

# MARKET BULLETIN

REF: Y4523

|                 |   |
|-----------------|---|
| <b>Title</b>    | Q3 2011 QMR – major losses, exchange rates and other information and year-end timetable   |
| <b>Purpose</b>  | To provide managing agents with information required for the completion of the Q3 2011 Quarterly Monitoring Returns including the list of major losses to be reported and suggested exchange rates. |
| <b>Type</b>     | Scheduled   |
| <b>From</b>     | Robert Smith, Manager, UK Reporting, Market Finance<br>Contact details: 020 7327 5459 <a href="mailto:robert.smith@lloyds.com">robert.smith@lloyds.com</a>  |
| <b>Date</b>     | 3 October 2011  |
| <b>Deadline</b> | QMA – 2:00pm Thursday 17 November 2011 unaudited<br>QMB – 2:00pm Thursday 17 November 2011 unaudited  |

## Related links

This bulletin provides:

- (a) the list of major losses to be reported in QMA800u (see Appendix 1);
- (b) suggested exchange rates (see Appendix 2);
- (c) Q3 2011 deadlines and other information relevant to the completion of the Q3 2011 Quarterly Monitoring Return;
- (d) key deadlines for the Q4 2011 year-end returns and Q1 to Q3 2012 QMRs; and
- (e) liaison with managing agents for the year-end.

## Q3 2011 deadlines and other information

The submission date for the Q3 2011 QMA and QMB is 17 November. The returns must be submitted by no later than 2:00pm of the deadline date. The 2009 and 2010 forecasts as a percentage of capacity will be released to the Stock Exchange and included on Lloyds.com on Wednesday 23 November.

There have been no changes to the forms or the instructions for Q3 2011, please therefore refer to the instructions issued for Q1 2011, referenced as "2011 version 2.1". We will continue to publish weekly FAQs on a Friday, normally by 2:00pm. The first FAQs will be published on Friday 14 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 & Investment Management will provide a breakdown of the overseas assets that they manage on 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. If you do not currently receive this information, or the recipients within your organisation have changed, please send a note of the appropriate e-mail address to [lloyds-MRD-ReturnQueries@lloyds.com](mailto:lloyds-MRD-ReturnQueries@lloyds.com) by Friday 7 October.

The software for Q3 will be fully available in the Production (or live) environment on Tuesday 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](mailto:ITGApplicationSupport2@Lloyds.com)).

#### **Key deadlines for the Q4 2011 year-end returns and Q1 to Q3 2012 QMRs**

The deadlines for the coming year-end and the first three quarters of 2012 are set out in Appendix 4. There are no major changes to the deadlines.

#### **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 2011 year-end there are no issues that we consider we need to highlight. 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](mailto: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

**Appendix 1****Major losses**

The XIS catastrophe codes which must be reported in the Q3 2011 QMA800u are:

|    |       |   |                          |
|----|-------|---|--------------------------|
| 1  | 10B   | US Snowstorms   | 5 to 11 February 2010    |
| 2  | 10C   | Chilean Earthquake                                      | 27 February 2010         |
| 3  | 10E   | Transocean MODU Deepwater Horizon                       | 22 April 2010            |
| 4  | 10G   | Aban Drilling, loss of Rig off the coast of Venezuela   | 13 May 2010              |
| 5  | 10K   | Melbourne severe storm event                            | 6 March 2010             |
| 6  | 10L   | Perth severe weather                                    | 22 March 2010            |
| 7  | 10P   | New Zealand Earthquake                                  | 4 September 2010         |
| 8  | 10R   | Qantas Airbus Engine Failure                            | 4 November 2010          |
| 9  | 10T*  | Queensland Floods                                       | 21 Dec '10 to 14 Jan '11 |
| 10 | 11A*  | Victoria Australia - heavy rainfall and flooding        | 12 January 2011          |
| 11 | 11B*  | Cyclone Yasi  | 2 February 2011          |
| 12 | 11C   | New Zealand Earthquake                                  | 22 February 2011         |
| 13 | 11D   | Japanese Earthquake and ensuing Tsunami                 | 11 March 2011            |
| 14 | 11E   | Maersk Oil and Gas FPSO Gryphon                         | 4 February 2011          |
| 15 | 11F   | US Tornadoes – 14 – 16 April                            | 14 to 16 April 2011      |
| 16 | 11G   | US Tornadoes – 24 – 28 April                            | 24 to 28 April 2011      |
| 17 | 11H   | US Tornadoes – 20 – 27 May                              | 20 to 27 May 2011        |
| 18 | 11J   | Slave Lake fire, Alberta, Canada                        | 14 to 16 May 2011        |
| 19 | 11K   | Loss of Asiana airlines cargo Boeing 747-400F           | 28 July 2011             |
| 20 | 11L   | Losses arising from civil disturbances in England       | 6 to 10 August 2011      |
| 21 | 11M   | Hurricane Irene   | 22 to 29 August 2011     |
| 22 | 11N   | Losses arising from New Zealand earthquake at Sumner    | 13 June 2011             |
| 23 | 11O   | Texas Wildfires   | 30 August 2011           |
| 24 | 11P   | P-51D Mustang Reno Air Races crash                      | 16 September 2011        |
| 25 | 11ZA* | Toowoomba Australia                                     | 10 to 11 January 2011    |
| 26 | EGYP  | Losses arising from the continuing situation in Egypt   | 2011                     |
| 27 | FINC  | Turmoil in financial markets post Lehman Brothers       | -                        |
| 28 | ICEL  | Losses arising from the failure of Icelandic Banks      | -                        |
| 29 | LEHM  | Losses arising from the failure of Lehman Brothers Bank | -                        |
| 30 | LIBY  | Losses arising from the continuing situation in Libya   | 2011                     |
| 31 | MADO  | Collapse of Madoff Investment Securities LLC            | -                        |
| 32 | SUBS  | Losses arising from sub prime                           | -                        |
| 33 | STAN  | Stanford financial corporation alleged fraud            | -                        |

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 3 October 2011. 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 Monday 31 October 2011.

At the request of the LMA FI/PI claims group, major loss codes ICEL and LEHM have been allocated accordingly. Previously such losses were coded under major loss code FINC. Losses arising under these two codes must now be separately disclosed.

#### **\*Events in Australia (reminder)**

To date there are three XIS catastrophe codes relating to losses that occurred in Australia late December 2010 / early January 2011. To ensure consistency across the market on the completion of the QMA800u and to assist Lloyd's tracking of these events a further major loss code has been specifically assigned. Although this is set up as a major loss code, it must be treated as if it were a CAT code.

Details of the use of the three CAT codes and one major loss code can be found below. All four codes have been listed in the required CAT codes table above:

1. 10T:
  - a. Queensland event DOL 26<sup>th</sup> December 2010 to January 14<sup>th</sup> 2011
  - b. Brisbane event DOL 21<sup>st</sup> December 2010 to January 14<sup>th</sup> 2011
2. 11A:
  - a. January 2011 Victoria event
  - b. February 2011 Victoria event
3. 11B: Losses relating to Cyclone Yasi
4. 11ZA: Toowoomba event 10<sup>th</sup> to 11<sup>th</sup> January 2011

#### **Major loss codes**

Major loss codes assigned for 2011 to date are:

|   |      |   |            |
|---|------|---|------------|
| 1 | 11ZB | Perth bushfire                          | 05 to 08/2 |
| 2 | 11ZC | Australian Wheat Board – Indonesia      | 09/02      |
| 3 | 11ZD | Eskom – South Africa                    | 22/02      |
| 4 | 11ZE | CNRL – Explosion and fire damage        | 07/01      |
| 5 | 11ZF | Petrobras America – Chinook development | 23/03      |
| 6 | PPIC | Payment Protection Insurance            | 11/05      |
| 7 | 11ZG | Jupiter 1 – Mexico                      | 12/04      |
| 8 | 11ZJ | Plains All American – Rainbow Pipeline  | 28/04      |
| 9 | 11ZK | Petrosaudi Saturn                       | 02/04      |

#### **Please note:**

Major loss codes relating to 2010 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 3 October 2011.

**Appendix 2****Rates of Exchange**

The settlement currency rates as at 30 September 2011 (balance sheet), average currency rates (profit and loss account) for the nine month period to 30 September 2011, and 3 month in-quarter average currency rates are as follows (to the £):

|                    | <b>Accounts etc</b> | <b>GQD</b> |                     |
|--------------------|---------------------|------------|---------------------|
|                    | Period end          | Average    | In-quarter average* |
| US dollars         | 1.56                | 1.61       | 1.61                |
| Canadian dollars   | 1.62                | 1.58       | 1.58                |
| Euro               | 1.16                | 1.15       | 1.14                |
| Australian dollar  | 1.60                | 1.55       | 1.53                |
| Danish krone       | 8.64                | 8.56       | 8.49                |
| Hong Kong dollar   | 12.13               | 12.57      | 12.55               |
| Japanese yen       | 120.08              | 129.96     | 125.07              |
| New Zealand dollar | 2.04                | 2.03       | 1.94                |
| Norwegian krone    | 9.15                | 8.96       | 8.86                |
| Singapore dollar   | 2.03                | 2.01       | 1.97                |
| South African rand | 12.52               | 11.27      | 11.51               |
| Swedish krona      | 10.70               | 10.34      | 10.43               |
| Swiss franc        | 1.42                | 1.42       | 1.33                |

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.

\* All original currencies that are reported in the GQD under 'currency code' OTH should be converted to Sterling either at the rates of exchange suggested by Lloyd's in this Market Bulletin or at the agent's chosen exchange rates (bearing in mind that outstanding claims should be converted at period-end spot rates).

**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).

## Appendix 3

**Q1 and Q2 2011 FAQs remaining relevant to the completion of the Q3 2011 QMA**

|   |   |                    |
|---|---|--------------------|
| <p>5 Aug – The instructions ask for comments on the QMA990 where any of the following three conditions are met:</p> <ol style="list-style-type: none"> <li>1. Investments with any material subprime exposure (greater than 5% of financial assets in aggregate) or confirm that no aggregate exposure greater than 5%.</li> <li>2. Securities where the original value (or the value as at 31 December 2009) is more than 2% of total assets and where impairment has; <ul style="list-style-type: none"> <li>- led to a loss of more than 25% of the original value (or the value as at 31 December 2009) or</li> <li>- led to a loss of more than 1% of capacity (most recent year of account).</li> </ul> </li> <li>3. Any holdings in default irrespective of size or whether in default after the reporting date.</li> </ol> <p>Are all of these comments still required? If so please provide clarification on which date the impairments are measured from.</p> <p>5 Aug – Additional form related note</p> | <p>Market Finance has taken the decision to remove the need for two of these comments. From Q2 onward, comments on the QMA990 are required for the following only:</p> <ol style="list-style-type: none"> <li>1. Securities where the original value (or the value as at 31 December <b>2010</b>) is more than 2% of total assets and where impairment has; <ul style="list-style-type: none"> <li>- led to a loss of more than 25% of the original value (or the value as at 31 December <b>2010</b>) or</li> <li>- led to a loss of more than 1% of capacity (most recent year of account)</li> </ul> </li> </ol> <p>Please note that measurement is to be taken against the original value or the value as at 31 December 2010. Please provide the following details: issuer, CUSIP, currency, current market value in original currencies and loss taken to the P&amp;L in original currency (including all realised and unrealised losses)</p> | <p>Instruction</p> |
|   | <p>Due to the ongoing uncertainty surrounding peripheral European countries and actual/potential revisions to their credit ratings, Market Finance is seeking additional information as a form related note to the QMA002. Agents are asked that where a syndicate has direct exposure to holdings in peripheral European Countries (specifically Portugal, Ireland, Italy, Greece and Spain), please provide the following details: issuer, CUSIP, currency, current market value in original currencies and loss, if any, taken to the P&amp;L in original currency (including all realised and unrealised losses)</p>  | <p>Instruction</p> |

**Appendix 4****Deadlines for the 31 December 2011 year-end returns and Q1 to Q3 2012 QMRs**

| <b>Activity</b>  | <b>11/12 deadline</b> | <b>10/11 deadline</b> |
|--|-----------------------|-----------------------|
| Agents to submit Q4 2011 GQD   | Thurs 12 January      | n/a                   |
| Agents to submit amended electronic Canadian packs   | Thurs 09 February     | Mon 7 February        |
| Agents to submit amended electronic US situs packs, schedule F&P packs, and statutory statements of actuarial opinion  | Tues 14 February      | Mon 14 February       |
| Agents to submit final signed and notarised reporting packs including schedules F&P  | Fri 17 February       | Thurs 17 February     |
| Agents to submit audited 31.12.2011 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 23 February     | Thurs 24 February     |
| Agents to submit 31.12.2011 QMB  | Thurs 01 March        | Thurs 03 March        |
| Agents to submit distribution data files (fast track agents only)  | Thurs 01 March        | Weds 02 March         |
| Agents to submit distribution data files (non-fast track agents only)  | Mon 12 March          | Thurs 10 March        |
| Agents to submit distribution audit report and statement of responsibilities   | Weds 14 March         | Fri 11 March          |
| Agents to submit 31.12.2011 syndicate annual report and accounts together with agent and auditor confirmation of agreement with QMA  | Thurs 15 March        | Thurs 17 March        |
| Agents submit underwriting year accounts to Lloyd's together with PDFs of annual and underwriting year accounts  | Thurs 22 March        | Thurs 24 March        |
| Relevant agents to submit 2012 FPP   | Fri 23 March          | Fri 25 March          |
| Lloyd's Annual Report approved by Council  | Tues 27 March         | Tues 29 March         |
| Agents send annual and underwriting year accounts to members   | Fri 30 March          | Thurs 31 March        |
| Agents to submit report supporting the US and Worldwide SAOs   | Fri 30 March          | Thurs 31 March        |
| Agents to submit 31.12.2011 SRD  | Thurs 5 April         | Thurs 7 April         |
| Agents to submit 31.12.2011 TPD  | Mon 04 June           | n/a                   |

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**Quarterly returns**

| <b>Activity</b>                              | <b>11/12 deadline</b> | <b>10/11 deadline</b> |
|--|-----------------------|-----------------------|
| Agents to submit Q1 2012 GQD                 | Thurs 12 April        | n/a                   |
| Agents to submit Q1 2012 QMA & QMB           | Thurs 17 May          | Thurs 19 May          |
| Agents to submit Q2 2012 GQD                 | Thurs 12 July         | n/a                   |
| Agents to submit unaudited Q2 2012 QMA & QMB | Thurs 09 August       | Thurs 11 August       |
| Agents to submit audited Q2 2012 QMA         | Thurs 23 August       | Thurs 25 August       |
| Agents to submit Q3 2012 GQD                 | Thurs 11 October      | n/a                   |
| Agents to submit Q3 2012 QMA & QMB           | Thurs 15 November     | Thurs 17 November     |