

MARKET BULLETIN

REF: Y4346

Title	2009 year end returns
Purpose	To inform managing agents and auditors that the 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: 020 7327 5459
Date	10 December 2009
Deadline	Q4 QMA, incorporating the Annual Return – 25 February 2010 Q4 QMB – 4 March 2010 Syndicate annual accounts to Lloyd's – 18 March 2010 SRD – 8 April 2010

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 B) and the Solvency and Reserving Data Return are available for download from either the Core Market Returns website or from the Market Services market returns website.

In market bulletin Y4318, appendix 3, we provided the timetable for the 2009 year end returns. The audited QMA must be submitted by 25 February, the unaudited QMB by 4 March and the SRD by 8 April. The syndicate annual accounts must be submitted by 18 March. A separate bulletin will be issued providing more detail on the submission of the accounts.

Some changes have been made to the instructions to incorporate the FAQ's issued during 2009 and to the software to capture additional disclosure requirements in the Lloyd's accounts as a result of the effect of the Insurance Accounts directive (Lloyd's syndicate and aggregate accounts) Regulations 2008. A summary of the changes is attached as the Appendix. Two versions of the QMR instructions have been posted to the Market Services site for Managing Agents to download. One version has all changes tracked to highlight where changes have occurred, whilst the other is 'clean'.

Additional information on the year-end returns is given below.

Waivers

Section 8.3 of the instructions includes reference to two FSA waivers (one is on ASL, the other on counterparty exposures to entities that have received support from HM Treasury). To be able to take advantage of these waivers in the Q4 QMA, action needs to be taken before 31 December.

Software

The software for the QMA and the QMB is now available in the production environment. However, please note that the list of major reinsurers/cedants in paragraph 5.25 of the instructions has not yet been updated in the software. The amendment will be made in January and there will be no impact on any data already entered in the return.

In respect of the performance of the production website, 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 Data Management 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 Data Management team is 020 7327 5252 (e-mail: ITGDataManagement@Lloyds.com).

Schedule 3 data (previously Sch9A)

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 separate bulletin will be issued before the end of the month to corporate members and their advisers, inviting subscriptions to Lloyd's central Schedule 3 facility as at 31 December 2009.

Audit

A standard wording for the audit reports covering the audited section of the QMA is attached as Appendix 6 to the instructions. This wording is under review, if there is any change agents and auditors will be notified through the FAQs. 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 noteCut-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 Monday 4th of January 2010, 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. In addition, please provide a form related comment to confirm where the retranslation of non-monetary items has been reported on QMA001, ie in the technical account, non-technical account or STRGL.

Disclosure on Government agency exposures

For the purposes of monitoring Lloyd's overall exposure to these securities, we require disclosure in the QMA where any syndicate has in excess of 5% exposure to Fannie Mae or Freddie Mac. From QMA Q1 2010, this disclosure will no longer be required.

Restatement of December 2008 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 2009 annual accounts compared to those used at 31 December 2008. 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 25 February and 18 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 18 March, no resubmission is required for information received after the submission of the accounts and the QMA.

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 or john.parry@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

Summary of main changes to the instructions and software

Section in instructions	Summary of change
1.2.1 Reporting timetable	Dates updated to reflect the 2010 deadlines
2.1 QMA010 control page	Additional paragraphs highlighting to whom we will send queries on the return and the importance of up to date contact information
2.2 QMA001 Overall P&L	Additional line, 31, to capture commissions relating to direct business. Warning over signage convention; Warning to QMA104 direct business net earned premium, col N line 8
2.4 QMA102 cumulative P&L	Column D only required at Q4
2.7 QMB109 Result forecast	Line 27a to be net of the relevant movement in DAC; line 33a 'DAC' text removed
2.14 QMA201 Assets	Most investment category definitions can be found in the accounts and reports regulations 2008, link provided; Line 25 now an analysis cell
2.16 QMA202 FIS assets	Comment required in QMA990 if there has been an injection or withdrawal of FIS monies in the latest quarter.
2.17 QMA205 Liabilities	Line 9 warning that the brought forward result is expected to equal QMA102 col A line 54 all years of account in aggregate
2.18 QMB212 Concentration of investment holdings	Additional guidance provided for completion of the form
2.20 QMA219u Investment analysis	Clarification over currency completion requirements; Additional information on QMA990 over N/R investments, and that they should be reported as 'BB or below' on the form
2.22 QMA360 Analysis of results and cash calls	Line 2 warning that the brought forward result is expected to equal QMA102 col A line 54 by year of account
2.24 QMA005 Solvency result	Line 2 now the analysis cell which captures the solvency adjustments relating to 'exchange differences on non-monetary items' and 'discounting and loadings for solvency'; clarification over which reporting year of account accepts the solvency adjustment at each quarter
2.25 QMB710 Reinsurance recoverables	Removal of the use of 'other2' and 'other3' LORS codes; No disclosure requirement for columns C, T and U; various other clarifications over reporting expectations
2.35 QMR990 Comments	List of form level and return level comments explicitly outlined in the instructions for inclusion

	in the returns where applicable
4.4 QMA260 Matching and localisation	Additional line, 3, to reverse out exchange account balances that distort the position of true assets and liabilities in currency amounts
4.10 QMA320 cash & investment movement	Emphasise the need to report real cash flows, column C then calculates any changes in market or currency values
4.12 QMA610u Reconciliations	Guidance over reporting exchange differences and 'other' reconciling items, full exchange differences should be reported on the 'exchange difference' lines
5.1 QMA101	Check box included to the 'syndicate status' table for each year of account, to confirm whether or not an open year cash transfer is to be made using QMA923
QMA138 Accounts note on staff costs	Form removed, aggregation of note not required under the new Lloyd's Regulations 2008.
5.6 QMA190 Restated P&L	Additional line, 37, to capture commissions relating to direct business. Warning over signage convention
5.10 QMA223 Summary of technical provisions	Line 16 analysis cell replaced by a direct input cell. The analysis cell to capture solvency adjustments has been moved to QMA005. The agreement between these two forms still remains for Q4; Clarification provided on the non life and life SAO requirements; emphasis given to the agreement between this form and the SRD Return
5.11 QMA250 LATF	Form to be completed by Life syndicates only
5.12 QMA281 LT summary & valuation report	Warning messages updated to reflect the addition of three new lines to QMA282
5.13 QMA282 LT mathematical reserves & capital at risk	Additional 3 lines to capture life protection reinsurance and permanent health reinsurance LTICR factor 0%, to reflect changes made to FSA Return form 60
5.21 QMA530 LT insurance business	Validation error updated to line 9 to include 'gross claims paid – ULAE' as part of expenses, per FSA Form 40 revenue account disclosure requirements
5.23 to 25 QMA541 to QMA543 Major reinsurers/cedants	Additional instructions provided over completion of all columns of these forms
5.26 QMA544u Financial reinsurances	Note required in QMA990 where no contracts meet the criteria for disclosure
6.4 QMA923 Cash transfer statement	Additional warning message to line 1: is the syndicate intending to make a release, switched off on entry of an amount in either of lines 4 to 6.

7.6 Schedule 3 data	References throughout software to Schedule 9A updated to Schedule 3
8.0 General topics	New section added to provide overview on: FIS, third party RITC and FSA waivers.