

MARKET BULLETIN

REF: Y4621

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| Title | Valuation of Liabilities Rules for 31 December 2012 Solvency Test |
| Purpose | To inform managing agents of the release of guidance relating to the setting of technical provisions for solvency as at year-end 2012 |
| Type | Annual Release |
| From | Jerome Kirk, Head, Actuarial Services, Market Reserving & Capital Contact: 0207 327 5812, Jerome.Kirk@lloyds.com |
| Date | 28 September 2012 |
| Deadline | For immediate attention |
| Related links | http://www.lloyds.com/The-Market/Operating-at-Lloyds/Resources/Lloyds_Valuation_of_Liabilities |

The Valuation of Liabilities rules provide guidance relating to the calculation of technical provisions for solvency. The 31 December 2012 issue is based upon 31 December 2011. There have been limited changes and the basis for valuation is substantially the same as for the rules issued in September 2011 (MB Y4521).

Once again sample certificate wordings for the Statement of Actuarial Opinion (SAO) and data accuracy statement are included.

Sample SAO Certificate

Formal actuarial guidance covers how actuaries must go about their work when providing opinions. Sample wordings are indications and actuaries should use the form of words that they are comfortable with and have agreed with their client. However if an actuary does make material changes to the wording in the sample, they should contact the Lloyd's Actuary to confirm that the revised wording remains acceptable to Lloyd's.

Contact Details

Where Managing Agents and Syndicate Actuaries require clarification they should approach either:

Henry Johnson, Lloyd's Actuary (0207 327 5235, Henry.Johnson@lloyds.com) or
Jerome Kirk, Head, Actuarial Services, Market Reserving & Capital (0207 327 5812, Jerome.Kirk@lloyds.com)

US Opinions

Appendix 2 is included for completeness and shows the sample wording for US Trust Fund SAOs. The basis for calculating these has not been changed to an annual accounted basis and remains the same as in previous years.

Sample Reconciliation to QMA223

The Valuation of Liabilities rules section on lloyds.com also includes a sample spreadsheet giving further guidance on the reconciliation of QMA223 to the amounts signed for in the SAOs.

Additional Information

An additional information document accompanies the Valuation of Liabilities rules to add further clarity on common issues for Managing Agents and Syndicate Actuaries. It is highly recommended all interested parties should read the additional information.

Life Syndicates

There are different reporting deadlines for life syndicate opinions. The deadline for submission of the reports on the actuarial valuation of life syndicates is 21 February 2013, and further details will be given in the Q3 2012 QMR bulletin to be published in early October.

Actuarial Guidance

Syndicate actuaries should adhere to all applicable guidance issued by the Board for Actuarial Standards and the Actuarial Profession.

Deadlines for year-end 2012

The deadlines for the submission of non-life worldwide syndicate SAOs and SAO reports are shown below.

| | Deadline |
|---------------------------|--------------------------|
| US Trust Fund SAOs | 14 February 2013 |
| Worldwide SAOs | 21 February 2013 |
| SAO Reports | 28 March 2013 or earlier |

The deadlines for the SAOs and supporting reports are consistent with the corresponding dates for year-end 2011.

Lloyd's uses the SAO reports to enable the provision of statements made in the Lloyd's Actuary certificate as part of the annual Lloyd's FSA return.

SAO Reports

As with previous years, Lloyd's expects the Syndicate Actuary's report to be a stand alone document that explains the work that underlies the opinion. It is envisaged the reports will be broadly similar in size and content to those provided previously. The content will however remain the responsibility of the Syndicate Actuary.

Please submit two copies of the report, one of which must be a hard copy, and the other of which can be an electronic copy or a hard copy. Electronic copies are strongly encouraged. Please send reports to Jerome Kirk, Market Reserving & Capital, G5, Lloyd's, One Lime Street, EC3M 7HA, and submit electronic copies via email to SAOReports@lloyds.com

Signing Actuary

If you are intending to change to a different signing actuary this year-end or have not previously had an SAO, please inform Lloyd's (Henry Johnson or Jerome Kirk) so that Lloyd's can maintain an up to date list of signing actuaries.

Lloyd's expects all signing actuaries to have a valid practising certificate for the duration of a year-end reserving exercise. Whilst there can be many interpretations of when exercises start or finish, for practical reasons this means that no renewals are expected during the period November - February inclusive.

Signing Actuaries Forum

Lloyd's intends to hold another signing actuaries forum in December to further expand on and discuss year-end issues. The invitation will continue to include actuaries from Managing Agents, although places will be limited by agent. Dates for the forum will be circulated by email by the end of October.

Jerome Kirk

Head, Actuarial Services, Market Reserving & Capital
Finance and Operations