

MARKET BULLETIN

REF: Y4537

Title	2011 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	2 December 2011
Deadline	Q4 QMA, incorporating the Annual Return: Thursday 23 February 2012 Q4 QMB: Thursday 1 March 2012 Syndicate annual accounts to Lloyd's: Thursday 15 March 2012

Related links

The main purpose of this bulletin is to advise managing agents and syndicate auditors that the instructions for the Quarterly Monitoring Return Part A are available for download from the Core Market Returns website from 5 December 2011.

In market bulletin Y4523, Appendix 4, we provided the timetable for the 2011 year end returns. The audited QMA must be submitted by 23 February, the unaudited QMB by 1 March. The syndicate annual accounts must be submitted by 15 March. A separate bulletin will be issued providing more detail on the submission of the accounts. The syndicate level 2009 results and 2010 forecasts as a percentage of capacity will be released to the Stock Exchange and included on Lloyds.com on Wednesday 28 March 2012.

Some changes have been made to the instructions, the Q4 2011 instructions are "2011 version 3.0". A summary of the changes is attached as the Appendix to this bulletin. 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. Aside from these forms, there will be no impact on any data already entered in the return. We will provide notification of the update using the FAQ's. The first FAQs will be published on Friday 6 January 2012.

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 market bulletin will be issued later in December to corporate members and their advisers, inviting subscriptions to Lloyd's central Schedule 3 facility as at 31 December 2011.

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 3rd January 2012, 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 2010 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 2011 annual accounts compared to those used at 31 December 2010. 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 23 February and 15 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 15 March, no resubmission is required for information received after the submission of the accounts and the QMA.

Expected development in 2012

QMA710u

The Lloyd's Exposure Management team are in the process of reviewing the data collection requirements of the QMA710u Reinsurance Recoverables form. Whilst requirements have not fully been finalised, changes likely for Q1 2012 and post may include the following:

1. The reporting of IBNR – The completion of columns J (IBNR Claims) and Q (Provision for bad and doubtful debt – IBNR Claims) to become compulsory at all quarters and not just applicable at Q4.
2. Disputes – The instructions to column U state that this will be deleted in due course. However it is envisaged that this column will be reinstated, to be completed on an optional basis each quarter.

QMC

As part of the preparation for Solvency II, a new return, Quarterly Monitoring Return – Part C (“QMC”) is being developed. This return will collect the syndicate level information required to enable Lloyd's to provide the annual and quarterly solvency submissions to the Regulator. The return will be developed in 2012 with a dry run currently scheduled for the final quarter of 2012. This return will be in addition to the QMA and QMB both of which will continue, although a few of the forms in the QMA, those relating to investment assets, will be deleted as the equivalent information will be in the QMC. Agents will be advised of progress on the development of the QMC through further bulletins and workshops in 2012.

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

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 2012 deadlines
1.2.2 Late Submission	Redraft of the fining policy following market bulletin Y4527
2.10 QMA002 Overall Balance Sheet	<p>Revisions to the note required on the QMA990 in relation to the write down of investments.</p> <p>Any assets that meet the condition below should be detailed on the QMA990 in a form related note.</p> <p>Condition</p> <ol style="list-style-type: none"> 1. Securities where the original value (or the value as at 31 December 2011) is more than 2% of total assets and where impairment has; <ul style="list-style-type: none"> - led to a loss of more than 25% of the original value (or the value as at 31 December 2011) or - led to a loss of more than 1% of capacity (most recent year of account). <p>New form related note in respect of exposures to peripheral European countries, in particular Portugal, Italy, Ireland, Greece and Spain.</p> <p>For both notes above, please provide the following details: issue, CUSIP, currency, current market value in original currencies and loss taken to the P&L in original currency (including all realised and unrealised losses)</p>
2.35 QMA990 Comments	Where necessary, additional comment requirements added to the list, e.g QMA002.
5.3 QMA112 Canadian Regulated Business	Instructions on this form have been amended to provide greater clarity over the requirements, for example; Where a syndicate does not have Canadian Regulated business, agents are required to check the 'yes' box on this form. The members of the Lloyd's Overseas Reporting team will understand this to mean that the \$zero amount in QMA112 is consistent with the fact that there is no P&C-2 pack.
5.4 QMA137 Personal Expenses – analysis by corporate member	For the purpose of completing this form managing agents must assume that there are relevant corporate members on any MAPA and report each MAPA's share of expenses on this form unless they have advice to the contrary from the relevant members' agent(s).
Forms in the Software	Summary of change
QMA112 Canadian Regulated Business	Column headers have been modified to provide greater clarity over the requirements of this form
QMA531 Analysis of Derivative Contracts	Validation error on line 17 has been updated to include QMA202 line 4.