

# MARKET BULLETIN

REF: Y4318

<b>Title</b>	Q3 2009 QMR – major losses, exchange rates and year-end timetable
<b>Purpose</b>	To provide managing agents with information required for the completion of the Q3 2009 Quarterly Monitoring Return including the list of major losses to be reported and suggested exchange rates and also to advise the timetable for Q4 2009 to Q3 2010.
<b>Type</b>	Scheduled
<b>From</b>	Robert Smith, Manager, UK Reporting, Market Finance Contact details: 020 7327 5459 <a href="mailto:robert.smith@lloyds.com">robert.smith@lloyds.com</a>
<b>Date</b>	1 October 2009
<b>Deadline</b>	QMA – 2:00pm Thursday 19 November QMB – 2:00pm Thursday 19 November
<b>Related links</b>	

This bulletin provides:

- (a) Q3 2009 deadlines and other information relevant to the completion of the Q3 2009 Quarterly Monitoring Return Parts A and B;
- (b) changes to the returns for Q4 2009 and beyond;
- (c) a note on the year-end workshops;
- (d) the list of major losses for QMB800 (Appendix 1);
- (e) suggested exchange rates (Appendix 2);
- (f) deadlines for the Q4 2009 year-end returns and Q1 to Q3 2010 QMRs (Appendix 3).

## Q3 2009 deadlines and other information

The submission date for the Q3 2009 QMA and QMB is 19 November. The returns must be submitted by no later than 2:00pm of the deadline date. The 2007 and 2008 forecasts as a percentage of capacity will be released to the Stock Exchange and included on Lloyds.com on Wednesday 25 November.

There have been no changes to the forms or the instructions for Q3 2009, please therefore refer to the instructions issued for Q1 2009, referenced as "2009 version 1.0". Those FAQs issued for Q1 and / or Q2 that remain relevant to the Q3 return are included in this bulletin as Appendix 4.

Agents are reminded that, for Q3 2009 and onwards, the instructions include a requirement for a comment to be added in QMA990 in relation to continuing assessment of capital levels as set out in the ICA minimum standards and guidance and the QMA990 section of the QMR instructions. The comment that is required is to provide confirmation that:

- firstly, either:
  - there has been no material change impacting the 2009 ICA and that the current capital level is still valid; or
  - there has been a change impacting capital requirements and a new ICA is being submitted; and.
- secondly, any reserve margins claimed in the 2010 ICA submissions remain as eligible assets to meet capital requirements for November 2009 CIL.

This note should be included as a “return level” comment and the subject should be designated as “ICA”. The note is required from all non-life syndicates, including those in run-off unless a run-off syndicate has received confirmation from Lloyd’s Open Years Management that this is not necessary.

For solvency all assets and liabilities are required to be converted at closing rates. The impact, positive or negative, of translating non-monetary items to closing rates for solvency should be reported on line 6 of QMA005 using the description “retranslation of non-monetary items”. Any other solvency adjustments relating to exchange movements should be reported as a separate entry in line 6. In addition, where relevant please provide a form related comment to confirm the impact from the accounting treatment of historic rates for non-monetary items.

An area that is of increasing importance to us is the forecast of the calendar year result as reported in column A of QMB109. We expect this information to be updated each quarter to reflect both the result that the syndicate has achieved to date and the forecast result for the remainder of the year. While we recognise that some agents do not wish to adjust their year of account best/worst case forecasts unless there is a material movement, the calendar year forecast should be adjusted to reflect any changes in expectations. Form 109 is used by Lloyd’s for internal reporting purposes.

### **Changes to the return for Q4 2009 and beyond**

The QMA will see a number of small changes to the forms for completion at Q4 2009. The main changes are:

QMA001 includes a cell for direct commissions (as does QMA190 for comparative purposes)  
 QMA223, line 16 becomes an entry cell (but see change to QMA005) and the line for LATF is deleted  
 QMA250, will only appear for Life syndicates  
 QMA282, life reserves, three additional lines included  
 QMA005, line 2 an analysis cell  
 QMA921, will only appear for life syndicates.

While the changes to the Lloyd’s software are relatively limited agents are reminded that the disclosure requirements for the syndicate annual accounts are now contained in the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (“the Lloyd’s Regulations 2008”). For disclosures the Lloyd’s Regulations 2008 draw on the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Both sets of Regulations do impose new reporting requirements on syndicates which are not reflected in the changes to the software, eg in relation to auditor remuneration and off-balance sheet arrangements.

Further amendments are also planned for the Q1 2010 QMR. The key changes will be to forms QMB105 and QMB105s, an outline of which is contained in Appendix 5. At the same time we will also move the remaining QMB forms into the QMA, ie there will be no change to the reporting requirements of these forms, they will simply now appear in the QMA for the relevant quarters.

**Workshops**

Based on numbers that attended the 2008 year-end workshops we have planned two dates for the workshops for the 2009 year-end returns as follows:

Date	Venue	Time
Monday 9 November	Floor 11 Presentation Room	09:30 to 11:00
Friday 27 November	Floor 11 Presentation Room	09:30 to 11:00

The workshops will focus on the timetable, changes to be made to the forms for Q4 2009 and the further changes that are planned for Q1 2010. Invitations to these workshops will be issued to Finance Directors via e-mail on 5 October. As previously, agents will initially be limited to two places but we may be able to accommodate others subject to demand.

**Reporting performance issues**

We continue to encourage all agents to report any issues they have with the performance of the software and accessing the systems as soon as they arise. This will enable the ITG help desk to help 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 details for the Data Management team are: 020 7327 5252 (e-mail: [ITGDataManagement@Lloyds.com](mailto:ITGDataManagement@Lloyds.com)).

**Queries**

Any queries or comments on the return should be submitted via e-mail to Market Reporting ([lloyds-MRD-ReturnQueries@lloyds.com](mailto:lloyds-MRD-ReturnQueries@lloyds.com)).

Robert Smith

**Major losses**

The XIS catastrophe codes which must be reported in the Q3 2009 QMB800 are:

1	05H	Hurricane Katrina
2	05L	Hurricane Rita
3	05M	Hurricane Wilma
4	07J	California Fires – October 2007
5	08C	Pipe failure & fire at Varanus Island, Western Australia – 3 June 2008
6	08E	Hurricane Gustav
7	08F	Hurricane Ike
8	09A	Windstorm Klaus – 23 & 34 January 2009
9	09B	Australian wildfires – From 07 February 2009
10	09C	Continental Airlines/Colgan air flight 3407 – 12 February 2009
11	09D	Air France A330 200 lost over Atlantic Ocean 1 June 2009
12	09E	Yemenia Airbus A310-300, registration 70-ADJ, 30 June 2009
13	09F	Severe storm over Amsterdam Schiphol Airport and Woensdrecht Airfield in the Netherlands, 26 May 2009
14	EKOF	Losses arising from impact damage to 2/4 W Platform following collision by “Big Orange XVIII” in Ekofisk oil field, 8 June 2009
15	FINC	Turmoil in financial markets post Lehman Brothers
16	MADO	Collapse of Madoff Investment Securities LLC
17	SUBS	Losses arising from sub prime
18	STAN	Stanford financial corporation alleged fraud

Agents are reminded that if they have any loss to be reported on QMB800 that does not have an XIS catastrophe code they need to ensure that the loss has been allocated a major loss code. Details of the procedure for obtaining a major loss code will be issued in an e-mail on 1 October 2009, along with a full list of current catastrophe and major loss codes to date. The deadline for submission of requests for new major loss codes to Market Finance is Friday 30 October.

Major loss codes assigned for 2009 to date, except for major losses specific to a single syndicate such as a death claim, are:

1	09ZA	Sancor Seguros - Securos Logistics AG
2	09ZC	Aon Pinewood
3	09ZD	Landic Property A/S
4	09ZE	Smithfield Foods Inc
5	09ZF	Eutelsat W2M
6	09ZG	Eutelsat W2A
7	09ZH	Ciudad Juarez - Fire in Warehouse
8	09ZI	Pipe line leak - Indonesia
9	09ZJ	MNW-NF Bridge Project - India
10	09ZK	Al Habtoor Dubai Hail Damage

**Please note:**

Major loss codes relating to 2008 and prior are still maintained in the database. Syndicates are asked to report on major losses in accordance with the QMB800 instructions, repeated within the memo attached to the email issued on 1 October 2009.

**For information:**

Major loss code 08ZB has previously been assigned to the Australia floods in January 2008, to also include losses relating to BHP Billiton. However, can you now please use code 08ZM for specific BHP losses, and continue to use 08ZB for any other losses relating to the floods.

Code 08ZG should only be used for losses relating to Lehman Brothers/Marubeni Corp Japanese loan fraud.

Code 08ZV has been superseded by CAT code 08C. Please use 08C for losses relating to the pipe failure and fire, Varanus Island.

**Appendix 2****Rates of Exchange**

The settlement currency rates as at 30 September 2009 (balance sheet) and the average currency rates (profit and loss account) over the nine month period to 30 September 2009 are as follows (to the £):

	Period end	Average
US dollars	1.60	1.54
Canadian dollars	1.72	1.80
Euro	1.09	1.13
Australian dollar	1.81	2.06
Danish krone	8.15	8.41
Hong Kong dollar	12.40	11.97
Japanese yen	143.20	146.50
New Zealand dollar	2.21	2.57
Norwegian krone	9.28	9.99
Singapore dollar	2.25	2.27
South African rand	12.12	13.38
Swedish krona	11.18	12.09
Swiss franc	1.66	1.71

The above rates may be used in your QMR submission but are not compulsory, i.e. you may use your own rates but they should not be materially different from those in the table.

## Appendix 3

## Deadlines for the 31 December 2009 year-end returns and Q1 to Q3 2010 QMRs

<b>Activity</b>	<b>09/10 deadline</b>	<b>08/09 deadline</b>
Agents to submit amended electronic Canadian packs	Wed 10 February	Tue 10 February
Agents to submit amended electronic US situs packs, schedule F&P packs, and statutory statements of actuarial opinion	Fri 12 February	Fri 13 February
Agents to submit final signed and notarised reporting packs including schedules F&P	Fri 19 February	Thurs 19 February
Agents to submit audited 31.12.2009 QMA, Worldwide SAO (non-life syndicates) and, for life syndicates, the certificate required under IPRU (INS) 9.58 (3) and the abstract of the report under SUP 4.6.15 (2).	Thurs 25 February	Thurs 26 February
Agents to submit 31.12.2009 QMB	Thurs 04 March	Thurs 05 March
Agents to submit 31.12.2009 syndicate annual report and accounts together with agent and auditor confirmation of agreement with QMA	Thurs 18 March	Wed 18 March
Lloyd's Accounts approved by Council	Tues 23 March	Mon 23 March
Agents submit underwriting year accounts to Lloyd's together with PDFs of annual and underwriting year accounts	Thurs 25 March	Thurs 26 March
Relevant agents to submit 2010 FPP	Fri 26 March	Thurs 26 March
Agents send annual and underwriting year accounts to members	Wed 31 March	Tues 31 March
Agents to submit 31.12.2009 SRD	Thurs 8 April	Thurs 09 April
Agents to submit report supporting the US and Worldwide SAOs	Fri 16 April	Fri 17 April
Agents to submit Q1 2010 QMA & QMB*	Thurs 20 May	Thurs 21 May
Agents to submit unaudited Q2 2010 QMA & QMB*	Thurs 12 August	Thurs 13 August
Agents to submit audited Q2 2010 QMA*	Thurs 26 August	Thurs 27 August
Agents to submit Q3 2010 QMA & QMB*	Thurs 18 November	Thurs 19 November

\*Note: For 2010 Q1 and onwards this is the new QMA, ie with virtually all the QMR forms while the QMB comprises just the QMB105 and a replay form, QMB870, generated from the QMB105.



## Additional notes for the Q3 2009 QMR instructions

Form	Query	Response
102	Do we need to complete column D of QMA102 at quarters 1, 2 and 3? The instructions appear ambiguous on this point.	Completion of Column D of QMA102 is only required at Quarter 4 for reporting years at 36 months or older, in particular this should include appropriate adjustments for any RITC received for earlier reporting years.
212u	Do holdings of Government agencies such as Freddie Mac and Fannie Mae need to be considered in this form?	For the purposes of monitoring Lloyd's overall holdings of these asset types, we require disclosure in the QMA where any syndicate has in excess of 5% exposure to any of these institutions. Further, in completing QMB212u (which excludes Government securities from the reporting on this form) Government agencies and Government guaranteed bonds should be considered within the disclosures of the syndicates top ten holdings.
219u	Does the Sterling column only relate purely to Sterling investments, or are all other currencies except USD converted and reported here too like the balance sheet?  Does Lloyd's require further information regarding the N/R rated investments. Will you require this as a 990 disclosure?	Amounts to be reported under the Sterling column relate purely to £ Sterling investments. Any USD investments are to be reported under the 'US Dollar' column. All other currencies excluding the US Dollar and £ Sterling are to be reported under the 'Other Currencies' column (for example Euro, Canadian). All amounts must be reported in CNV. The total column is then a sum across the row of all investments in each category. The total cash, deposits and investments must agree to those reported on the balance sheet, CNV column.  Yes. Without further information items allocated to the N/R category are considered the worst credit quality when assessing syndicate and Lloyd's credit risk on investments. We know that this is not necessarily an accurate assessment and that some N/R investments actually have a high rating which is unavailable at the time of the QMR e.g. new issues or bespoke funds. Please disclose details on CUSIP /nature of investment/ outlook or any other information that may assist our assessment.
005	In quarters 1, 2 and 3 if we have an amount to go into line 4 for 2007 account which would normally be closing at 31.12.2009, do we put it into the 2007 account. At year end this would be added into the following year of account 2008.  I need to enter a positive adjustment in line 6 but get a warning message that only negative entries are expected.	At Qs 1, 2 and 3 any adjustments remain with the year giving rise to the adjustment. Only at Q4 will any relevant adjustments be transferred to the following year on the actual closure of a reporting year.  Entries in line 6 may be positive or negative depending on the syndicate's circumstances. If a positive entry is required then the warning message should be ignored.

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**Main changes to forms QMB105 and QMB105s**

1. **Data collected only on a rolling five pure year of account basis** – therefore 2010 quarter 1 submission will require data for years 2006-2010, 2011 quarter 1 submission will require data for years 2007-2011 and so forth. The control page 010 will display the pure years of account applicable to the return.
2. **Removal of reporting year from QMB105** – currently data can only be submitted on the QMB105 when a syndicate has at least one reporting year open. Going forward all restrictions related to reporting year will be removed. Syndicates will now be able to submit data for all active/open/closed/run-off years through the Core Market return (CMR) system.
3. **Reinsurance (net) data will no longer be collected at class of business level on QMB105 but will be mandatory at whole account on QMB105s** – QMB105s will continue to be automatically populated for the data fields provided on QMB105. The reinsurance (net) data fields will become data entry fields and are mandatory.
4. **CNV will be an automated tab** – we will continue to have the three tabs in the order GBP, USD, CNV but CNV will be automatically populated based on the USD period end exchange rate provided on the control form 010.
5. **'Cumulative to date' and 'forecast to ultimate' should be calculated on the same exchange rate basis** – data supplied for GBP on both 'cumulative to date' and 'forecast to ultimate' should be calculated using only the period end exchange rate for each currency. The control form 010 will advise period end rates for EURO, CAD and YEN.
6. **QMB105 'forecast to ultimate' figures calculated on a best estimate basis** – QMB105 will be brought in line with the SBF105 where ultimate figures are supplied on a best estimate basis.
7. **Clearer instructions with examples** – a new set of instructions will be produced for the QMB return, forms QMB105 and QMB105s, including examples, (especially on how ritc business should be reported), to assist syndicates in achieving consistency across the market.