

MARKET BULLETIN

REF: Y4745

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| Title | 2013 year end returns |
| Purpose | To inform managing agents and auditors that the QMA and QMC 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: +44 (0)20 7327 5459 |
| Date | 3 December 2013 |
| Deadline | Q4 QMA, incorporating the Annual Return: Thursday 20 February 2014 Q4 QMB: Thursday 27 February 2014 Q4 QMC: Thursday 6 March 2014 Syndicate annual accounts to Lloyd's: Monday 17 March 2014 |

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 C, are available for download from the respective sites within the Core Market Returns website from today.

QMA

In market bulletin Y4726, Appendix 3, we provided the timetable for the 2013 year end returns. The audited QMA must be submitted by 20 February, the unaudited QMB by 27 February. The syndicate annual accounts must be submitted by 17 March. A separate bulletin will be issued on 9 December providing more detail on the submission of the accounts. The syndicate level 2011 results and 2012 forecasts as a percentage of capacity will be released to the Stock Exchange and included on Lloyds.com on Wednesday 26 March 2014.

Some changes have been made to the instructions, the Q4 2013 instructions are "2013 version 2.0". 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.

Software

Although it is possible to open a Q4 2013 version of the QMA at the moment, managing agents should note that the software is to be amended, principally to update the list of major reinsurers/cedants in forms QMA541/542/543 and bulletin references in QMA910 and QMA911. The final version of the software will be available in early January as will be confirmed in the major loss/exchange rate bulletin to be issued on 2 January 2014.

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 2013.

Managing agents must provide Schedule 3 information for any syndicate year of account that has one or more members that are not aligned to the managing agent's group, unless the managing agent knows that the non-aligned members do not require the data. Furthermore all life syndicates must complete forms QMA203 and QMA206 irrespective of whether they have members requiring Schedule 3 information.

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 Thursday 2 January 2014, 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 2012 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 2013 annual accounts compared to those used at 31 December 2012. 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 20 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.

QMC

Solvency II balance sheet

With effect from 31 December 2012, the Solvency II balance sheet return has been incorporated into the Core Market Returns (CMR) as the QMC return. A QMC return must be submitted in respect of each syndicate for which a QMA return is submitted. The Solvency II balance sheet (QMC002) is used to determine the net surplus / (deficit) at syndicate level on a Solvency II basis by reporting year of account. A new form (QMC210) collects an analysis of the adjustments which are made to the UK GAAP members' balance in order to arrive at the Solvency II members' balance. This will assist Lloyd's in its review and understanding of the numbers reported on QMC002. In addition it is also intended to assist managing agents in the preparation, and auditors in the review, of QMC002.

The December 2013 balance sheet will be needed to derive the net balance available for the members' release test in Spring 2014. Accordingly, the QMC return, in addition to requiring a managing agent's report (QMC910), must also be audited. A pro forma audit report (QMC930) is provided for download.

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

| Section in instructions | Summary of change |
|---------------------------|---|
| 1.2.1 Reporting timetable | Dates updated to reflect the 2014 deadlines |
| 2.23 QMA710 | Columns R and U moved changed from optional to compulsory and columns C and T changed from suspended to optional. Also LORS admin code 'GEN' to be deactivated from 30 June 2014. |