

# MARKET BULLETIN

REF: Y4058

<b>Title</b>	<b>Reserves and Net Assets for LATF Business as at 30 September 2007</b>
<b>Purpose</b>	Instructions and guidance notes for the completion of the LATF return for Q3 2007
<b>Type</b>	Scheduled
<b>From</b>	Manager, Overseas Reporting Market Reporting (ext 5490)
<b>Date</b>	27 September 2007
<b>Deadline</b>	<b>Managing Agents to complete the attached forms and fund deficits where applicable by Friday 19 October 2007</b>
<b>Related links</b>	None

Managing agents are asked to complete the attached Lloyd's American Trust Fund (LATF) forms, which are available to download from the Market Returns web-site, for the quarter ending 30 September 2007. **Please do not alter the format of Forms 1 & 2**

This is to enable Lloyd's to:

- (i) complete an aggregate LATF filing with the New York Insurance Department (NYID);
- (ii) monitor the overall LATF solvency position; and
- (iii) identify syndicates with solvency deficits and record the manner in which those deficits will be funded.

## **Assets**

Managing agents will be aware that Lloyd's is required to maintain **admissible** assets in the LATF which are at least equal to their liabilities. In order to assess the LATF position of each syndicate/agency group, we require details of all assets relating to the LATF business as at 30 September 2007.

Form 1 includes an analysis of those syndicate assets which are admissible for NYID purposes and other assets. The assets admissible for inclusion in the LATF return to NYID are:

- (i) cash and investments held by Citibank - capital and accrued income;
- (ii) LOC collateral accounts (held by Citibank but separate from current accounts);
- (iii) Illinois deposits (**only** to the extent that they relate to pre 1 August 1995 business **and restricted** to net Illinois liabilities included in the LATF reserves); and
- (iv) brokers balances - LCA (net of credit balances).

### **Net reserves for LATF business (line 11)**

Managing agents are requested to provide their best estimates of the reserves, net of reinsurance, for US dollar LATF business only, as at 30 September 2007. There is no need for these reserves estimates to be audited. They must however be prepared on the same basis as (or not materially different to) the net reserves which were included in the December 2006 Schedule P - LATF filings and the figures on Form AR223 of the 2006 Syndicate Return.

### **LATF solvency position on an NYID basis**

Line 17 of Form 1 shows the syndicate LATF solvency position on an NYID basis. Agents are reminded that any deficit (i.e. as shown on line 17 of the form) must be funded **before 31 December 2007**. Details of the requirement to fund the LATF and of the remedial action that may be taken in respect of default, are contained in the market bulletin (reference Y683) dated 11 September 1997 with further information contained in the market bulletin dated 17 November 1997 (reference Y734).

The market overall solvency position in the LATF is marginal as the LATF is now in run-off. It is therefore vital that each syndicate ensures that it has sufficient NYID eligible LATF assets to cover its LATF liabilities.

### **Completion of forms**

Please complete electronic versions of the forms, which will be posted on the MSU website. The forms should be completed for each of the syndicates that you manage, in accordance with the enclosed instructions, and named, SYNDNO (4 digits) LATFQ32007.xls, e.g. 0002LATFQ32007.xls, (for syndicate 2). Any queries should be addressed to Julie Fox on extension 5299, David Cokayne on extension 6238 or to me. Alternatively, please e-mail your query to [Lloyds-MR-OverseasReporting@lloyds.com](mailto:Lloyds-MR-OverseasReporting@lloyds.com),

where it will be dealt with accordingly.

Completed forms must be submitted via the Market Returns website **by no later than 4:00pm on Friday 19 October 2007**. This tight deadline is unavoidable as Lloyd's is required to send an LATF return to NYID in New York to arrive within 60 days of the year end. Thank you in anticipation for your assistance with this exercise.

This bulletin is being sent to the compliance officer of all managing agents for action and to all recognised accountants for information.

Leslie Redmond  
Manager, Overseas Reporting  
Market Reporting

**Estimate of LATF Net Reserves and Net Assets**  
**30 September 2007**

**Instructions for completion of forms**

**1. General**

**The format of Form 1 is specific to each quarter, so agents are requested to use this version and not older versions already held on their systems.**

- 1.1 Returns must be submitted electronically.
- 1.2 An estimate of LATF net reserves is required for:
- (i) business incepting before 1 August 1995 for all syndicate years which wrote US dollar denominated business after 31 December 1992 for non-life business including that business which is now reinsured into the 1996 (or later) year of account; and
  - (ii) all open syndicate years for life syndicates.
- 1.3 The estimate of LATF net reserves and net assets is to be completed in **whole \$US**.
- 1.4 The **Managing Agent's statement** (Form 2) must be completed and returned with the estimate of LATF net reserves and net assets form (Form 1)
- 1.5 The forms must be submitted via the Market Returns website **by no later than 4:00pm on Friday 19 October 2007**, by a Director or the Compliance Officer of the agency.
- 1.6 Any queries on the forms should be addressed to Julie Fox on extension 5299, David Cokayne on extension 6238 or me on extension 5490.

**2. Form 1 - Estimate of LATF Net Reserves and Net Assets**

**Relevant years of account**

- 2.1 Please provide an estimate of the net reserves **as at 30 September 2007** in respect of all LATF business.
- 2.2 For non-life syndicates this will be:

- (i) the reserves and net assets for 1993 to 2004 years of account which are in run-off; and
- (ii) the LATF reserves reinsured into the 2005 and later years of account as appropriate together with the relevant net assets.

2.3 For life syndicates, the total of assets and reserves relating to the 2007 and prior years of account are required where applicable (i.e. where the syndicate has transacted US \$ denominated business).

Line 3a - LCA balances

2.4 For this quarterly return the figure to be included here is the net of LCA debtors and creditors. If that net figure is a creditor it should still be included at Line 3a as a negative balance (see also para 2.12).

2.5 It should also be noted that a reconciliation is required between the book value recorded at line 3a and the figure provided by LCA as at the quarter end (lines 18 to 20). This will facilitate the reconciliation of individual syndicate's own figures to global figures produced by LCA. No specific detail is required in this reconciliation, just the overall total of reconciling items which should be reported at line 19.

Line 4a - Citibank current account

2.6 A reconciliation is also required for this figure on the same basis as that for LCA balances noted above (see lines 21 to 23).

Line 4c - Illinois deposit

2.7 Only that proportion of the deposit which supports pre 1 August 1995 Illinois liabilities is admissible. If this figure is not known at the syndicate level then a value of **not more than 15%** of the fund should be included in Form 2 as this is the proportion of the total funds supporting pre 1 August 1995 liabilities. The balance of the Illinois deposit should be included in line 4e, "Other assets - other".

Line 5a - Accrued income

2.8 This line should include accrued income and interest on all cash deposits and investments held by Citibank.

2.9 Lines 7 to 10 - Results information

Lines 7 to 9 must be completed on the same basis as figures used in Form AR250 of the 2006 Syndicate Return at year end only and so have been blanked out. For the purposes of the quarterly returns at March, June and September the requirement is simply to report the balance due to (or from) members on line 10.

Line 11 – Insurance Reserves

- 2.10 Please calculate the reserves in accordance with the market bulletin: 'Valuation of Liability Rules for 31 December 2006 Solvency Test' (market bulletin reference Y3920 dated 8 December 2006).
- 2.11 Please note that these reserves as calculated at 30 September 2007 must be prepared on the same basis (or not materially different to) the net reserves which were included in the December 2006 Schedule P - LATF filings and the figures on Form AR223 of the 2006 Syndicate Return.

Line 13 - Creditors LCA balances

- 2.12 This line has been excluded for this quarterly reporting return. If a syndicate has an overall creditor LCA balance this should be reported at line 3a as a negative entry.

**3. Form 2 - Managing agent's statement**

- 3.1 Where Form 1 indicates that the syndicate has an NYID based solvency surplus then the phrase "together with the table below indicating how the deficit will be funded" and the following word "have" should be deleted. Where Form 1 indicates a deficit then only the word "has" should be deleted and the deficit funding table should be completed.
- 3.2 In completing the deficit funding table that element of the deficit that is to be funded by a transfer from the LDTF should be reported at line 1 of the table together with the actual/proposed date of the transfer. An actual date will show a date in the table prior to the sign off date; a proposed date will show a date in the table later than that of the sign off. Either way a date must be included: it will not be sufficient to state "to be arranged" or anything similar. Lines 2 and 3 should be used to identify other sources of deficit funding. The amount on the total line must be at least equal to the deficit at line 17 on Form 1.

**FORM 1**

**ESTIMATE OF LATF NET RESERVES AND NET ASSETS  
AS AT 30 SEPTEMBER 2007**

**SYNDICATE NO:** \_\_\_\_\_

<b>BALANCE SHEET</b>			<b>US\$</b>
Financial investments	*	1	
Deposits with ceding undertakings		2	
Debtors - LCA balances (see also reconciliation note 4.1 below)	*	3a	
Debtors - reinsurance accruals		3b	
Inwards Reinstatement Premiums (incl brokerage payable)	*	3c	
Debtors - all other debtors (note 3)		3d	
Other assets - Citibank current account (see also reconciliation note 4.2 below)	*	4a	
Other assets - LOC collateral account	*	4b	
Other assets - LATF element of Illinois deposit (restricted to 15% of the total deposit)	*	4c	
Other assets - cash		4d	
Other assets- other		4e	
Accrued income on NYID eligible assets (i.e. Citibank cash and investments)	*	5a	
Prepayments and accrued income on non NYID eligible assets		5b	
<b>Total assets (lines 1 to 5)</b>		<b>6</b>	<b>0</b>
Profit/(loss) for the closing year		7	
Calendar year result on run-off years		8	
Undistributed surplus/(uncalled losses) on run-off years		9	
Balance on open years (due to or from members)		10	
Insurance reserves (Gross technical reserves less reinsurers share of technical provisions)	*	11	
Deposits received from reinsurers		12	
Creditors - LCA balances (see also reconciliation below)	*	13	
Creditors - other (note 3)		14	
Accruals and deferred income		15	
<b>Total liabilities (lines 7 to 15)</b>	<b>Must equal line 6</b>	<b>16</b>	<b>0</b>
<b>LATF solvency position on an NYID basis (lines 1+3a+3c+4a+4b+4c+5a-11)</b>		<b>17</b>	<b>0</b>

**NOTES**

1. Please complete line 11 in accordance with the 'Valuation of Liabilities' rules as at 31 December 2006
2. \* denotes assets which are eligible for NYID reporting purposes and the reserves to be deducted therefrom
3. Please include the balance on the "exchange or currency conversion" account in other debtors or creditors as appropriate.

**4. Reconciliations:**

<b>4.1 LCA balances</b>	Book val qtr end i.e. Lines 3a-14 (Report Net on Line 3a)	18	0
	Reconciling items	19	
	Net balance per LCA statement	20	0
<b>4.2 Citibank current account:</b>	Book value at quarter end ie = line 4a	21	0
	Reconciling items	22	
	Balance per Citibank statement	23	0

**FORM 2**

**ESTIMATE OF LATF NET RESERVES AND NET ASSETS  
30 SEPTEMBER 2007**

**MANAGING AGENT'S STATEMENT**

Managing agent: \_\_\_\_\_

Syndicate: \_\_\_\_\_

Form 1 (Estimate of LATF net reserves and net assets) for the above syndicate/  
together with the table below indicating how the deficit will be funded\* has/have\* been prepared  
in accordance with the instructions for completion of these forms.

Please submit return/s via the MSU Website

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Where Form 1 indicates a deficit at line 17, please advise how that deficit will be funded.

	Source of funds	Amount \$	Date
1	LDTF		
2			
3			

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<p><b>Name of person to whom queries on this form should be addressed</b></p> <p>Contact name: _____</p> <p>Telephone number: _____</p>
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\*Please delete as appropriate and in accordance with paragraph 3.2 of the instructions