reception area on Gallery 5 so hard copies that are to be delivered by hand must be taken to the "tenants and couriers" office which is located on the lower ground floor on the left side of the Lloyd's building when viewed from Lime Street.

Key changes to the disclosure confirmation requirements

The software for the Q4 2009 QMA return has been amended to capture, among other things, additional disclosure requirements for the Aggregate Accounts required by the LR 2008. However, the five potential disclosure requirements listed below have not been included in the software either because the disclosure will be mostly narrative, as in the case of related parties, or because we believe few, if any, syndicates will need to make these disclosures, eg reporting fixed assets above fair value.

- 1) Off balance sheet arrangements;
- 2) Financial assets classified as available-for-sale;
- 3) Derivatives not included at fair value;
- 4) Fixed assets in excess of fair value; and
- 5) Related party transactions that have not been concluded under normal market conditions.

We do need to ensure that we are aware of any and all instances where syndicate annual accounts contain these disclosures and to this end we have included the above points in a table in the confirmation at Appendices 3 and 4. Additional details are provided in Appendix 6. If one or more of the above disclosures are to be included in a syndicate's annual accounts, it would be appreciated if the managing agent could notify us by e-mail to (lloyds-MRD-ReturnQueries@lloyds.com) as soon as possible so that we have more time to consider the impact on the Aggregate Accounts.

Submission to Lloyd's of underwriting year accounts and PDF copies of the annual and underwriting year accounts

Syndicate underwriting year accounts must be dispatched to Lloyd's, to the same contact as for syndicate annual accounts as above, by Thursday 25 March.

By this date Lloyd's must have two signed copies of the syndicate annual accounts and, where applicable, the syndicate underwriting year accounts. 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.

Managing agents should note 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 2010 (regulation 8(2) of the LR 2008). Lloyd's will submit a copy of the accounts to the FSA on behalf of managing agents to meet this requirement. Run-off underwriting year accounts do not need to be sent to the FSA.

In order to facilitate the earlier dissemination of reporting data to interested parties, including the FSA, managing agents are also required 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 25 March 2010.

Managing agents are also required to complete and submit, by 25 March 2010, the form attached at Appendix 7 which verifies that the electronic PDF file version of the 31 December 2009 syndicate annual report and accounts submitted via the MSU Market Returns website is identical to the signed hardcopy submitted to Market Finance. 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.

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

Robert Smith

Appendix 1

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

The following summarises a number of disclosure points that the agents of syndicates with third party capital are encouraged to consider when compiling their 2009 syndicate accounts.

RITC

The data included in the RITC notes of some syndicates did not include an analysis of 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.

Last year, the majority of syndicates provided information on the ‘net notified outstanding claims’ however minimal disclosure was provided with regards to the IBNR information.

Below is a standard example of best practice disclosure:

	Reported:	IBNR:	Total:
	£000	£000	£000
Gross reinsurance to close premium payable	xxx,xxx	xxx,xxx	xxx,xxx
Reinsurance recoveries anticipated	(xxx,xxx)	(xxx,xxx)	(xxx,xxx)
Reinsurance to close premium payable, net of reinsurance	xxx,xxx	xxx,xxx	xxx,xxx

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

Where this commentary is covered in the annual accounts, the underwriting accounts should have a note cross referring.

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. See note below for example of best practice disclosure.

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.

Below is a standard example of best practice disclosure:

	2006 & prior years of account £'000	2007 pure years of account £'000	Total 2006 £'000 £'000
Technical account balance before allocated investment return & net operating expenses	x,xxx	x,xxx	x,xxx
Brokerage and commission on gross premium	(xxx)	(xxx)	(xxx)
	x,xxx	x,xxx	x,xxx

Exchange rate movement

Given the significant exchange rate movement seen this year, it would be helpful to provide separate disclosure of the exchange rate impact upon the bottom line profit.

Investment return

It may be helpful for investment return to be analysed by currency and the average fund and size disclosed for each currency, as under the old Syndicate Accounting Byelaw.

Below is an example of a best practice disclosure in relation to the figures, based on calendar year performance. This should be accompanied by an appropriate commentary sufficient to enable capital providers to come to an informed judgment on how the managing agent has performed in this area. This should include how the fund has performed in relation to relevant benchmarks that are used and a general commentary from the fund manager(s) together with details of who has acted as managers and custodians of the funds in the year.

	2009	2008
	£'000	£'000
Income from investments	xx,xxx	xx,xxx
gains on the realisation of investments	xx,xxx	xx,xxx
	xx,xxx	xx,xxx
<hr/>		
Average amount of syndicate funds available for investment during year:	000's	000's
Sterling	xx,xxx	xx,xxx
Euro	xx,xxx	xx,xxx
US dollar	xx,xxx	xx,xxx
Canadian dollar	xx,xxx	xx,xxx
Combined in sterling	xx,xxx	xx,xxx
Gross aggregate investment return for the calendar year In sterling	xx,xxx	xx,xxx
<hr/>		
Gross calendar year investment yield:		
Sterling	x.x%	x.x%
Euro	x.x%	x.x%
US dollar	x.x%	x.x%
Canadian dollar	x.x%	x.x%
Combined	x.x%	x.x%

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Where this commentary is covered in the annual accounts, the underwriting accounts should have a note cross referring.

Seven Year Summary

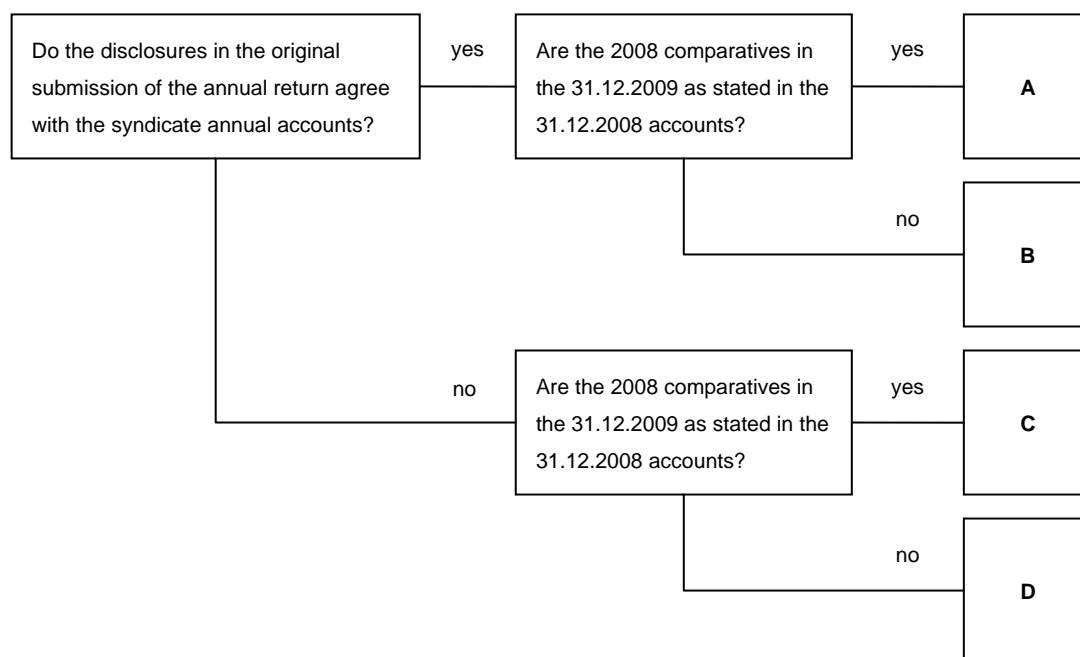
Not all syndicates included a Seven Year Summary. Although the final result as a percentage of capacity may have been included in the text, other information relating to capacity utilisation, investment return etc were not easily comparable. Agents should therefore include a seven (or fewer where the syndicate only commenced underwriting in 2002 or post) year summary, in similar format to that which was required under the old Syndicate Accounting Byelaw.

Confirmation of consistency between syndicate annual accounts and the 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 accounts; and
- ii) the 2008 comparative figures are being restated in the 31 December 2009 syndicate annual accounts from the figures disclosed in the syndicate annual accounts as at 31 December 2008.

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 3) and auditor report (Appendix 5) confirming that the disclosures for the 2009 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 4) and auditor report (Appendix 5) confirming that the disclosures for the 2009 and 2008 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 3) and auditor report (Appendix 5) confirming that the disclosures for the 2009 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 QMA managing agent report and auditor report.

- D Hard copy of managing agent report (Appendix 4) and auditor report (Appendix 5) confirming that the disclosures for the 2009 and 2008 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 QMA managing agent report and auditor report.

Appendix 3 (no restatement)

**SYNDICATE ANNUAL ACCOUNTS AND LLOYD'S ANNUAL RETURN
31 DECEMBER 2009**

Syndicate No: _____

Managing Agent: _____

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

In accordance with Market Bulletin Y4353 dated 17 December 2009, "2009 Syndicate Report and Accounts", we confirm that the disclosures in column C of QMA001 and QMA002 of the Annual Return as submitted to Lloyd's on 2010 agree with those for the 2009 profit and loss account, balance sheet, and related notes of the syndicate annual accounts as at 31 December 2009.

We also confirm that the syndicate annual accounts do or do not include the following disclosures:

	Yes	No
Off balance sheet arrangements – Lloyds Regulations 2008, Schedule 1, para 7	<input type="checkbox"/>	<input type="checkbox"/>
Financial assets classified as available-for-sale – Reporting Regulations 2008, Schedule 3, para 73	<input type="checkbox"/>	<input type="checkbox"/>
Derivatives not included at fair value – Reporting Regulations 2008, Schedule 3, para 74	<input type="checkbox"/>	<input type="checkbox"/>
Fixed assets in excess of fair value – Reporting Regulations 2008, Schedule 3, para 75	<input type="checkbox"/>	<input type="checkbox"/>
Related party transactions that have not been concluded under normal market conditions – Reporting Regulations 2008, Schedule 3, para 90	<input type="checkbox"/>	<input type="checkbox"/>

Signed _____ Finance Director

Name _____ (BLOCK CAPITALS)

Signed _____ Director

Name _____ (BLOCK CAPITALS)

On behalf of _____ Managing Agent

Date _____

Appendix 4 (including restatement of 2008)

**SYNDICATE ANNUAL ACCOUNTS AND LLOYD'S ANNUAL RETURN
31 DECEMBER 2009**

Syndicate No: _____

Managing Agent: _____

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

In accordance with Market Bulletin Y4353 dated 17 December 2009, "2009 Syndicate Report and Accounts", we confirm that the disclosures in column C of QMA001 and QMA002 of the Annual Return as submitted to Lloyd's on 2010 agree with those for the 2009 profit and loss account, balance sheet, and related notes of the syndicate annual accounts as at 31 December 2009. Furthermore, the restated 2008 comparative figures in column C of QMA190 and QMA290 of the Annual Return agree with those for the restated 2008 profit and loss account and balance sheet in the syndicate annual accounts as at 31 December 2009.

We also confirm that the syndicate annual accounts do or do not include the following disclosures:

	Yes	No
Off balance sheet arrangements – Lloyds Regulations 2008, Schedule 1, para 7	<input type="checkbox"/>	<input type="checkbox"/>
Financial assets classified as available-for-sale – Reporting Regulations 2008, Schedule 3, para 73	<input type="checkbox"/>	<input type="checkbox"/>
Derivatives not included at fair value – Reporting Regulations 2008, Schedule 3, para 74	<input type="checkbox"/>	<input type="checkbox"/>
Fixed assets in excess of fair value – Reporting Regulations 2008, Schedule 3, para 75	<input type="checkbox"/>	<input type="checkbox"/>
Related party transactions that have not been concluded under normal market conditions – Reporting Regulations 2008, Schedule 3, para 90	<input type="checkbox"/>	<input type="checkbox"/>

Signed _____ Finance Director

Name _____ (BLOCK CAPITALS)

Signed _____ Director

Name _____ (BLOCK CAPITALS)

On behalf of _____ Managing Agent

Date _____

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

We have reviewed the statement dated March 2010 by the managing agent.

This report is made solely to the addressees in accordance with Market Bulletin ref: Y4353 dated 17 December 2009 entitled “2009 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 2009 [and 2008] 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 2009 [and 2008] Calendar year information in the Annual Return.

OPINION

In our opinion:

- a) the statement dated ... March 2010 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

Further information on the confirmation reports

The confirmation in Appendices 3 and 4 covers agreement of the disclosures in the:

- (a) profit and loss account with those in column C of form QMA001;
- (b) balance sheet with column C of the QMA002; and
- (c) notes to the accounts where the disclosures are reflected in column C of QMA001 and QMA002.

This year the confirmation has been extended to cover whether or not certain specific disclosures have been made in the notes to the syndicate annual accounts.

Point (c)

The review needs to cover the notes to the accounts that can be derived from QMA001 and QMA002 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 QMA001, 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 QMA001. Where the balance sheet of a life syndicate has long term business provisions, it will be sufficient to agree those figures to QMA002 line 34.

Additional notes

While the QMA is designed to capture most of the syndicate information required for the compilation of the Aggregate Accounts the information for the five notes listed in the confirmation is not included either because the disclosure will be mostly narrative, as in the case of related parties, or because we believe few, if any, syndicates will need to make these disclosures, eg reporting fixed assets above fair value. However, we do need to ensure that we are aware of any and all instances where syndicate annual accounts do contain these disclosures and it is to this end that we have included the table in the confirmation.

All syndicates must complete each of the 5 rows by either ticking the “Yes” box to indicate that the syndicate’s annual accounts do have that note or “No” to confirm that the accounts do not have the disclosure.

The following sections provide additional guidance on these matters.

Off balance sheet arrangements

Included in the additional disclosures in paragraph 7 of Schedule 1 of the Lloyd's Regulations is the requirement to report off-balance sheet arrangements. The Regulations do not define an off-balance sheet arrangement but nor does the equivalent regulations for companies. The UITF has sought to provide some guidance and the following is an extract from the Accounting Standards Board's Press Note 328, "Disclosure of off balance sheet arrangements".

Such off-balance-sheet arrangements could be any transactions or agreements which companies may have with entities, even unincorporated ones, that are not included in the balance sheet. Such off-balance-sheet arrangements may be associated with the creation or use of one or more Special Purpose Entities (SPEs) and offshore activities designed to address, inter alia, economic, legal, tax or accounting objectives. Examples of such off-balance-sheet arrangements include risk and benefit-sharing arrangements or obligations arising from a contract such as debt factoring, combined sale and repurchase agreements, consignment stock arrangements, take or pay arrangements, securitisation arranged through separate companies and unincorporated entities, pledged assets, operating leasing arrangements, outsourcing and the like. Appropriate disclosure of the material risks and benefits of such arrangements that are not included in the balance sheet should be set out in the notes to the accounts or the consolidated accounts.

Financial assets classified as available-for-sale

Paragraph 73 of Schedule 3 to the Reporting Regulations 2008 requires certain disclosures in relation to financial instruments at fair value. We are aware that a number of syndicates have adopted FRS26 but this does not necessarily mean that we need to consider capturing additional information from the syndicate annual accounts. We would only need to capture additional information where the syndicate has designated assets as available-for-sale and hence may be taking unrealised movements through equity. We do not believe that any syndicates have designated assets as available-for-sale but if a syndicate has done so then the "Yes" box must be ticked.

Derivatives not included at fair value

Paragraph 74 of Schedule 3 to the Reporting Regulations 2008 requires the disclosure of any derivatives that are not reported at fair value. Our expectation is that syndicates will not have such derivatives to report under this paragraph.

Fixed assets reported above fair value

Paragraph 75 of Schedule 3 to the Reporting Regulations 2008 requires the disclosure of any fixed assets that could be included at fair value but which are reported at an amount above that fair value. Our expectation is that syndicates will not have anything to report under this paragraph.

Related party transactions

Paragraph 90 of Schedule 3 to the Reporting Regulations 2008 requires the disclosure of transactions which the syndicate has entered into with related parties where the transactions are material and have not been concluded under normal market conditions.

The distinction between related party transactions that are concluded under normal market conditions and those that are not is important as it is only the latter, those not under normal market conditions, that have to be considered for inclusion in the central Aggregate

Accounts. To assist managing agents in identifying what are considered to be normal market transactions, we set out below a table with examples of related party transactions that syndicates included within last year's syndicate annual accounts that are considered to be under normal market conditions.

If you have any doubts about whether or not a related party transaction is considered to be under normal market conditions then please contact Market Finance. Furthermore, if you know that you will be reporting a related party transaction that is outside market conditions it would be appreciated if you could provide Market Finance with a draft of the note in advance to give us more time to consider the impact on the Aggregate Accounts.

Transaction Type	Example
Recharged expenses - provided these are on an arms length basis	Expenses totalling £m were recharged to the syndicate by the immediate / ultimate parent company
Managing Agent Fees	Managing Agent fees totalling £m were paid by the syndicate to the immediate / ultimate parent company / managing agent
Profit commissions	Profit commission of £m is payable by the syndicate to the Underwriting Agent in respect of profits for the calendar year.
Group syndicate membership / Capacity on syndicates	A fellow subsidiary / ultimate/immediate parent company provided capacity to the underwriting years of the syndicate. Their share of the profits for the calendar year totalled £m
Fees paid in respect of investment and consultancy services	ABC Consultancy Limited provides financial and other services to the syndicate and the group. These fees were charged on an arms length basis, and in the course of normal market conditions

**SYNDICATE ANNUAL ACCOUNTS AND SYNDICATE UNDERWRITING YEAR
ACCOUNTS
31 DECEMBER 2009**

Syndicate No.

Managing Agent:

In respect of the above syndicate:

I confirm that the version of the 31 December 2009 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 25 March 2010, is/are identical to the hardcopy signed version of the syndicate annual accounts [and syndicate underwriting year accounts] submitted to Lloyd's Market Finance Department on or before 18 March 2010 for the annual accounts and 25 March 2009 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 Abdul Motalib, Market Finance, 1986 Building/G5, 1 Lime Street, London, EC3M 7HA, by Thursday 25 March 2010.