

CURRENCIES TO BE REPORTED IN THE SOLVENCY II BALANCE SHEET - QUANTITATIVE REPORTING TEMPLATES (QRT)

Background

Solvency II requires undertakings to report information required in some of the quantitative templates by material currencies, for example, claims run-off triangles and assets and liabilities by currencies.

The level of reporting i.e. which currencies to report is determined by materiality threshold and this is stipulated in the narrative notes accompanying the reporting templates

Materiality

The proposed materiality threshold for reporting assets and liabilities by currencies is that all currencies representing in aggregate up to 95% of both assets and liabilities, along with any currency with a currency mismatch (difference between assets and liabilities) of more than 2% should be reported separately. In the case of claims run-off triangles, all currencies representing in aggregate up to 90% of the technical provisions should be reported separately.

To ensure Lloyd's meet these currency reporting requirements in an efficient way, determination of the currencies to be reported will be performed at the Lloyd's level. We will require that all syndicates to report currencies that are material at Lloyd's level as per solvency II materiality threshold.

Current status

We are currently assessing what currencies will be required to be reported at Lloyd's level and in effect by the market. We currently do not collect information on assets and liabilities by currencies (apart from QMA 260) and hence we cannot make an informed decision regarding what currencies to report under Solvency II.

To help us assess this, we are requesting the market to submit a summarised balance sheet to Lloyd's based on the "summarised balance sheet by currency" template provided on lloyds.com in a one-off return to supplement the Solvency Balance sheet as at 31.12.10.

Instructions for completing the return

Syndicates should submit a summarised balance sheet for all the specified 5 currencies and the amounts to be included are "pure figures" i.e. for that currency only. However, the amounts should be the converted Sterling equivalent at the end of 2010, based on the closing exchange rates used in the audited QMA for the 2010 year end. All the other currencies should also be converted to Sterling and reported in the "OTHER" currency bucket.

It should be noted that these currencies should be the original currencies rather than the settlement currencies. In addition, syndicates that accepted RITC at the end of 2010 from another syndicate should include in their submission the data in respect of that syndicate.

Reporting timeline

Syndicates should submit this return by 29 July 2011 together with the Solvency II balance sheet and QIS5 submission required on the same date.