

MARKET BULLETIN

REF: Y4421

Title	Q3 2010 QMR – major losses, exchange rates and other information and year-end timetable
Purpose	To provide managing agents with information required for the completion of the Q3 2010 Quarterly Monitoring Returns including the list of major losses to be reported and suggested exchange rates.
Type	Scheduled
From	Robert Smith, Manager, UK Reporting, Market Finance Contact details: 020 7327 5459 robert.smith@lloyds.com
Date	1 October 2010
Deadline	QMA – 2:00pm Thursday 18 November 2010 unaudited QMB – 2:00pm Thursday 18 November 2010 unaudited
Related links	

This bulletin provides:

- (a) the list of major losses to be reported in QMA800 (see Appendix 1);
- (b) suggested exchange rates (see Appendix 2);
- (c) Q3 2010 deadlines and other information relevant to the completion of the Q3 2010 Quarterly Monitoring Return;
- (d) key deadlines for the Q4 2010 year-end returns and Q1 to Q3 2011 QMRs;
- (e) planned changes to the QMA for Q4 2010, including information regarding the new audited form for Regulated Canadian Business; and
- (f) liaison with managing agents for the year-end.

Q3 2010 deadlines and other information

The submission date for the Q3 2010 QMA and QMB is 18 November. The returns must be submitted by no later than 2:00pm of the deadline date. The 2008 and 2009 forecasts as a percentage of capacity will be released to the Stock Exchange and included on Lloyds.com on Wednesday 24 November.

There have been no changes to the forms or the instructions for Q3 2010, please therefore refer to the instructions issued for Q1 2010, referenced as “2010 version 1.0”. We will continue to publish weekly FAQs on a Friday, normally by 2:00pm. The first FAQs will be published on Friday 8 October. When the FAQ are published a notice will be included on the initial CMR page stating whether or not

the latest version includes any new items. Those FAQs issued for Q1 and / or Q2 that remain relevant to the Q3 return are included in this bulletin as Appendix 3.

To assist managing agents with their analysis of investments Lloyd's Treasury Department will provide a breakdown of the overseas assets that they manage of behalf of each syndicate. The information will be provided in an Excel spreadsheet sent by e-mail to managing agents within 15 business days of the quarter end. To ensure the data is sent to the right person(s) in your organisation please send a note of their e-mail address to lloyds-MRD-ReturnQueries@lloyds.com by Friday 8 October.

The software for Q3 will be fully available in the Production (or live) environment on Monday 4 October. We have noted that a number of agents have already tried to set up Q3 returns in the live environment. Please note that each time a version is set up the software looks for the quarter end exchange rate to populate a field in the control page. We cannot update the exchange rate table until the rates are known on the first working day after the quarter end so agents are advised to defer opening a version of the return in the Production environment until the second working day after the quarter end. If you wish to perform some initial work for a quarter it is possible to open a version of the QMA in the UAT environment and then export the data to the live environment after the quarter end.

We would 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 Application Support team 020 7327 5252 (e-mail: ITGApplicationSupport2@Lloyds.com).

Key deadlines for the Q4 2010 year-end returns and Q1 to Q3 2011 QMRs

The deadlines for the coming year-end and the first three quarters of 2011 are set out in Appendix 4. There are no major changes other than the date by which managing agents are to submit the report supporting the US and Worldwide SAOs. This deadline is expected to be moved forward from mid-April to 31 March but is provisional at this time as it is still being discussed with the actuarial profession. The final deadline will be confirmed in the market bulletin on valuation of liabilities that will be issued later this year.

Changes to the QMA for Q4 2010

There are two changes to the forms and instructions for the QMA at Q4 2010.

Firstly, as already advised, for QMA212u the required number of largest aggregate credit exposures is to be increased from 10 to 20.

Secondly, a new form is to be introduced to collect information on Regulated Canadian Business as reported in the P&C-2 pack. More details are provided in Appendix 5.

Liaison with managing agents

In previous years we have held workshops to highlight any key changes to be made to the forms and / or any areas to which we consider agents should pay particular attention. However, for the 2010 year-end there are no issues that we consider we need to highlight. We have consulted with the LMA's CMR user group, and concluded that, rather than holding the workshops, it would be more beneficial to meet with those agents that have any concerns about the year-end returns that they wish to discuss. If you would like to meet to discuss any aspect of the year-end reporting then please contact us at lloyds-MRD-ReturnQueries@lloyds.com in the first instance and we will arrange a mutually convenient time to meet.

Queries

Any queries or comments on this bulletin 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 2010 QMA800u are:

1	05H	Hurricane Katrina
2	05L	Hurricane Rita
3	05M	Hurricane Wilma
4	08E	Hurricane Gustav
5	08F	Hurricane Ike
6	09A	Windstorm Klaus – 23 & 34 January 2009
7	09D	Air France A330 200 lost over Atlantic Ocean 1 June 2009
8	10A	Ethiopian Airlines – B737-800 25 January 2010
9	10B	US Snowstorms – 5 to 11 February 2010
10	10C	Chilean Earthquake – 27 February 2010
11	10D	European Storm Xynthia – 27 February 2010
12	10E	Transocean MODU Deepwater Horizon – 22 April 2010
13	10F	A330 Afriqiyah Airways Tripoli crash – 12 May 2010
14	10G	Aban Drilling, loss of Rig off the coast of Venezuela – 13 May 2010
15	10H	Air India Express Boeing B737-800 overshoot runway – 22 May 2010
16	10J	Flooding in SW & SE Queensland - 1 March to 5 March 2010
17	10K	Melbourne severe storm event - 6 March 2010
18	10L	Perth severe weather - 22 March 2010
19	10M	Saudi Arabian Airlines warehouse fire – 10 June 2010
20	10N	Air Blue Airbus crash in Margalla hills (Pakistan) – 28 July 2010
21	10P	New Zealand Earthquake – 4 September 2010
22	EKOF	Losses arising from impact damage to 2/4 W Platform following collision by “Big Orange XVIII” in Ekofisk oil field, 8 June 2009
23	FINC	Turmoil in financial markets post Lehman Brothers
24	MADO	Collapse of Madoff Investment Securities LLC
25	SUBS	Losses arising from sub prime
26	STAN	Stanford financial corporation alleged fraud
27	VOLC	Losses from volcanic ash disruption to air travel – April 2010 ongoing

We recognise that this is now an extensive list but it is vital that we have this information to be able to provide analysts and other commentators with accurate information on the impact of major losses, both individual events and in total, have had on the market's results.

Agents are reminded that if they have any major loss to be reported on QMA800u 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 can be found in an attachment to a message posted to Core Market Returns on 1 October 2010. The attachment includes 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 29 October.

Major loss codes assigned for 2010 to date are:

1	10ZA	Perth Hailstorm
2	10ZB	Haiti Earthquake
3	10ZC	Kleen Energy Explosion
4	10ZE	Furness Melbourne
5	10ZF	Codename Newcastle
6	10ZG	Edison SPA Turbine
7	10ZH	Camellia Plc - Abbey Metal Fire
8	10ZJ	Acergy Falcon
9	10ZK	Bangkok Riots
10	10ZL	STELLA flood
11	10ZM	Smurfit Kappa
12	10ZN	Ptt Public Company Limited
13	10ZP	Tennessee Floods

Please note:

Major loss codes relating to 2009 and prior are still maintained in the database. Syndicates are asked to report on major losses in accordance with the QMA800u instructions, repeated within the memo attached to the Core Market Returns message posted on 1 October 2010.

Rates of Exchange

The settlement currency rates as at 30 September 2010 (balance sheet) and the average currency rates (profit and loss account) for the nine month period to 30 September 2010 are as follows (to the £):

	Period end	Average
US dollars	1.58	1.53
Canadian dollars	1.62	1.59
Euro	1.15	1.17
Australian dollar	1.63	1.71
Danish krone	8.60	8.69
Hong Kong dollar	12.23	11.92
Japanese yen	131.64	137.25
New Zealand dollar	2.14	2.16
Norwegian krone	9.23	9.33
Singapore dollar	2.07	2.12
South African rand	10.99	11.43
Swedish krona	10.61	11.26
Swiss franc	1.54	1.63

It is not a requirement that the above rates are used in your QMR submission but they may be used in the absence of another source for these indices.

Chilean earthquake - Reminder

The list of major losses in Appendix 1 includes 10C, February's Chilean earthquake. When assessing the level of claims relating to this loss managing agents do need to be careful that they identify the unit in which the loss is being reported. Chilean losses may be reported in one of two ways:

1. The Chilean Peso (CLP) is the official currency of Chile, conventionally quoted against the US Dollar (USD). All payments are made in CLP. On 26 February 2010, 1 USD = 524.55 CLP.
2. The Chilean Unidad de Fomento (UF) (may also be coded as "CLF") is a monetary reference unit which is linked to Chilean inflation and used in many financial transactions. It is fixed daily by the Central Bank of Chile and is not a settlement currency. The UF exchange rate may be quoted in terms of the CLP (on 26 February 2010, 1 UF = 20,912.91 CLP) or the USD (on 26 February 2010, 1 UF = 39.8797 USD).

Q1 and Q2 2010 FAQs remaining relevant to the completion of the Q3 2010 QMA

QMA212u – concentration of investment holdings.

The instructions require that syndicates report their **10** largest aggregate credit exposures to individual investment counterparties. As agents will appreciate, we are receiving more frequent and more detailed requests for asset risk information from stakeholders, including the FSA. To improve the information we can provide, it is proposed to increase the minimum number to **20** for Q4 2010 and beyond. However, it would be helpful to collect the additional information earlier so for Q2 and Q3 2010 all syndicates are asked to provide the 20 largest if possible.

The instructions also state that “as the purpose of this form is to assess market counterparty risk, credit exposure to government, government agency and supranationals should be excluded from this form. In light of recent government guarantees of certain issues, any issues which are explicitly guaranteed by a government may also be excluded from the 212u”.

However, in light of the current economic conditions credit exposure to AA and below rated government, AA and below rated government agency and supranationals must now be included on this form. For information, the following governments are rated AAA and should be excluded:

Australia	Austria	Canada	Denmark
Finland	France	Germany	Isle of Man
Jersey	Liechtenstein	Luxembourg	Netherlands
Norway	Singapore	Sweden	Switzerland
UK	US		

QMA219u – Investment analysis – credit classification.

The instructions in relation to Alternate Assets & Hedge funds currently require syndicates to provide additional information on the nature of these funds including a split of investments and strategies. Where we have required further analysis from syndicates it has become apparent that they hold sufficient information on the underlying assets to be able to analyse those assets to other more appropriate lines on QMA219u. If the amount reported on the hedge fund line represents more than 10% we will ask for more information on the nature of the underlying investments and may do so where the amount is 5% of the total. It would be helpful, therefore, if you have hedge funds or alternative assets to consider whether you have information to enable you to report the classifications of the underlying assets up front rather than simply entering them on the hedge funds line.

Appendix 4

Deadlines for the 31 December 2010 year-end returns and Q1 to Q3 2011 QMRs

Activity	10/11 deadline	09/10 deadline
Agents to submit amended electronic Canadian packs	Mon 7 February	Wed 10 February
Agents to submit amended electronic US situs packs, schedule F&P packs, and statutory statements of actuarial opinion	Mon 14 February	Fri 12 February
Agents to submit final signed and notarised reporting packs including schedules F&P	Thurs 17 February	Fri 19 February
Agents to submit audited 31.12.2010 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 24 February	Thurs 25 February
Agents to submit 31.12.2010 QMB	Thurs 03 March	Thurs 04 March
Agents to submit 31.12.2010 syndicate annual report and accounts together with agent and auditor confirmation of agreement with QMA	Thurs 17 March	Thurs 18 March
Lloyd's Accounts approved by Council	Tues 28 March	Tues 23 March
Agents submit underwriting year accounts to Lloyd's together with PDFs of annual and underwriting year accounts	Thurs 24 March	Thurs 25 March
Relevant agents to submit 2011 FPP	Fri 25 March	Fri 26 March
Agents send annual and underwriting year accounts to members	Wed 31 March	Wed 31 March
Agents to submit report supporting the US and Worldwide SAOs	Wed 31 March*	Fri 16 April
Agents to submit 31.12.2010 SRD	Thurs 7 April	Thurs 8 April
Agents to submit Q1 2011 QMA & QMB	Thurs 19 May	Thurs 20 May
Agents to submit unaudited Q2 2011 QMA & QMB	Thurs 11 August	Thurs 12 August
Agents to submit audited Q2 2011 QMA	Thurs 25 August	Thurs 26 August
Agents to submit Q3 2011 QMA & QMB	Thurs 17 November	Thurs 18 November

* This date is currently provisional but will be finalised in the market bulletin on valuation of liabilities

Changes to the forms and instructions for Q4 2010 QMA

QMA212u – concentration of investment holdings.

As noted in Appendix 3, the increase in the number of largest aggregate credit exposures from 10 to 20 which is voluntary at Q3 2010 will be mandatory for Q4 2010.

New form – Regulated Canadian Business

The purpose of this new form is to provide assurance on the completeness of each syndicate's premiums, claims and commissions information for Regulated Canadian Business as reported in the P&C-2 pack. Canadian business is here defined as for the completion of P&C-2 pack with specific reference to Market Bulletin Y4329. The assurance on completeness is needed meet audit requirements in Canada and hence this form will be within the scope of the QMA930 audit report. Including the form in the QMA therefore avoids the need for the auditors to provide an additional, and earlier, opinion with the P&C-2 pack.

The new form is attached. It covers all Regulated Canadian Business for the calendar year.

The first column captures the pre-populated XIS data. If, in completing the P&C-2 pack, the managing agent made any corrections to that data, the net impact of those changes is to be reported in column B. Finally, for those agents that have any Regulated Canadian Business that is not processed through XIS, that information is to be reported in column C. The resultant aggregate information reported in column D must then agree with the information reported in the syndicate's P&C-2 pack. There will not be any inter-return validation included in the software but we will run tests to ensure that the QMA and P&C-2 pack information does agree.

It is expected that most syndicates will only need to complete columns A and B and that any additional work for the auditors in checking that all Canadian business has been reported on this form will be minimal. For those syndicates that do have non-XIS Canadian business, you will need to be able to demonstrate to your auditors that all the relevant information has been reported in column C.