

# MARKET BULLETIN

REF: Y4505

<b>Title</b>	US Trading Regulatory Reporting
<b>Purpose</b>	To advise the market that the US Reporting packs are available for completion and to provide a timetable and instructions
<b>Type</b>	Scheduled
<b>From</b>	Leslie Redmond, Manager, Overseas Reporting, Market Finance Direct Tel No: 020 7327 5490 Email: <a href="mailto:leslie.redmond@lloyds.com">leslie.redmond@lloyds.com</a>
<b>Date</b>	14 July 2011
<b>Deadline</b>	For immediate attention
<b>Related links</b>	Appendices 1-5 Instructions Checklists

**Please copy this letter and its attachments to those within your organisation who are responsible for reviewing and completing the US packs.**

1. This bulletin is to advise you that preliminary US reporting packs for the quarter ended 30 June 2011, together with the relevant working schedules and checklists for your managed syndicate(s), are now available for you to access via the Overseas Reporting System (ORS) web-site. Detailed instructions on how to update your syndicate packs are also enclosed with this bulletin.
2. You are reminded that, whilst the reporting packs have been prepared centrally, the ultimate responsibility for submission of correct data rests with the managing agent of each syndicate and, as such, you must satisfy yourself that you have reviewed the whole return. Packs must be completed and locked by the due dates as set out in the timetable attached to this letter at Appendix 1.
3. Appendices 2, 3, 4 and 5 to this letter provide general information and instructions concerning Xchanging underwriting transactions, reserving and trust fund assets, respectively.
4. The LATF reserve amounts in your syndicate packs have been reduced down by 40% of the 2009 value and mapped, where appropriate, to the current reserving syndicate year of account. The LATF reserves will continue to be reduced by 20% of the 2009 value each year until 2014 when they will no longer be reported.

5. Where there are known issues with the reporting software a document will be posted to the Quick Links area detailing them, advising of any workarounds or whether the issue has been fixed.
6. Once you have completed the pack, clearing all errors and positively verifying warning as applicable, you must lock it. You will then be able to print final packs for signature and notarisation. This is done by creating a pdf version of the pack and then printing it. We strongly recommend that you print the packs double sided if you are able to, as this will half the amount of paper you use and reduce the number of boxes Lloyd's has to ship to the USA. **Once you have locked the pack you will not be able to unlock it to make further amendments without contacting Market Finance.** You should therefore only lock a pack once you are reasonably certain no further changes will be made. Agents are also reminded that the quarterly return must not include the Schedule F working schedule.
7. Final hard copy packs, which must agree to the electronic versions on the ORS (see paragraph 5 above), must be signed, dated and notarised as indicated on the Jurat page (SLQ/RIQ 0). **Control sheets, working schedules and checklists must not be attached to these packs.** Notarisation of the US packs may be performed by a solicitor, other than an in-house solicitor, who holds a practising certificate under section 81(1) of the Solicitors Act 1974, which allows them to administer oaths and affidavits in the UK. Where your Finance Director is unavailable to sign the pack, another director or the compliance officer may sign in his or her place and the pack should be marked accordingly. You may wish to keep a copy of the notarised pack for your own records.
8. When hard copy final packs (**due on 3 August 2011**) are returned to Market Finance we can only guarantee their receipt if they are hand delivered directly to the **Tenants & Couriers Office on the Lower Concourse.**

If you have any queries on the contents of the packs, on how to complete them, or any comments about the software, please contact me on the above number, David Cokayne (extn 6238) or Nadia Yakoob (extn 6317), or email the overseas reporting mailbox [Lloyds-MR-OverseasReporting@lloyds.com](mailto:Lloyds-MR-OverseasReporting@lloyds.com)

Leslie Redmond  
Manager, Overseas Reporting,  
Market Finance

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Timetable and arrangements for the quarter ended 30 June 2011

	<u>Key Date</u>
Provision of preliminary packs by Market Finance to managing agents at the ORS web-site.	14 July 2011
Completed electronic packs locked by managing agents.	1 August 2011
Provision of final signed and notarised reporting packs by managing agents	3 August 2011
Cash Transfer forms to be returned to Settlements & Trust Funds, Chatham, value date 11 August 2011. <b><u>STFO WILL CHARGE MANAGING AGENTS £50 FOR ANY FORMS THAT ARE SENT IN LATE TO REFLECT THE COST OF ADDITIONAL MANUAL PROCESSING.</u></b>	4 August 2011
Instructions to transfer securities to be advised to Citibank.	5 August 2011
Letters of Credit to be in place. Please ensure that these are issued with the correct beneficiary name and address which should be as follows;  Citibank N.A. as Trustee for Credit for Reinsurance Trust Fund Syndicate XXXX  or  Citibank N.A. as Trustee for Surplus Lines Trust Fund Syndicate XXXX  Citibank N.A. Insurance Trust Unit Attn: William Mulrenin 111 Wall Street 15th Floor Zone 20 New York, NY 10005 USA	8 August 2011
All syndicate packs to be despatched to New York by Market Finance for filing with NYID	5 August 2011

**Please note that it is essential that any queries generated by the packs or otherwise should be raised well in advance of the deadline dates to allow Market Finance sufficient time to revert to you with the answers. This is particularly relevant to queries in respect of Citibank investment and cash balances, or where in extremis an adjustment is required which cannot be made to the electronic packs which agents are updating. Any adjustments to be made by Market Finance in extremis MUST be raised no later than TWO WORKING days prior to the date by which the electronic packs must be locked.**

**Xchanging underwriting transactions**

## 1) 'ESR' files

For those agents subscribing to 'ESR' data, you should by now have received the 'ESR' file(s) for your syndicate(s). As in previous quarters, there may be some small differences between these reports and the packs as the US reporting database rounds each individual figure as it is entered into the system. Additionally, please note that these figures will not directly agree to information from the USMs or SCMs which are not at the same level of detail and which exclude certain elements, such as RI Costs on Treaties and State details. If you do subscribe to this service and have not received this data, or you need copies of the prospectus which sets out how to use the file please contact Data & Information at Xchanging on 01634 887632. If you have any queries relating to the data itself please contact 'Enquire' at Xchanging on 01634 887758.

## 2) Incomplete data

Where applicable we enclose a schedule of gross items which have been advised to you on the USMs prior to 30 June 2011 but which are not reflected in the packs, because part of the data was not completed (e.g. a state code was not known for a particular signing at the time the quarter was closed). Please review this data carefully and make amendments where the amounts involved are material. You are reminded that you must ensure that the syndicate reserves are adequate, and must include the effect of these items, where material.

## 3) Data corrections

Where applicable, we also enclose a schedule of corrections to business transactions processed through Ins-Sure & XCS.

## 4) USI adjustments

Any adjustments made to the underwriting data on the electronic US reporting packs are not carried forward from one quarter to the next. This will avoid double-counting, as any such adjustments will be included in future US reporting packs once the appropriate entries have been processed by Xchanging (you may need to advise them directly of these 'corrections') or submitted as Direct Reporting to Lloyd's.

## 5) Delinked items

Please see Appendix 5 to this letter for their impact on underwriting data.

## 6) US regulated data not processed by Xchanging

Data that is not processed through Ins-Sure or XCS will not appear in the packs unless they have been submitted as Direct Reporting to Lloyd's. Items not captured by either of these methods will need to be added as an underwriting adjustment each quarter as they will not be carried forward from one quarter to the next.

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**Reserving and funding**

## 1) Closed years of account

Where a year of account with US situs business has closed by way of RITC, any relevant transactions are shown against that year (and where applicable the syndicate) into which the year has closed. In order to ensure sufficient assets are maintained for the outstanding liabilities on that business, you are able to print working schedules, where appropriate, for the closed years of account. These show calendar year movements (or where the accepting year remains open after 12 months cumulative since the RITC), rather than the cumulative position, to enable you to check the figures in the preliminary packs. The reserves will be added into the reserves of the year into which the years have closed on line 1 of SLQ/RIQ 2, and be shown separately on line 7 of SLQ/RIQ 3.

## 2) Methodology

The reserves for the 2010 and prior years of account at the end of the quarter must be calculated in accordance with the methodology already advised to you (i.e.: the modified UK basis of reserving as previously detailed in market bulletin Y748 issued on 4 December 1997). Reserves for the 2011 year of account, which is at a very early stage of its development for the first three quarters of that year, must be determined at the higher of total cumulative signed gross premiums (net of brokerage and commission) less cumulative gross paid claims for that period and total gross outstanding claims at each quarter end, unless it is apparent that the ULRs for that year (all classes combined) will exceed 100%, in which case reserves as at the quarter end must be adjusted accordingly. Guidance notes and a worked example were issued in a letter dated 1 April 1998: further copies of this letter are available on request.

You must also ensure that the schedule of Gross Liabilities and Reconciliation of Movements in Trust Fund (SLQ/RIQ2 form) is completed appropriately. The reserves must agree to the figures on lines 6 and 7 on SLQ/RIQ 3 and you **MUST** ensure that the losses incurred figures on SLQ/RIQ 4 (i.e.: gross reserves plus cumulative paid losses) are entered accordingly. Please note that SLQ/RIQ 4 must be completed on a pure year basis, and SLQ/RIQ 4a will show data for closed years. Further details on how to complete the forms are provided in the checklist

## 3) Allowances against reserves (CRTF only)

Any credits in respect of letters of credit, deferred premium instalments or funds withheld against gross reserves in the Credit for Reinsurance Trust Fund, **must** be restricted to the amounts of the calculated reserves for the relevant contracts (i.e. not usually 100% of Schedule F figures). Please note that the figures appearing in the preliminary packs (lines 2a-2c of RIQ 2) are shown at zero, including amounts for closed YOAs against the assuming year. A working schedule (US Schedule F Working Schedule), showing information by reinsured, to assist managing agents in this calculation is available in the software. This schedule is found under the 'Import/Export Data' menu item in the bottom left hand corner of the screen. Click on the file name and follow the onscreen instructions to view and/or download it. Please note that closed year items are included on the working schedules, but only where a letter of credit, deferred element or funds withheld are shown.

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#### 4) Alternative Security (CRTF only)

In the Lloyd's United States Situs Credit for Reinsurance Trust Deed under paragraph 1.24, gross liabilities included in the definition of an 'American Reinsurance Policy' shall exclude any contract or policy of insurance, the liabilities for which the underwriter has provided security by means other than the Trust Fund. Such alternative security would include a letter of credit lodged with the reassured, or funds withheld by the reassured (e.g. outstanding claims advances) as detailed in 3 above.

Where syndicates have provided an alternative security to the reassured, the guidance notes below should be followed for completing the RI packs.

- a) In cases where alternative security has been provided you must calculate the reserves for disclosure on form RIQ 2, including any amounts for such business.
- b) As the reserves disclosed within the pack now include the liabilities where alternative security has been provided, deduction for such security should be made at lines 2a or 2c on RIQ 2 (restricted to the actual reserves for those contracts). A working schedule, showing information by reinsured, may be printed from the electronic system to assist managing agents in calculating the credits to be entered for the relevant contracts. It may also be exported into excel.
- c) The New York Insurance Department also require details of the level of alternative security held by reassureds to be reported. Please therefore complete the memo note at the foot of the form (see below for further instructions), showing, by year of account, the extent of each type of alternative security and the gross reserves relating to that business calculated using the modified UK basis of reserving.
- d) Premiums and claims data for such 'regulated' business will continue to be disclosed within the packs: hence no adjustment should be made to these figures.

Where a syndicate has provided alternative security to a reassured you must complete the memorandum note at the foot of RIQ 2. The value of letters of credit and funds withheld entered on lines 2a and 2c will be pre-populated in the memorandum note. You must enter the gross reserves relating to this business in the relevant row above.

#### 5) Delinked items

Please see Appendix 5 to this letter for their impact on reserving.

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**Trust Fund assets**

Please note that we have relied on Citibank electronic data for the investment transactions during the year. It is therefore essential that agents check all relevant schedules in detail and make any revisions to the electronic packs as necessary.

## 1) Trust Fund market valuation

The packs issued to agents will be based on the trust fund valuation provided by Citibank. Any change to this total will need to be approved by Citibank before we can allow you to change this figure.

The value of cash and securities held as at the quarter end for all years of account have been entered in the total column on the SLQ/RIQ 1 asset form according to the type of assets. (Please note: short-term investments are those with less than one year to maturity at the date of acquisition and bonds (or long-term bonds) are those with one year or longer to maturity at the date of acquisition). The cash position is calculated by our system to be a balancing figure based on total fund value less securities, so where investment valuations change, unless the total asset value also needs amending, the cash figures will also change.

There is also a schedule for each of your syndicates where investments are or have been held in the respective trust funds (the Investment Summary), which should enable you to check the figures in Schedule D. This can be printed from the Internal reports menu or exported to CSV file by clicking on the Investments link then on the US Investment Data link. Citibank Transaction Reports information should be available from Citibank Electronic Banking and/or from your investment managers.

N.B: All investment data must be shown within the US Reporting Packs excluding accrued income purchased and sold. Managing agents should note that if, by virtue of non repatriation, interest is rolled up into the principal accounts of the relevant situs trust funds, these funds cannot at a later date be released from the trust fund other than via the TFMA mechanism.

## 2) Net remittances

Each quarter some syndicates transfer securities to make their funding adjustments. These are reflected on the net remittance line of SLQ/RIQ 2 at the market value prevailing on the date the transfers were made. As a margin has to be transferred this figure may not match precisely the value of the required transfers. Hence, Market Finance has not allocated the net remittances across years of account in the preliminary packs, but has posted them all to the youngest year of account column, as agents will need to determine the split. You **must** make the year of account allocation in the packs that are returned.

It should also be noted that where syndicates have transferred securities between trust funds (termed by Citibank as 'deliver free' and 'received free' transactions) these will appear on the Citibank statements as having been traded at zero proceeds/cost. However, the historic cost relating to that holding will be shown on the Citibank investment summaries. For US reporting purposes only, the market value prevailing on the date of the transfer has been used as the proceeds for any 'deliver free' and the cost of any 'received free' transaction. The carrying cost within the US reporting system will also be the market value on the transfer date rather than the historical cost. (N.B.: The reason for this different

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treatment is that a 'deliver/received' free does not create a taxable event, so Citibank treat it as a transaction with no value and continue to carry the original cost. For US reporting purposes each trust fund is treated as a separate entity, so the transactions must be valued at the market value on the date they occurred).

Line 16 of forms SLQ/RIQ 2 currently does not show any transfers required to/from the situs trust funds. The figures included in the final packs must be based on the figures in the amended draft packs.

### 3) Cash Transfer Forms

Cash transfer forms must be returned to Settlement & Trust Fund Operations, Fidentia House, Chatham, in hard copy by the 4 August 2011, and will have a value date of 11 August 2011. The cash transfer form also requires Managing Agents to specify non-cash assets that they intend to move to/from the situs accounts. The reporting system will derive the total amount to be funded from the pack and the cash transfer figure from that entered at the top of the form. It is then possible to enter values in respect of investments and letters of credit that will be added/removed from the fund. Agents will need to ensure that the total calculated after these details have been input agree with the total amount to be funded figure derived from the pack.

### 4) SLTF funding requirements

Please note that for Surplus Lines Trust Fund purposes, the terms of Art. 2.7 of the surplus lines trust deed:

(i) require advanced notice to be given to the Trustee, the Domiciliary Commissioner, any Non-Domiciliary Commissioner and the IID in the event that, in respect of a given year of account, the TFMA for any quarter is less than 50% of the TFMA for the immediately preceding quarter; and

(ii) prohibits the Trustee from permitting any such withdrawal for a period of 10 days after receipt of any such notice. The single exception relates to the situation where there is an RITC of the relevant year of account when details of the syndicate and year of account assuming the RITC of the US liabilities are required to be advised to the Trustee.

**In other words you may not transfer assets out of the SLTF, when making the adjustment for the 30 June 2011 position, which will mean that the remaining asset balance for any YOA is less than 50% of the TFMA as at 31 March 2011, without previously providing the required notices. If your syndicate is likely to be in this position, please advise Market Finance immediately.**

- **FAILURE TO DO SO WILL MEAN THAT YOU ARE UNABLE TO RELEASE ASSETS IN EXCESS OF THE 50%.**
- **The deadline for notification is therefore 1 August 2011.**
- **Please note that a reduction due to an RITC is acceptable, provided the assuming year maintains at least 50%.**



**De-linked underwriting transactions**

Brokers are permitted to use the optional facility whereby premium transactions may be recorded in advance of settlement (de-linking).

A report listing any premiums which have been recorded early (i.e.: de-linked) is included with this letter for those syndicates having an involvement in such transactions for their US situs trust fund business.

Where the effect of “de-linked” items on premiums is material the figures in the reporting packs should be adjusted accordingly. For clarification, this means included in any workings, as set out in the following example:

*Example:*

*For a syndicate’s 2010 year of account, as at 30 June 2011: The syndicate has \$100m of signed premiums and a further \$25m of de-linked premium items which have been recorded in advance of settlement. The syndicate has paid claims of \$40m, and the outstanding claims are not large enough to increase the reserve requirement.*

		<i>\$m</i>
(1)	<i>Signed premiums</i>	<i>100</i>
(2)	<i>De-linked premiums (i.e.: not yet signed)</i>	<i><u>25</u></i>
(3)		<i>125</i>
(4)	<i>Credit against future unsigned premiums</i>	<i><u>(25)</u></i>
(5)	<i>Premiums for inclusion in the US situs trust fund pack</i>	<i><u>100</u></i>
(6)	<i>Paid claims</i>	<i>40</i>
(7)	<i>Reserves required (5) – (6)</i>	<i><u>60</u></i>

**A:** If, however, it is already known that the loss ratio on the de-linked premiums will be in excess of 100% the amount of the credit in (4) must be restricted accordingly.

**B:** If outstanding claims on the signed and de-linked premiums exceed the \$60m, then the reserves required will be equal to the outstanding claims.

PROGRAMME NO

LLOYD'S INSURANCE DATA SYSTEM

DATE: DD/MM/YY PAGE: NO

**US TRUST FUND DELINKED ITEMS REPORT**

SYNDICATE NUMBER: 9999

<u>TRUST FUND CODE</u>	<u>LPSO NUMBER</u>	<u>LPSO DATE</u>	<u>GROSS PREMIUM AMOUNT</u>	<u>YEAR OF ACCOUNT</u>	<u>RISK CODE</u>	<u>SYNDICATE REFERENCE</u>
XX	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX
	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX
	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX
	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX
	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX
	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX

SUBTOTAL: -9,999,999,999,999.99

XX	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX
	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX
	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX
	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX
	99999	DD/MM/YY	-9,999,999,999,999.99		CCYY	XXXXXXXXXXXXXX

SUBTOTAL: -9,999,999,999,999.99

\*\*\* END OF REPORT \*\*\*



# US REPORTING GUIDANCE NOTES

## OVERSEAS REPORTING SYSTEM

### QUARTER ENDED 30 JUNE 2011

#### Introduction

Market Finance provides electronic preliminary packs for each syndicate which has signed trust fund deeds for US situs Surplus Lines and Credit for Reinsurance business on the Overseas Reporting System (ORS). These can be accessed by logging on at [www.lloyds.com](http://www.lloyds.com), click on My Account, View/Update Lloyd's account details and then select the Overseas Reporting System.

Once you have logged onto the ORS you will be able to make all changes listed below under 'What can be updated?'

The preliminary packs include figures for assets held in the situs trust fund accounts and underwriting transactions advised directly to Lloyd's or processed by Xchanging which are available centrally. Please check these preliminary packs and amend them for any changes to the pre-filled data provided and to reflect any figures relating to reserves (which are not available centrally).

#### What can be updated?

The ORS will allow you to update the packs:

- for reserves at the quarter end;
- for changes to investment data (except for prices, brought forward and standing data);
- to amend premiums, claims, brokerage and commission;
- to amend (RIQ only) LOC's issued to cedants, funds withheld and deferred instalments;
- to add a memo note (RI only) of alternative security provided to a reassured;
- to reallocate assets, realised/unrealised gains and losses, and net remittances across the years of account;
- to complete the cash transfer form;
- for changes to the list of directors/partners and the agency address appearing on the Jurat page; and
- syndicate contact details (this does not form part of the printed packs).

#### How to update the packs

Accessing the system, syndicates and forms.

Enter the web address detailed above and log on to the ORS using the credentials that you have been provided with to gain access to this site.

If you have permission to access the returns for more than one managing agent the first screen that you will see will ask you to select one of them. To do this click on the radio button next to the appropriate managing agent under the select column then click on the select button in the top left hand corner of the screen.

On the page that appears after logging in (and selecting a managing agent if applicable) you will be required to enter your User Preferences which you should do as follows;

# **US REPORTING GUIDANCE NOTES**

## **OVERSEAS REPORTING SYSTEM**

### **QUARTER ENDED 30 JUNE 2011**

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**Country** – USA

**Reporting Period** – 2011 Q2 (this will normally pre-populate)

**Trust Fund** – pick from drop down list of leave unselected if you do not want to work on a form at this time (you will be prompted to select a trust fund should you navigate to a part of the software where this information is required).

**Syndicate** – select from drop down box, except where you only manage one syndicate in which case this field will be pre-populated.

Click on Update on the Action menu above User Preferences to confirm the information you have entered.

On the left hand side of the screen, under Navigation, are the menu options that will allow you to access the pack forms, reports and reference data that you need. These are grouped as follows;

#### **Packs**

- Syndicate – gives you access to all the pack forms for updating and viewing as applicable.
- Output – allows you to create PDF and XLS versions of forms and reports in the pack.

#### **Reference Data**

- Syndicate – allows you to view/amend asset allocation percentages and select/deselect the manual allocation options; view year of account history; update your contact and address details; and update the directors' details.
- Import/Export Data – for Q1, Q2 and Q3 allows you to export an excel version of the working schedule, the Schedule F working schedule and investment data. At Q4 it will additionally allow you to import and export data for Schedules F & P.

#### **System Management**

- Internal Reports – allows you to generate and view the syndicate control sheet, working schedule and investment schedule in PDF and XLS.

#### **Queue Management**

- In Progress – shows you which functions e.g. pack recalculations, have yet to be completed and their status.
- Recent Activity – shows you a record of activity in the last 48 hours.
- Available Downloads – shows all documents that have been created in the last 24 hours and are ready to be downloaded.

# US REPORTING GUIDANCE NOTES

## OVERSEAS REPORTING SYSTEM

### QUARTER ENDED 30 JUNE 2011

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#### Cash Transfers

- This is where you access and fill in the Cash Transfer form.

To access any form point your cursor over the form name (which will underline the form) and click. Form names in black may only be opened in PDF or XLS format so to access these click on the appropriate icon on the right hand side.

Once you are within a form you may move to other forms by using the drop down list under the filter menu but **before navigating to another form you must recalculate the form you are in to save any data that you have entered**. Alternatively, after recalculating the form you can return to the list of forms by clicking on the syndicate trust fund link at the top of the screen.

At the end of a session click on 'Log out' in the top right hand corner of the screen.

#### Order in which to approach exercise

Experience within Market Finance has shown that it is easiest to update the underwriting data included in the packs by starting towards the back (i.e.: at SLQ/RIQ 4 and 4a) and working towards the front pages of each pack. This is because data feeds from certain of the later forms to the earlier ones, so they are best completed first.

The guidance below refers to SLQ at all form references. The approach for the RIQ pack is exactly the same so for 'SLQ' you may also read 'RIQ'.

#### Updating for reserves

Select form SLQ 4a (if applicable). You will then enter the *Losses Paid and Incurred* for the syndicate's closed year(s) of account. Enter reserves for each applicable class of business using the tab button to move to the next cell. It is best to avoid hitting the Enter or Return key as this will indicate you wish to calculate the form which is best done once all data has been entered on the form. Once you have entered all the data on this form click on the Recalculate button in the top left hand corner. This will save your data and also update the figure in the *Losses Incurred* column. Please note that the figure you enter in this column is that for outstanding claims plus IBNR and that the paid loss figure is automatically included in the relevant totals.

You cannot enter data in the total *Aggregate Write-ins* line, but must enter this by the individual lines towards the bottom of the form.

Once you have correctly completed this form, move to the previous form by using the drop down navigation list or returning to the form list.

If you have no form SLQ 4a then start with form SLQ 4.

In order to update forms SLQ 2 and SLQ 3 with your reserving data you must recalculate the whole pack. This will also calculate the Total Transfers required on line 17.

Variable funding (SLTF only) imposed on the trust fund by the NAIC/IID should already be known by Managing Agents. The reporting software will incorporate the variable funding requirements that apply to certain syndicates.

# US REPORTING GUIDANCE NOTES

## OVERSEAS REPORTING SYSTEM

### QUARTER ENDED 30 JUNE 2011

Updating for allowances against reserves (lines 2a – 2c on form RIQ 2) – RI packs only

Please note that the figures appearing in the preliminary packs (lines 2a-2c of RIQ2) are shown at zero, including amounts for closed YOAs against the assuming year. Any credit in respect of letters of credit, deferred premium instalments or funds withheld must be restricted to the amounts of the calculated reserves for the relevant contracts.

To assist in calculating the credits to be entered, Schedule F, showing information by reinsured, may be printed from the system. Select RI 10 (Schedule F) on the list of forms or from the drop down list if you are in a form. If you require a change to the Letter of Credit deposited, the deferred instalments or the funds withheld by reinsured, find the reinsurer and then click on the NAIC number. Scroll down to the bottom of the form and enter the adjustment in the appropriate field

On completing the calculation of credits, where required, the amounts are entered directly within the 'Letters of Credit deposited / Deferred Instalments / Funds held by Reassured' fields in RIQ 2. Before closing this form, it must be recalculated.

#### Underwriting Adjustments

Adjustments can be made to the underwriting data via the Underwriting Adjustments button under the Quick Links menu having clicked on Packs – Syndicate. Please follow the sign convention in the table below:

	Increase	Decrease
Premiums	+ ve	- ve
Claims	- ve	+ ve
Brokerage & Commission	+ ve	- ve
Losses in Adjustments *	-ve	+ve

\* This is the outstanding claims element of gross reserves.

To enter a new adjustment click on the Add button. You will then be required to identify the adjustment type (e.g. Premium), enter the year, risk code, state (SL only), reassured (RI only) and the amount of the adjustment. To enter risk codes and reassureds you will need to click on the binoculars and then enter a filter or scroll through the pages to find the record you want to use. To select a record click on the select radio button on the right hand side and then click on the Select button. Once you have entered all the required data click on the Add button to save it. If you need to amend any adjustment you have already entered, click on the Edit button, make your changes and then click Update. To delete an adjustment click on the Remove button.

If you require a print of the adjustments you have made, go to the Output menu, select UW Adjustments, the report format, the syndicate and then click Queue Items for Output.

#### Updating fund movements on SLQ 2

When entering data on this form use the tab key to move between cells and then recalculate the form to save the data.

## **US REPORTING GUIDANCE NOTES OVERSEAS REPORTING SYSTEM QUARTER ENDED 30 JUNE 2011**

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Before following the points below you must ensure that you agree the allocation by year of account of the asset values at the quarter end on form SLQ 1 and line 12 of SLQ 2, as well as the allocation of gains and losses on securities on lines 7 and 8 of SLQ 2. If you do not agree these allocations please follow the notes regarding amending these details before updating the rest of form SLQ 2.

The figure for *net remittance/(payment) re deficiency/(surplus) on Trust fund* at line 10 has not been allocated across years of account. You **MUST** enter the figures for each year in the relevant fields. You may also change the overall total if you believe it to be incorrect (having entered the figure for each year recalculate the form and the new total will be shown).

You may also enter figures for *Other movements* at line 11 where you need these to make the reconciliation between the opening assets position and the period end figures agree. Until each column casts, a difference will be shown on the face of the data entry screen immediately above the field that shows the balance at the start of the period.

On a few occasions syndicates have made transfers after the period end but before the filing date. These should be entered at line 15.

Once you have agreed all other details on this form click on the recalculate button to save the data. This will then complete line 16 for remaining balance *to be made*.

N.B. For SL packs only. The provisions of the trust deeds do not ordinarily permit a withdrawal from the SLTF which would leave the remaining assets in the trust fund at less than 50% of the previous quarter's TFMA. If the total withdrawal you enter on the pack would leave insufficient assets this will be flagged as a major warning and you should amend any withdrawal accordingly, or advise Market Finance who will give the required notice. In some circumstances (e.g.: where for the SLTF, syndicates hold LOC's in excess of the required reserves) agents may choose not to release the full surplus back to the LDTF. In these cases you may key directly to line 16.

Releases from the situs trust fund are shown as negative on lines 15 and 16.

Before closing this form it should be recalculated to ensure that there are no remaining differences.

### **Alternative security (form RIQ 2)**

Where the syndicate has taken credit for an alternative security provided to a reassured you must complete the memorandum note at the foot of RIQ 2. To do this scroll down towards the foot of the RIQ 2 screen where you will see the alternative security value restated and a Gross Reserves field ready to be updated. You must enter in this field the total reserve you have calculated for the reassureds for which credit for an alternative security has been taken.

### **Amendments to Asset allocations**

The system will allow you to amend the allocation by year of account of the asset values at the year end on form SLQ 1 and line 12 of SLQ 2 and the allocation of gains and losses on securities on lines 7 and 8 of SLQ 2. If you need to change the overall totals please follow the notes regarding amending these details before updating the allocations.



## **US REPORTING GUIDANCE NOTES**

### **OVERSEAS REPORTING SYSTEM**

### **QUARTER ENDED 30 JUNE 2011**

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On the Navigation menu click on Reference Data – Syndicate.

The page that opens has tick boxes to 'allow manual year' allocation for each trust fund. Amendments cannot be made to the YOA allocations, unless boxes are ticked.

After ticking the box for the relevant trust fund click Update and then navigate back to the syndicate forms and select SLQ 1. You can then over key any of the figures where you are simply moving assets between years of account. Recalculate the form after adjusting the data then click on the Validation link to check that your changes have not caused any casting errors which you must correct. You may click on the Return to Form link or use the Navigation panel on the left hand side to leave this page.

Similarly you may amend the year allocation of realised and unrealised gains and losses on lines 7 and 8 of form SLQ 2 in the same way. These will always agree back to the figures in the total column, the balancing figure appearing in the youngest year of account column. It is best to recalculate on completing these two lines to ensure that you agree with the balance in this column.

Alternatively, it is possible to directly enter and automatically apply revised allocations by keying the revised percentage splits. Go to Reference Data – Syndicate and click on the Asset Allocation Percentage link. Click on the Edit button next to each year of account that you want to amend and then click on Update. Note that the balancing amount is automatically calculated within the youngest year of account.

#### Accessing and amending Investment data

You can amend the investment data relating to the current reporting period.

To amend the total value of the trust fund you will need to contact Market Finance to make the necessary changes as this will require the agreement of the Trustee.

To amend investment data Click on the Investments link for the relevant Trust Fund. You will be presented with a list of investments that are held or have been disposed of in the current reporting period. Each record will contain details of the acquisition and any disposals that may have taken place. To find a record use the page number links and scroll down the page until you find the one you are looking for or, alternatively, click on the binoculars next to the Security Code field. In the window that opens key in some of the security details and then click on the filter icon. Click the radio button to the right of the security that you want to select and then click select. Then click the filter button on the main page to show only the matching records to your selection criteria.

To amend an acquisition Click on the cusip number of the investment that you want to amend and you will be presented with a screen detailing the current holding. You can amend all fields in the Acquisition section of the page. Click the Update button to save the changes. If these fields are greyed out then the acquisition is not a transaction for the reporting period. You should contact Market Finance for assistance if you need to change an acquisition for a previous period.

To amend a disposal Click on the disposal date next to the transaction you wish to amend. As with acquisitions you may amend any of the fields unless they are greyed out, in which case it is not a current reporting period transaction. Click the Update button to save the changes.

To create a new acquisition record, click on Add Investment. Select the security

## **US REPORTING GUIDANCE NOTES**

### **OVERSEAS REPORTING SYSTEM**

### **QUARTER ENDED 30 JUNE 2011**

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details by clicking on the binoculars next to the Security Code field. In the window that opens key in some of the security details and then click on the filter icon. Click the radio button to the right of the security that you want to select and then click select. Scroll down to the Acquisition section of the page and ensure all available fields are completed including the account number. Click Save to finish.

To create a new disposal record, locate the acquisition to be disposed and click on the cusip number. Click on the add disposal button and ensure all available fields are completed.

NB: disposals are matched to acquisitions in the following order:

Purchases of the same security on the same day;

Purchases of the same security within the previous 10 days; then

Purchases prior to 10 days of the disposal on a First In First Out basis.

To create a disposal where the units exceed any one individual holding, will require disposal details to be entered against more than one record, with the consideration shown on a pro-rata basis.

To delete a record do one of the following. To delete a disposal record, click on the disposal date link and then click on Delete and confirm at the prompt. To delete an acquisition click on the Delete button on the right hand side of the record in the main Investments screen and confirm at the prompt.

To restore investment data to the position when the pack was released, effectively 'undoing' any changes made to the investment records, click on 'Reset investments' on the Packs – Syndicate main screen and confirm at the prompt.

NB: this undoes all changes you have made to investments within a particular trust fund pack.

#### Updating directors/partner

To amend the list of directors appearing on the Jurat page, form SLQ 0, select the Reference Data – Syndicate link from the Navigation menu.

Scroll down to the bottom of the page where the directors' details can be found. Click on Edit to change the details of an existing director and insert to add a new one. If a director has left the company click on edit and enter an End Date.

Please note that these details will be common for all packs managed by the same agency and it is only necessary to make the changes once. Changes made in the US pack will also update the Canadian reporting pack and vice versa provided no packs have been locked.

The amend facility also allows you to flag where the agency is a partnership, to ensure the correct wording on the Jurat page.

Please remember to ensure that the entries on this list remain in alphabetical order.

#### Changing agent's address

This page also allows you to amend the agency address that will appear on the Jurat page (SLQ/RIQ 0). Simply overtype the address and post code as required.

# US REPORTING GUIDANCE NOTES

## OVERSEAS REPORTING SYSTEM

### QUARTER ENDED 30 JUNE 2011

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#### Updating contact details

To amend these details (which do not appear in the packs) click on the Edit button.

You can then over type the contact name and telephone number for the syndicate.

Click on the update button to save the changes, or click cancel to abandon them.

#### Calculation validation and rules

Once you have updated the pack it should be recalculated by clicking on the Recalculate button. Once this is complete click on the Validation link to check whether there are any errors that must be cleared or warnings that need to be verified.

A control sheet detailing errors and warnings may be printed out. To do this go to the Internal Reports link under the Navigation menu and click on the PDF symbol next to US Syndicate Control Sheet.

The narrative for errors is self-explanatory, showing the nature of the error (such as 'trust fund does not cast'), the relevant form and line references and the figures that do not agree. Warnings usually arise when data is expected in a particular field but nothing is present, such as reserves for a year that has signed a trust deed. Warnings proceeded by the wording 'MUST VERIFY' will require positive confirmation. Until this is done, the system will not allow you to lock the pack. To positively confirm the warnings click on the Validation link and click on the Select check box then click on Verify.

Various informational messages are also shown on the control screen, such as where claims have been paid for a particular line of business for a state but no premiums have been received. This allows you to investigate them further should you deem them to be material.

#### Printing packs

You can print packs or selected pages by clicking on the PDF icon under Quick Links and printing this or by going to the Output menu and making your selections. **Agents should note that prior to locking the pack all printed forms will appear with the word 'draft'. The final pack for notarisation purposes, without the word 'draft', can only be printed once the pack has been locked.**

#### Cash Transfer Form

To access this form click on Cash Transfers in the Navigation menu.

Each applicable year of account per trust fund must be completed separately and the total amount due will appear in column D. By completing columns E, F and G the sum total that appears in H should agree to D. Any difference will appear on a red background to the right of H. If your syndicate has more than one bank account you can select each account's form by clicking on the bank account drop down list towards the top of the page. The numbers that appear here are the four middle digits of the account number (excluding the starting number 4 which is generic to all accounts and the ending number 1 or 2 which denotes the trust fund).

It is essential that you complete the cash transfer form details before locking the packs as this data will be summarised and passed to Settlements and Trust Funds to assist them with the actual movement of cash.

# **US REPORTING GUIDANCE NOTES OVERSEAS REPORTING SYSTEM QUARTER ENDED 30 JUNE 2011**

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## **Submitting electronic packs to Market Finance**

Once you have updated the packs as far as possible, eliminating all errors and verifying, where required, all warnings, you must lock it to finalise it.

To lock a pack and submit it to Market Finance simply click on the Lock button. Once locked a pack can only be unlocked by Market Finance so please ensure it has been thoroughly reviewed before doing so.

## **Final locked packs to agree to signed and notarised filings**

Once you have locked your packs you should print off a copy of it for the purpose of getting it notarised. If for any reason you do need the pack unlocked please ensure that you destroy any printed copies of the previously locked pack. This will reduce the possibility that the final filed version differs from the electronic submission that is used to compile the global return and the electronic version of each pack, which are filed with NYID.

## **Completion of return**

The due dates are per the timetable detailed at the beginning of this bulletin:

**1 August 2011 - Submission of electronic copy packs, by managing agents to Market Finance; and**

**3 August 2011 – Final packs (notarised and signed) to be returned by managing agents to Market Finance.**

**Please remember that the cash transfer forms are due for submission to Settlements and Trust Funds on 4 August 2011 and will show a value date of 11 August 2011.**

## Lloyd's Syndicate Quarterly US Reporting Pack

### Checklist for Managing Agents: Completion of US Surplus Lines/Reinsurance Pack

**NB: The checklist has been prepared on the basis that there are no years of account in Run-off. Please contact Market Finance if you have any specific questions concerning the completion of these forms.**

Form	Adjustment/ action required	Completed ?
<b>SLQ/RIQ 0</b>	Changes to directors/address, etc. should be made to this form, via the Reference – Syndicate menu item. Where an agent manages several syndicates, amendments need only be made once to the system and all jurat pages will then be updated.	
<b>SLQ/RIQ 1</b>	The Bonds and Short term investments figures are allocated across the YOAs and should agree in total to Citibank (market value). Citibank allocations have been used. If you choose not to use these click on allow manual year allocations, via the syndicate screen, and please advise Citibank.	
	Bonds plus Short-term investments must agree to form SLQ/RIQ 6M (Column 4, First Quarter Total).	
	Short term investments total must agree to form SLQ/RIQ 6J (Col 3, Statement Value) and form SLQ/RIQ 6K (Col 1, Book value, current year).	
	Total Cash figure for all YOAs should agree to Cash figure on your Citibank statement.	
<b>SLQ/RIQ 2</b>	Reserves must be calculated on the modified UK basis for 1995 to 2010 YOAs (see market bulletin Y748 of 4 December 1997 and Patricia Hakong's letters of 16 March and 1 April 1998). These must be disclosed (at 100% in all cases) on line 1 (via SLQ4/4a).	
	The reserves for the 2011 YOA are to be calculated in accordance with Patricia Hakong's letter of 1 April 1998 as the higher of total cumulative signed gross premiums (net of brokerage and commission) less cumulative gross paid claims, and total gross outstanding claims at the quarter end, unless it is already apparent that the ULR's will exceed 100%, in which case the reserves should be adjusted accordingly.	
	1995 to 2008 closed year reserves are to be included on line 1 against the year/syndicate which has assumed the RITC (i.e.: a total figure for the pure year and its assumed year is disclosed). The reserves for the pure year and the year that has closed will be shown separately on lines 6 and 7 of SLQ/RIQ 3.	
	Total Net realised capital gains/losses (line 7) must agree to total figures for profit/loss on disposals of both short and long term investments as detailed on forms SLQ/RIQ 6H and SLQ/RIQ 6K.	
	Total unrealised capital gains/losses (line 8) must agree to the total of column 4 on form SLQ/RIQ 6M. Both lines 7 and 8 will be allocated across years using Citibank allocations unless you determine otherwise.	
	Net remittance in quarter to cover deficiency / net (payment) in quarter to release surplus on Trust Fund (line 10) must be allocated by year of account and agree to end of last quarters transfers, plus any additional transfers which may have been made.	
	Balance at end of quarter (line 12) must agree to assets totals for each YOA on form SLQ/RIQ 1 - and you MUST ensure that this form casts.	

	Line 18 is for transfers not being made (i.e.: extra amounts retained within the situs trust fund packs). To populate this field overtype row 16 with a lesser amount to release or a greater amount to deposit.	
<b>SLQ/RIQ 3</b>	Any adjustments to premiums, paid losses or brokerage and commission must be made against the YOA affected, the relevant risk code, for SL relevant state and for RI appropriate reassured (via the USI screen). Other than for YOAs that have closed, all figures are cumulative.	
<b>SLQ/RIQ 4</b>	This form relates to the pure year of account only and should not include data for YOAs where RITC has been assumed. You MUST complete column 3 (Losses Unpaid Current Year), by line of business and column 5 (Losses incurred) must agree back to line 2 plus line 6 of SLQ/RIQ 3, i.e.: the reserves as calculated under the modified UK basis plus paid losses. The pre-filled data in the preliminary packs is for cumulative paid losses.	
<b>SLQ/RIQ 4a</b>	This form will be included in the pack for each year that has assumed the RITC of another YOA. Losses paid on SLQ/RIQ4a does not agree to SLQ/RIQ3 as SLQ/RIQ3 is net of Premiums. You MUST complete column 3 (Losses unpaid Current Year), by line of business and column 5 (Losses incurred) must agree back to line 3 (paid loss element only) plus 7 of SLQ/RIQ 3 i.e.: the reserves as calculated under the modified UK basis plus calendar year to date paid losses. The pre-filled data in the preliminary packs is for calendar year to date paid losses.	

**IN ADDITION TO THE ABOVE, MANAGING AGENTS ARE REMINDED THAT IT IS THEIR RESPONSIBILITY TO CHECK THE ACCURACY AND COMPLETENESS OF ALL INFORMATION WITHIN THE PACKS**

**PLEASE REMEMBER TO KEEP ANY COPIES OF THE PACKS YOU MAY REQUIRE.  
PLEASE DO **NOT** RETURN THIS SCHEDULE WITH YOUR PACKS**

**Lloyd's Syndicate Quarterly US Reporting - Checklist for Managing Agents:  
Completion of Investment data within the Reporting Packs  
Surplus Lines and Reinsurance**

Due to the volume of investment transactions we continue to rely on Citibank electronic data in preparing the preliminary packs. You must therefore check the investments carefully to ensure that you agree the data. Investment data for the current period may be amended per the system instructions provided. Prices, previous quarters' and reference data (greyed out cells) cannot be amended. If changes to these items are required you should contact Market Finance as soon as possible and at least two days in advance of the deadline for returning electronic updates. Please contact Market Finance if you have any specific questions relating to the completion of these forms.

<b>Form</b>	<b>Action</b>	<b>Completed</b>
SLQ/RIQ 1	Ensure asset valuation, by class of asset agrees to Citibank information (i.e.: split across rows of Bonds, Short-term Investments and Cash).	
	Citibank allocations have already been applied in these packs to split the assets across years of account (i.e.: across columns). Where you have to amend the figures in any way you may still apply the same proportions as Citibank. If you opt not to use the Citibank YOA allocations you are recommended to advise Citibank.	
	Agree assets to schedule D forms within pack (see SLQ/RIQ 6 forms below). Amendments to the current reporting quarter's date can be made via the Investment Data Maintenance Screen.	
SLQ/RIQ 2	Ensure balance at the end of the quarter (line 12) agrees to SLQ/RIQ 1 in total and by year of account	
	Net realised capital gains or (losses) to equal SLQ/RIQ 6H columns 6 and 7 plus RIQ 6K column 1 lines 4 and 8	
	Total net unrealised capital gains or (losses) to agree to Col 4 SLQ/RIQ 6M. This figure is unrealised gains/losses on long-term bonds (not shown within the pack itself) plus those for short-term investments per column 1, lines 3 and 7 of SLQ/RIQ 6K.	
	Split net remittances (line 10) across years of account	
SLQ/RIQ 3	Please note that the figures for realised gains and losses on line 11 are cumulative so will not agree to line 7 of SLQ/RIQ 2, unless this is the first period in which realised gains and losses have been made for a particular YOA	
SLQ/RIQ 6G	Ensure actual cost does not include any accrued income purchased (NB: This schedule is for long-term bonds only)	
SLQ/RIQ 6H	Ensure details for those long-term bonds disposed of during the period but also acquired during the period agree to SLQ/RIQ 6G	
	Ensure data in column 6 and 7 is reflected in line 7 of SLQ/RIQ 2	
	Ensure book value on disposal is in line with definition at the end of this table	
SLQ/RIQ 6J	Ensure totals (book value and statement value) of short-term investments agree to line 3 of SLQ/RIQ 1 (NB: This schedule is for short-term investments only) and that it agrees to SLQ/RIQ 6K total (column 1, line 10)	
SLQ/RIQ 6K	Ensure Column 1 line 10 equals SLQ/RIQ 1 line 3 and SLQ/RIQ 6J totals	

SLQ/RIQ 6M	The total of column 4 must agree to the total of line 8 on SLQ/RIQ 2	
	The total of column 5 must equal the total of bonds and short-term investments on lines 1 and 3 of SLQ/RIQ 1	

**General notes:**

All investment data **must** be shown within the US Reporting Packs excluding accrued income purchased and sold. Managing agents should note that if, by virtue of non repatriation, interest is rolled up into the principal accounts of the relevant situs trust funds, these funds cannot at a later date be released from the trust fund other than via the TFMA mechanism.

Short-term investments within the reporting packs do NOT include cash or money market deposits.

Short-term investments are those with less than one year to maturity at the date of acquisition

Long-term bonds are those with one year or longer to maturity at the date of acquisition

Assets do not move between long-term and short-term as maturity approaches.

Other than in exceptional circumstances the Statement Value, Book Value and Market Value of securities will be equal.

Book value at disposal equals cost for those assets acquired during the reporting period. For those assets owned at the end of the previous period it equals book value brought forward.

The disposal value of securities transferred out of the LDTF, CRTF and SLTF are shown at the market values prevailing on the transfer day (as are the cost of any securities transferred into these Trust Funds).

Disposals are to be matched to acquisitions in the following order:

Purchases of the same security on the same day

Purchases of the same security within the previous 10 days

Purchases prior to 10 days of the disposal on a First In First Out basis.