

**2004 No. 3219**

**INSURANCE**

**The Insurance Accounts Directive (Lloyd's Syndicate and  
Aggregate Accounts) Regulations 2004**

<i>Made</i> - - - -	<i>8th December 2004</i>
<i>Laid before Parliament</i>	<i>8th December 2004</i>
<i>Coming into force</i> - -	<i>31st December 2004</i>

The Treasury, being a government department designated(a) for the purposes of section 2(2) of the European Communities Act 1972(b) regarding measures relating to authorisation or the carrying on of insurance business and the regulation of such business and its conduct, in exercise of the powers conferred on them by that section hereby make the following Regulations:

**PART 1**

**General**

**Citation and commencement**

1. These Regulations may be cited as the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2004 and come into force on 31st December 2004.

**Interpretation**

2.—(1) In these Regulations—

“the 1985 Act” means the Companies Act 1985(c);

“the Authority” means the Financial Services Authority;

“the Council of Lloyd's” means the Council constituted by section 3 of the Lloyd's Act 1982;

“financial year” means the period of 12 months beginning on 1<sup>st</sup> January;

“Lloyd's byelaws” means the byelaws made under the Lloyd's Acts 1871 to 1982;

“managing agent” means a person who is permitted by the Council of Lloyd's, in the conduct of his business as an underwriting agent, to perform, for a member of Lloyd's, one or more of the following functions—

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(a) S.I. 1997/2781.

(b) 1972 c. 68.

(c) 1985 c. 6.

- (a) underwriting contracts of insurance at Lloyd's;
- (b) reinsuring such contracts in whole or in part;
- (c) paying claims on such contracts;

“syndicate” means one or more persons, to whom a syndicate number has been assigned by or under the authority of the Council of Lloyd's, carrying out or effecting contracts of insurance written at Lloyd's.

(2) In these Regulations any reference to the accounts required by or prepared under regulation 3 is a reference to the annual accounts, annual report and auditors' report required by or prepared under paragraph (2) of that regulation.

(3) In these Regulations an underwriting year of account is closed—

- (a) at the time when a contract of reinsurance to close that year of account, which complies with the requirements in the Lloyd's byelaws, takes effect; or
- (b) in the case of a syndicate which consists of a single corporate member, at the time when an amount representing the provision for all known and unknown liabilities attributable to the closing year of account, is included in the underwriting account for the following underwriting year.

(4) Other expressions used in these Regulations have the meanings ascribed to them by the 1985 Act.

## PART 2

### Syndicate accounts

#### Preparation of syndicate annual accounts

3.—(1) Managing agents must prepare or cause to be prepared the accounts and reports required by paragraph (2), in respect of—

- (a) each syndicate that they manage on 31<sup>st</sup> December; and
- (b) any syndicate that they were the last managing agent to manage during the preceding year and which has no managing agent on 31<sup>st</sup> December.

(2) Managing agents must, for the financial year preceding 31<sup>st</sup> December, in respect of each syndicate—

- (a) prepare the annual accounts and annual report; and
- (b) cause to be prepared such an auditors' report,

as would be required under the provisions listed in paragraph (4) below if the syndicate were an insurance company formed and registered under the 1985 Act.

(3) The accounts required by this regulation must—

- (a) be prepared within a period of 3 months beginning immediately after the end of the syndicate's financial year;
- (b) state that they are prepared under this regulation; and
- (c) comply with such of the requirements of the provisions in paragraph (4) as relate to the contents of the required accounts or reports, subject to the modifications in the Schedule to these Regulations.

(4) The provisions referred to in paragraphs (2) and (3) the provisions are the following provisions of the 1985 Act—

- (a) sections 226(1) and (2)(a), 226A, 231 to 234, 234A, 235 to 237, 240, 242B, 255(a);

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(a) sections 226, 235, 236 and 240 were amended by and section 226A was inserted by the Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulations 2004 (S.I. 2004/2947)

- (b) paragraphs 11 and 12 of Schedule 5;
- (c) paragraph 6 of Schedule 7;
- (d) Schedule 9A other than—
  - (i) paragraphs 10(2), 61, 64, 65, 72(2), 73;
  - (ii) in paragraph 2(2) the words from “but the following” to the end of that paragraph; and
  - (iii) Part 2 of that Schedule.

(5) For the purposes of the provisions listed in paragraph (4) as applied to accounts prepared under this regulation, these Regulations shall be regarded as part of the requirements of the 1985 Act.

(6) Part 2 of the Companies Act 1989<sup>(a)</sup> (eligibility for appointment as auditors) applies to auditors appointed for the purposes of this regulation subject to any necessary modifications to take account of the fact that the syndicate is unincorporated.

(7) The Schedule to these Regulations has effect for the purpose of modifying the provisions of the 1985 Act listed in paragraph (4), in their application to syndicates.

### **Preparation of syndicate underwriting year accounts**

4.—(1) Managing agents must, in respect of each syndicate for which Regulation 3(1) requires them to ensure the preparation of accounts and reports, prepare or cause to be prepared underwriting year accounts in accordance with paragraph (2), unless—

- (a) no underwriting year of that syndicate has been closed in the preceding financial year or is being closed at the end of that financial year; or
- (b) the members of the syndicate for each underwriting year included in the underwriting year accounts, agree unanimously, in writing, that no underwriting year accounts shall be prepared in respect of that syndicate.

(2) The underwriting year accounts must be an account which—

- (a) is prepared on an underwriting year basis; and
- (b) gives a true and fair view of the result of that underwriting year at closure.

(3) The accounts required by this regulation must—

- (a) be prepared within a period of 3 months beginning immediately after the end of the syndicate’s financial year; and
- (b) state that they are prepared under this regulation.

(4) Managing agents must cause to be prepared an auditors’ report on the underwriting year accounts required by this regulation stating whether a true and fair view is given of the result of the underwriting year at closure.

(5) Part 2 of the Companies Act 1989 (eligibility for appointment as auditors) applies to auditors appointed for the purposes of this regulation subject to any necessary modifications to take account of the fact that the syndicate is unincorporated.

### **Accounts to be sent to syndicate members, the Council and the Authority**

5.—(1) The managing agent responsible for the preparation of the accounts of a syndicate must send a copy of the accounts prepared under regulations 3 and 4 to every member of Lloyd’s who participates in that syndicate and to the Council of Lloyd’s, within 3 months from the end of the financial year.

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(a) 1989 c. 40.

(2) The managing agent responsible for the preparation of the accounts of a syndicate must send a copy of the accounts prepared under regulations 3 and 4 to the Authority within 6 months from the end of the financial year.

(3) References in this regulation to sending, include references to using electronic communications for sending copies of those documents to such address as may for the time being be notified to the managing agent by that person for that purpose.

### **Publication of syndicate accounts**

6. Where a managing agent has sent accounts to the Council of Lloyd's under regulation 5, the Council must—

- (a) make available, on reasonable notice, those accounts for inspection by any person without charge and during business hours at the Council's head office for a period of three years from the date of signature of each document;
- (b) supply to any person upon request a copy of those accounts (or such part of those accounts as may be requested) at a price not exceeding the administrative cost of making the copy, for a period of three years from the date of signature of each document.

### **Penalties for non-compliance**

7.—(1) If the managing agent of a Lloyd's syndicate fails to comply with paragraph (1) of regulation 3, within the period referred to in paragraph (3) of that regulation, the managing agent and every person who was a director or partner of it immediately before the end of that period, is guilty of an offence and liable on summary conviction to a fine not exceeding level 5 on the standard scale.

(2) If the managing agent of a Lloyd's syndicate fails to comply with paragraph (1) of regulation 4, within the period referred to in paragraph (3) of that regulation, the managing agent and every person who was a director or partner of it immediately before the end of that period, is guilty of an offence and liable on summary conviction to a fine not exceeding level 5 on the standard scale.

(3) If accounts which are supplied under regulation 5, do not comply with the requirements of regulations 3 and 4, the managing agent of the Lloyd's syndicate and every person who was a director or partner of it at the time when the accounts were first made available for inspection or supplied, is guilty of an offence and liable on summary conviction to a fine not exceeding level 5 on the standard scale.

(4) If a managing agent fails to comply with regulation 5(1), it and every person who was a director or partner of it at the time when the failure took place is guilty of an offence and liable on summary conviction to a fine not exceeding level 5 on the standard scale.

(5) If a managing agent fails to comply with regulation 5(2), it and every person who was a director or partner of it at the time when the failure took place is guilty of an offence and liable on summary conviction to a fine not exceeding level 5 on the standard scale.

(6) It is a defence for a person charged with an offence under this regulation to show that he took all reasonable steps for securing that the requirements in question would be complied with.

(7) Section 731 of the 1985 Act applies to any offence under this regulation.

## **PART 3**

### **Aggregate accounts**

#### **Preparation of aggregate accounts by Council of Lloyd's**

8.—(1) The members of the Council of Lloyd's must prepare aggregate accounts in respect of each financial year by cumulating all the syndicate annual accounts prepared in accordance with regulation 3 for that year.

- (2) The aggregate accounts must consist of—
  - (a) an aggregate balance sheet as at the last day of the year; and
  - (b) an aggregate profit and loss account.

Those accounts are referred to in these Regulations as the “aggregate accounts”.

- (3) The aggregate accounts must—
  - (a) be prepared within the period of 6 months beginning immediately after the end of the financial year; and
  - (b) state that they are prepared under these Regulations.

(4) The aggregate accounts must comply with the provisions of Schedule 9A to the 1985 Act as to the form and content of the aggregate balance sheet and aggregate profit and loss account, and additional information to be provided by way of notes to the accounts, apart from the provisions set out in paragraph (5).

- (5) The provisions are the following—
  - (a) paragraphs 10(2), 61, 64, 65, 68, 70, 72(2), 73;
  - (b) in paragraph 2(2) the words from “but the following” to the end; and
  - (c) Part 2 of that Schedule.

#### **Approval and signing of aggregate accounts**

9.—(1) The aggregate accounts must be approved by the Council of Lloyd’s and signed on behalf of the Council by a member of the Council.

(2) The signature must be on the aggregate balance sheet.

(3) Every copy of the aggregate balance sheet which is circulated, published or issued must state the name of the person who signed it on behalf of the Council.

(4) The copy of the aggregate balance sheet which is delivered to the Authority must be signed on behalf of the Council by a member of the Council.

#### **Preparation of annual report by the Council of Lloyd’s**

10.—(1) The members of the Council of Lloyd’s must prepare an annual report on the insurance business carried on by the members of Lloyd’s containing—

- (a) a fair review of the insurance business carried on by the members of Lloyd’s during the financial year, and of the position of the Lloyd’s market at the end of it, consisting of a balanced and comprehensive analysis of the development and performance of the business of the members of Lloyd’s; and
- (b) a description of the principal risks and uncertainties facing the Lloyd’s market.

(2) The business review in the Council of Lloyd’s’ annual report must include, to the extent necessary for an understanding of the development, performance or position of the insurance business of the members of Lloyd’s—

- (a) analysis using financial key performance indicators; and
- (b) where appropriate, analysis using other key performance indicators.

(3) The review must, where appropriate, include references to and additional explanations of amounts included in the aggregate accounts.

(4) In this regulation “key performance indicators” means factors by reference to which the development, performance or position of the insurance business of the members of Lloyd’s can be measured most effectively.

### **Approval and signing of annual report**

**11.**—(1) The annual report prepared under regulation 10 above must be approved by the Council of Lloyd's and signed on behalf of the Council by a member of the Council.

(2) Every copy of the annual report which is circulated, published or issued, must state the name of the person who signed it on behalf of the Council.

(3) The copy of the annual report which is delivered to the Authority must be signed on behalf of the Council by a member of the Council.

### **Auditors' report**

**12.**—(1) The members of the Council of Lloyd's must obtain an auditors' report on the aggregate accounts.

(2) The auditors' report shall include—

- (a) an introduction identifying the aggregate accounts that are the subject of the report and the financial reporting framework that has been applied in their preparation;
- (b) a description of the scope of the review carried out by the auditors and identifying the standards in accordance with which the review was conducted;
- (c) a clear statement as to whether, in their opinion, the aggregate accounts have been properly prepared in accordance with the requirements of these Regulations and whether those accounts are correctly aggregated.

(3) The auditors' report—

- (a) must be either unqualified or qualified; and
- (b) must include a reference to any matters to which the auditors wish to draw attention by way of emphasis without qualifying the report.

(4) The auditors' report must state whether, in their opinion, the annual report of the Council of Lloyd's—

- (a) is consistent with the aggregate accounts for the same financial year; and
- (b) has been prepared in accordance with these Regulations.

### **Signature of auditors' report**

**13.**—(1) The auditors' report must state the names of the auditors and be signed and dated by them.

(2) Every copy of the auditors' report which is circulated, published or issued must state the names of the auditors.

(3) The copy of the auditors' report which is delivered to the Authority must state the names of the auditors and be signed and dated by them.

(4) References in this regulation to signature by the auditors are, where the office of auditor is held by a body corporate or partnership, to signature in the name of the body corporate or partnership by a person authorised to sign on its behalf.

### **Appointment of and duties of auditors**

**14.**—(1) Part 2 of the Companies Act 1989 (eligibility for appointment as auditors) applies to auditors appointed by the Council of Lloyd's to report on the aggregate accounts.

(2) The auditors of the aggregate accounts must, in preparing their report, carry out such investigations as will enable them to form an opinion as to whether the aggregate accounts are properly prepared and a correct aggregation of the syndicate accounts which have been cumulated to prepare them.

(3) If those auditors are of the opinion that the aggregate accounts are not properly prepared or not a correct aggregation of the syndicate accounts which have been cumulated to prepare them, the auditors must state that fact in their report.

(4) If those auditors fail to obtain all the information and explanations which, to the best of their knowledge and belief, are necessary for the purposes of their report, they must state that fact in their report.

### **Aggregate accounts and annual report of Council to be delivered to the Authority and published**

**15.**—(1) The Council of Lloyd's must deliver to the Authority a copy of the aggregate accounts and its annual report on each financial year within a period of 6 months from the end of that year.

(2) The Council of Lloyd's must—

- (a) make available, on reasonable notice, the latest aggregate accounts and its latest annual report for inspection by any person, without charge and during business hours, at the Council's head office; and
- (b) supply to any person upon request a copy of those accounts or that report (or such part of them as may be requested) at a price not exceeding the administrative cost of making the copy.

## **PART 4**

### **Regulation by the Financial Services Authority**

#### **Functions of the Financial Services Authority**

**16.**—(1) The Authority has responsibility for administering the system of regulation of Lloyd's syndicates and the Council of Lloyd's provided for by these Regulations.

(2) Proceedings for an offence under these Regulations may be instituted only—

- (a) by the Authority or the Secretary of State; or
- (b) by or with the consent of the Director of Public Prosecutions.

(3) In exercising its power to institute proceedings for an offence under these Regulations, the Authority must comply with any conditions or restrictions imposed in writing by the Treasury.

(4) The Authority may increase any fee which it charges managing agents under the Financial Services and Markets Act 2000<sup>(a)</sup> to take account of the expenses incurred in carrying out its functions under these Regulations.

## **PART 5**

### **Transitional and Consequential Provisions**

#### **Transitional provisions**

**17.**—(1) The managing agent of a syndicate need not prepare accounts in accordance with regulations 3 and 4 with respect to a financial year of the syndicate commencing on or before 31<sup>st</sup> December 2004.

(2) Where advantage is taken of paragraph (1), regulation 7 does not apply to the managing agent.

(3) The members of the Council of Lloyd's need not—

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(a) 2000 c. 8.

- (a) prepare aggregate accounts in accordance with regulation 8;
- (b) prepare an annual report in accordance with regulation 10; or
- (c) obtain an auditors' report in accordance with regulation 12

with respect to a financial year commencing on or before 31<sup>st</sup> December 2004.

(4) Nothing in this regulation exempts a managing agent or the Council of Lloyd's from any requirement to include corresponding amounts from previous financial years in syndicate or aggregate accounts prepared in accordance with these Regulations.

### **Consequential provisions**

**18.**—(1) Regulations 4, 5(2), 6(1)(b), 6(2)(b) and 6(3)(b) of the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993(**a**) are revoked.

(2) In regulations 6(1) and 6(3) of those regulations the following words are deleted—

“or (as the case may be) a member of the Council”.

(3) In regulation 6(2) of those regulations the following words are deleted—

“or (as the case may be) a member of the Council of Lloyd's”.

8th December 2004

*Joan Ryan*  
*Nick Ainger*  
Two of the Lords Commissioner of Her Majesty's Treasury

## SCHEDULE

Regulation 3

### Modification of Part 7 of the 1985 Act for syndicate accounts

**1.** The accounts prepared under regulation 3 must comply with the provisions of the 1985 Act set out in paragraph (4) of that regulation subject to any necessary modifications to take account of the fact that syndicates are unincorporated.

**2.** Where any of the provisions of the 1985 Act set out in regulation 3(4) impose a duty on the directors of a company, that provision shall, in the case of a syndicate, impose the same duty upon the managing agent of the syndicate.

**3.** The following sections of the 1985 Act are modified in their application to syndicates as follows.

**4.** Section 226(**b**) (duty to prepare individual accounts) is modified as follows—

- (a) in subsection 226(2) for the word “may” substitute “must”; and
- (b) at the end of subsection 226(2)(a), “or” is omitted;

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(a) S.I. 1993/3245.

(b) Section 226 was substituted by S.I. 2004/2947



5. Section 231(a) (disclosure required in notes to accounts: related undertakings) is modified so that subsection (7) is omitted.

6.—(1) Section 232(b) (disclosure required in notes to accounts: emoluments and other benefits of directors and others) is modified as follows –

(a) For subsection (1) there shall be substituted the following—

“(1) The information specified in subsection (2) must be given in notes to the syndicate’s annual accounts.”;

(b) For subsection (2) substitute the following—

“(2) That information is—

- (a) the aggregate amount charged to a syndicate by its managing agent, in respect of emoluments paid to the managing agents’ directors, the active underwriter and (where applicable) the run-off manager of the syndicate, in the last financial year;
- (b) the specific amount charged to a syndicate by its managing agent in respect of emoluments paid to the syndicate’s active underwriter and (where applicable) its run-off manager in the last financial year.”;

(c) for subsection (3) substitute the following—

“(3) In this section “emoluments”—

- (a) includes salaries, fees and bonuses, sums paid by way of expenses allowance (so far as they are chargeable to United Kingdom income tax) and, subject to paragraph (b), the estimated money value of any other benefits received by him otherwise than in cash; but
- (b) does not include any of the following, namely—
  - (i) the value of any share options granted or the amount of any gains made on the exercise of any such options;
  - (ii) any contributions paid, or treated as paid, in respect of him under any pension scheme or any benefits to which he is entitled under any such scheme; or
  - (iii) any money or other assets paid, received or receivable under any long term incentive scheme.”; and

(d) subsection (4) is omitted.

(2) In this paragraph—

“active underwriter” means, in relation to a syndicate, the individual at or deemed by the Council to be at, the underwriting box with principal authority to accept risks on behalf of the members of the syndicate;

“run-off manager” means, in relation to a run-off syndicate, the person who has principal authority to negotiate or place contracts of reinsurance or negotiate and settle the payment of claims on contracts of insurance or reinsurance on behalf of the members of a syndicate;

“run-off syndicate” means a syndicate which no longer accepts new or renewal insurance business (other than the variation or extension of risks previously underwritten, or reinsurance to close of an earlier year of account of that syndicate).

7. Section 233(c) (approval and signing of accounts) is modified as follows—

(a) for subsection (1) substitute the following—

“(1) A syndicate’s accounts shall be approved and signed by the syndicate’s managing agent and where the managing agent is a body corporate or a partnership the accounts must be signed by a director or partner of the managing agent, authorised to sign on its behalf.”;

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(a) Inserted by the Companies Act 1989 and amended by S.I. 1993/1820 and S.I. 1996/189.

(b) Inserted by the Companies Act 1989 and amended by S.I. 2002/1986

(c) Inserted by the Companies Act 1989.

(b) for subsection (3) substitute the following—

“(3) Every copy of the balance sheet which is circulated published, issued or delivered to the Authority must state the name of the person who signed the balance sheet on behalf of the syndicate’s managing agent.”; and

(c) subsection (5) is omitted.

**8. Section 234(a)** (duty to prepare directors’ report) is modified as follows—

(a) in subsection (1), omit paragraph (b);

(b) in subsection (2) omit “the names of the persons who, at any time during the financial year were directors of the company, and”;

(c) subsections (5) and (6) are omitted.

**9. Section 234A(b)** (approval and signing of directors’ report) is modified as follows—

(a) for subsection (1) substitute the following—

“(1) The directors’ report shall be approved and signed by the syndicate’s managing agent and where the managing agent is a body corporate or a partnership, the report shall be signed by a director or partner of the managing agent, authorised to sign on its behalf.”;

(b) for subsection (2) there shall be substituted the following—

“(2) Every copy of the report which is circulated, published, issued or delivered to the Authority shall state the name of the person who signed the balance sheet on behalf of the syndicate’s managing agent.”; and

(c) subsections (3) and (4) are omitted.

**10. Section 235(c)** (auditors’ report) is modified so that subsection (1) is substituted as follows—

“(1) A syndicate’s auditors shall make a report to the syndicate’s members on all annual accounts of the syndicate of which copies are to be sent to the syndicate members during the auditors’ tenure of office.”.

**11. Section 236(d)** (signature of auditors report) is modified as follows—

(a) for subsection (2) substitute the following—

“(2) Every copy of the auditors’ report which is circulated, published, issued or delivered to the Authority shall state the names of the auditors and be signed by them.”; and

(b) subsections (3) and (4) are omitted.

**12. Section 240(e)** (requirements in connections with publication of accounts) is modified as follows—

(a) in subsection (5), for “as required to be delivered to the registrar under section 242” substitute “as required to be sent to the Authority under regulation 5(2) of the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2004”;

(b) subsection (6) is omitted.

**13. Schedule 9A(f)** (form and content of accounts of insurance companies and groups) is modified by the insertion of the following paragraph after paragraph 72—

“**72A.** A description, which need not include particulars of funds held by members of the syndicate, must be given of funds which members are required to hold at Lloyd’s.”.

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(a) Inserted by the Companies Act 1989 and amended by the Companies (Audit, Investigations and Community Enterprise) Act 2004 (2004 c. ) and S.I. 1996/189.

(b) Inserted by the Companies Act 1989.

(c) Inserted by the Companies Act 1989 and amended by S.I. 2002/1986 and S.I. 2004/2947.

(d) Inserted by the Companies Act 1989 and amended by S.I. 2004/2947.

(e) Inserted by the Companies Act 1989 and amended by S.I. 1994/1935 and S.I. 2004/2947.

(f) As substituted by SI 1993/3246 and amended by S.I. 2004/2947.

## EXPLANATORY NOTE

*(This note is not part of the Regulations)*

These Regulations implement Directive 2003/51/EC of the European Parliament and of the Council amending Directives 78/660/EC, 83/349/EEC, 86/635/EEC and 91/674/EEC as regards modernising the annual and consolidated accounts of certain types of companies, banks, other financial institutions and insurance undertakings to bring the preparation of those accounts more into line with international accounting standards (OJ L 178, 17/07/2003, p.16 – 22) (“the Modernisation Directive”), in relation to Lloyd’s of London.

The Modernisation Directive amends Directive 91/674/EEC (“the Insurance Accounts Directive”) by deleting the annex to that directive which contained special provisions relating to the accounts prepared by syndicates in the Lloyd’s of London market and by the Council of Lloyd’s for the market as a whole. The effect of that amendment and the amendment to article 4 of the Insurance Accounts Directive is that syndicates at Lloyd’s are now required to prepare annual accounts using the same basic format for their balance sheet, profit and loss account and the notes to their accounts as other insurance undertakings. The majority of the provisions in the Insurance Accounts Directive now apply to syndicate accounts whereas previously they did not. The accounts which must be prepared for the market as a whole, are not required to be consolidated accounts but are instead to be aggregated accounts prepared by cumulating all syndicate accounts.

Regulation 3 requires managing agents of syndicates to prepare annual accounts for each syndicate for which they are responsible on 31<sup>st</sup> December for the preceding financial year. The accounts that they are required to prepare must comply with the provisions in the Companies Act 1985 which govern the accounts of insurance companies, which are specified in that regulation. The provisions which are specified in the Companies Act are in Part 7 of the Act and Schedule 9A to the Act. Regulation 3 also requires managing agents to ensure the preparation of a directors’ report and an auditors’ report. Some of the provisions of the Companies Act with which the syndicate annual accounts and reports must comply, are modified in their application to syndicates by the Schedule to these Regulations.

Regulation 4 requires the preparation of a separate set of accounts which are to be separately audited. The accounts required by regulation 4 are to be prepared on an underwriting year basis in respect of any underwriting year which is being closed by way of reinsurance to close. Such underwriting year accounts must give a true and fair view of the result of the closing year of account at closure. There are two exceptions to the requirement to produce underwriting year accounts set out in regulation 4.

Regulation 5 requires managing agents of a syndicate to send copies of the accounts prepared under regulations 3 and 4 to the members of the syndicate, the Council of Lloyd’s and the Financial Services Authority. Regulation 6 requires the Council of Lloyd’s to make copies of syndicate accounts that it receives, available to the public on reasonable notice.

Regulation 7 makes it a summary offence for managing agents to fail to comply with regulations 3, 4 and 5, punishable by a fine not exceeding level 5 on the standard scale. By applying section 731 of the Companies Act 1985 to these new offences, the time limit for laying an information relating to these offences is extended.

Regulation 8 requires the Council of Lloyd’s to prepare aggregate accounts in respect of each financial year. These accounts are to be an aggregation of all the annual syndicate accounts prepared under regulation 3 for that year and are to comply with the provisions of Schedule 9A of the Companies Act 1985 apart from the provisions specified in paragraph (4).

Regulation 10 requires the Council of Lloyd’s to prepare an annual report containing a fair review of the business carried on by the members of Lloyd’s and an assessment of the risks facing the Lloyd’s market. Regulation 12 requires the Council of Lloyd’s to obtain an auditors’ report on the aggregate accounts.

Regulations 13 and 14 deal with signature of the auditors' report and the duties of the auditors. Regulation 15 requires the Council of Lloyd's to deliver the aggregate accounts and its annual report to the Financial Services Authority. Those accounts and report must also be available for public inspection on reasonable notice.

Regulation 16 imposes certain statutory functions on the Financial Services Authority in relation to overseeing the preparation and delivery of accounts by Lloyd's syndicates and the Council of Lloyd's.

Regulation 17 makes transitional provisions and regulation 18 revokes certain provisions in the Insurance Accounts Directive (Miscellaneous Insurance Undertakings) Regulations 1993 (S.I. 3245/1993) which had previously imposed requirements on Lloyd's to prepare and publish accounts.

The Schedule to the Regulations modifies several of the provisions of the Companies Act 1985 which are applied to syndicate accounts in order to make allowance for the differences between syndicates and insurance companies. Paragraph 12 of the Schedule imposes a new requirement in relation to the notes to syndicate accounts. This requires syndicate annual accounts to include a description in general terms of the requirements to hold funds at Lloyd's, which members are subject to.

A regulatory impact assessment has been prepared in relation to these Regulations as has a transposition note showing how the main provisions of the Directive, as it applies to Lloyd's, are being transposed into UK law. A copy of both documents can be obtained from the Capital Markets and Governance Team, HM Treasury, 1 Horse Guards Road, London SW1A 2HQ. Both documents are also available on the Treasury website ([www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)) and copies have been placed in the library of both Houses of Parliament.

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