

# Market Bulletin

Ref: Y5124

**Title** Valuation of Liabilities Rules for 31 December 2017 Statements of Actuarial Opinion

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**Purpose** To inform managing agents of the release of guidance relating to the setting of provisions for Statements of Actuarial Opinion as at year-end 2017

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**Type** Annual Release

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**From** Catherine Scullion, Manager , Market Reserving & Capital  
Contact: 0207 327 5567, [Catherine.Scullion@lloyds.com](mailto:Catherine.Scullion@lloyds.com)

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**Date** 10 October 2017

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**Deadline** For immediate attention

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**Related links** [http://www.lloyds.com/The-Market/Operating-at-Lloyds/Resources/Lloyds\\_Valuation\\_of\\_Liabilities](http://www.lloyds.com/The-Market/Operating-at-Lloyds/Resources/Lloyds_Valuation_of_Liabilities)

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The Valuation of Liabilities rules provide guidance relating to the calculation basis of provisions for Statements of Actuarial Opinion (SAOs). These have been published on Lloyds.com along with worked examples of the items described and a template to be returned based on the SAO work.

For 31 December 2017 attention is drawn to the following points:

- The SAOs provided will be in line with the basis for 2016 year-end
- Use of the SAO work will be extended, from existing assessment of margin in earned claims, to the level of net of reinsurance profit in unearned provisions. The level of profit within unearned premium which can be claimed as part of the QSR submission will be limited to the proportion of unearned premium considered to represent profit in the Signing Actuary's estimate. This limit will be applied in aggregate (across all years of account) and cannot be offset against margin on earned claims.

- Alignment of life and non-life reporting, resulting in:
  - Valuation undertaken in accordance with UK GAAP (supplemented by FRS103 where relevant)
  - Opinions to be provided using the template wordings provided, consistent with non-life opinions
  - Opinion and report deadlines to be in line with non-life reporting
- The 2017 year-end is the first for which Lloyd's expects documented rationale to be available on request if the same Signing Actuary has provided the SAO for more than four consecutive years.

#### Deadlines for year-end 2017

The deadlines for the submission of SAOs, associated template and SAO reports are shown below.

	<b>Deadline</b>
<b>US Trust Fund SAOs</b>	14 February 2018
<b>Worldwide SAOs</b>	15 February 2018
<b>SAO Template</b>	16 February 2018
<b>SAO Reports</b>	29 March 2018

Please send hard copy Worldwide SAOs and SAO reports to Catherine Scullion, Market Reserving & Capital, G5, Lloyd's, One Lime Street, EC3M 7HA. The US Trust Fund SAOs should continue to be sent to Market Finance.

Two copies of the report should be submitted, one hard copy and one electronic copy. Electronic copies should be submitted via email to [SAOReports@lloyds.com](mailto:SAOReports@lloyds.com).

The SAO template should be submitted to [SAOReports@lloyds.com](mailto:SAOReports@lloyds.com), adhering to the naming convention outlined in the Valuation of Liabilities Rules.

#### Sample Wordings

Sample certificate wordings for the SAO and data accuracy statement are included in the Valuation of Liabilities Rules.

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. If a Signing Actuary does make material changes to the wording in the sample, they should contact Catherine Scullion ([Catherine.Scullion@lloyds.com](mailto:Catherine.Scullion@lloyds.com)) to confirm that the revised wording remains acceptable to Lloyd's.

### Sample Reconciliation to QMA223 and links to QSR210

The Valuation of Liabilities section on lloyds.com includes a sample spreadsheet on the reconciliation of QMA223 to the amounts in the SAOs. An example of the assessment made against the unearned profit in the QSR210 is also provided.

### Signing Actuary Appointment

If you are intending to change to a different Signing Actuary this year-end or have not previously had an SAO, please inform Catherine Scullion ([Catherine.Scullion@lloyds.com](mailto:Catherine.Scullion@lloyds.com)) of the change/appointment 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 to be received by the profession during the period November - February inclusive.

As outlined in the Valuation of Liabilities Rules Lloyd's does not require rotation of Signing Actuary. However, if the same individual has provided a syndicate opinion for more than four consecutive years at the 2017 year-end, Lloyd's expects documented consideration of this appointment by the Managing Agent to be available on request.

### Signing Actuaries' Forum

Lloyd's will hold a signing actuaries forum on 7<sup>th</sup> November 2017 to further expand on and discuss year-end issues. The invitation will continue to include Signing Actuaries and Chief Actuaries. Details of the forum will be circulated by email to invitees.

### Actuarial Guidance

Signing Actuaries should adhere to all applicable guidance issued by the Financial Reporting Council and the Actuarial Profession.

### Contact Details

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

Catherine Scullion, Manager, Market Reserving & Capital; or  
(0207 327 5567, [Catherine.Scullion@lloyds.com](mailto:Catherine.Scullion@lloyds.com))

Ajay Shah, Senior Reserving Actuary, Market Reserving & Capital  
(0207 327 5682, [Ajay.Shah@lloyds.com](mailto:Ajay.Shah@lloyds.com))