

MARKET BULLETIN

REF: Y4438

Title	2010 year end returns
Purpose	To inform managing agents and auditors that the instructions for the year end returns are available for download and provide additional information
Type	Scheduled
From	Robert Smith, Manager, UK Reporting, Market Finance Contact details: 020 7327 5459
Date	30 November 2010
Deadline	Q4 QMA, incorporating the Annual Return: Thursday 24 February 2011 Q4 QMB: Thursday 3 March 2011 Syndicate annual accounts to Lloyd's: Thursday 17 March 2011 SRD: Thursday 7 April 2010

Related links

The main purpose of this bulletin is to advise managing agents and syndicate auditors that the instructions for the Quarterly Monitoring Return (Parts A and B) are available for download from the Core Market Returns website from 1 December 2010.

In market bulletin Y4421, appendix 4, we provided the timetable for the 2010 year end returns. The audited QMA must be submitted by 24 February, the unaudited QMB by 3 March and the SRD by 7 April. The syndicate annual accounts must be submitted by 17 March. A separate bulletin will be issued providing more detail on the submission of the accounts.

Some changes have been made to the instructions. A summary of the changes is attached as the Appendix but the key change is the introduction of the new form, QMA112, to collect data on Canadian Regulated Business. A clean version of the QMR instructions has been posted to the Core Market Returns site for Managing Agents to download. A tracked changes version is available on request via email to Lloyds-MRD-ReturnQueries@lloyds.com.

Additional information on the year-end returns is given below.

Waivers

Section 8.3 of the instructions includes reference to two FSA waivers (one is on ASL, the other on counterparty exposures to entities that have received support from HM Treasury). To be able to take advantage of these waivers in the Q4 QMA, action needs to be taken before 31 December.

Software

The software for the QMA is now available in the production environment. However, please note that the list of major reinsurers/cedants in paragraph 5.24 of the instructions has not yet been updated in the software. The amendment will be made in January and there will be no impact on any data already entered in the return. We will provide notification of the update using the FAQ's.

We continue to encourage all agents to report any technical, performance and website access issues to the ITG helpdesk as soon as they arise. This will enable the ITG 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 ITG team is 020 7327 5252 (e-mail: itgapplicationsupport2@lloyds.com).

Schedule 3 data

To assist corporate members to prepare their accounts, in accordance with Schedule 3 of the insurance Accounts Directive Regulations 2008, 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 3 data, as defined in the instructions. A separate bulletin will be issued in December to corporate members and their advisers, inviting subscriptions to Lloyd's central Schedule 3 facility as at 31 December 2010.

Audit

A standard wording for the audit reports covering the audited section of the QMA is attached as Appendix 6 to the 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 on Tuesday 4th January 2011, 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 all assets and liabilities are required to be converted at closing rates. The impact of translating non-monetary items to closing rates for solvency should be reported on line 2 of QMA005 using the description "retranslation of non-monetary items". We confirm that this adjustment should be made whether it is a positive or negative movement. Any other solvency adjustments relating to exchange movements should be reported as a separate entry in line 2.

Restatement of December 2009 comparatives

The Q4 QMA includes a number of forms that only require completion if there has been a change of accounting policies for the 31 December 2010 annual accounts compared to those used at 31 December 2009. 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.

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 sheet events not capable of prediction at the balance sheet date. The deadlines for submission of the QMA and the syndicate annual report and accounts are 24 February and 17 March respectively. The syndicate annual accounts may be submitted earlier. Where adjusting balance sheet events do occur and require restatement, a full resubmission of the QMA will be required.

We confirm that where the audited syndicate annual accounts are submitted prior to 17 March, no resubmission is required for information received after the submission of the accounts and the QMA.

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 (robert.smith@lloyds.com) if a response remains outstanding at that time.

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

Robert Smith

Appendix

Summary of main changes to the instructions and software

Section in instructions	Summary of change
1.2.1 Reporting timetable	Dates updated to reflect the 2011 deadlines
2.15 QMA205 undistributed profits/losses	<p>Profit that is to be distributed but remains in the syndicates PTF's at the current quarter end should be reported on line 25.</p> <p>At Q1 only: any and all undistributed closed year profits must be reported on line 25, even if the managing agent intends to retain the profit within the syndicates PTF's. This should not be reported on the FIS forms until Q2 in order to tie in timing and accounting to the standard distribution timetable and to avoid a Q1 double count within Solvency.</p>
2.16 QMA212u Concentration of investment holdings	<p>Form to include the top 20 largest aggregate credit exposures.</p> <p>Credit exposure to AAA rated Government, AAA rated Government Agency and supranationals to be excluded from the form. Issues explicitly guaranteed by AAA rated Governments may also be excluded. Table included of present AAA rated Governments.</p>
2.18 QMA219u Investment analysis	Underlying investments in hedge funds and alternative assets should be reallocated where appropriate to the relevant credit classifications. Further details are required on QMA990 where total hedge funds/alternative assets exceed 10% of total investments.
2.23 QMA710u Reinsurance recoverables	Contact email address updated: LloydsExpMgmt@lloyds.com
2.35 QMR990 Comments	Where necessary, additional comment requirements added to the list, e.g QMA260.
4.4 QMA260 Matching and localisation	<p>Modification of the instructions regarding the treatment of Currency Conversion Scheme (CCS) assets and liabilities.</p> <p>Two new form level comments required, if necessary: Mismatching occurring due to the payment of syndicate expenses in a different currency to the main business conducted; The</p>

	reasons for reporting a negative asset, how it will be managed/rectified in future.
5.3 QMA112 Canadian Regulated Business	This is a new form. This is required to provide information on the completeness of data for Canadian Business as reported in the annual P&C-2 pack.