

MARKET BULLETIN

REF: Y4556

Title	Canadian Regulatory Reporting
Purpose	To set out the detailed timetable and procedures for the submission of the Quarter 4 2011 Canadian Reporting packs to the Canadian Regulators (OSFI)
Type	Scheduled
From	Leslie Redmond, Manager, Overseas Reporting, Market Finance, Finance Risk Management and Operations Direct Tel No: 020 7327 5490 E-mail: leslie.redmond@lloyds.com
Date	25 January 2012
Deadline	For immediate attention
Related links	None

Please copy this letter to those within your organisation who are responsible for reviewing and completing the Canadian packs.

1. Electronic preliminary Canadian reporting packs for the quarter ended 31 December 2011 will be available to your agency on the Overseas Reporting System (ORS) today. The appendices to this bulletin and detailed instructions on how to use the electronic system can be found in the packs by clicking on the 'Document Links' menu option.
2. 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 should be locked by close of business **on 9 February 2012** as set out in the timetable at Appendix 1. This date is critical, as our Canadian office has to review the filing (the P&C-2) before it is submitted to our Canadian regulator (OSFI) and the deadline set by OSFI is very tight. A hard copy return is not required.

Please note that at the time the packs have been issued we are still in the process of reconciling the London Wet Marine Premiums data, which we have only just received. It is therefore possible that we will have to adjust some of that data later this week. On that basis we ask that you **do not post any adjustments to the packs before Monday 30 January**, as these will not be retained by the system if we have to re-post the file (and you would therefore have to re-key them). This should not stop you from commencing your review of all of the other data elements. We will advise you as soon as this review is complete and apologise for any inconvenience this may cause.

Please also note that the reserving data has only been made available to the overseas reporting team shortly before providing you with the preliminary packs. Hence, there has only been minimal central checking. If our further work identifies any discrepancies we shall, of course, advise the market immediately.

You are advised that the Margin Fund included within the packs reflects the basic margin of 15%. The additional margin is included on the S1, funded in the main LCTF, and equates to approximately 42.9% of net liabilities for the 2011 year of account, 25.9% for the 2010 year of account and 24.6% for 2009 and all earlier years of account.

The Lloyd's actuaries are required to complete the Branch Adequacy of Assets Test (BAAT) by 24 February. The system will still require you to complete the cash transfer form in order to validate but the hard copy form **must not** be submitted until the end of the exercise when the final funding adjustments will be advised to you and further instructions will be issued.

In December 2011 those syndicates which have an earthquake exposure were required to make a funding to cover the ERRO liabilities. These reserves have not been included in the preliminary packs at this stage as they are syndicate specific. They will be added into the calculations at the time we receive the BAAT numbers and will be advised to you accordingly.

3. The assets on form S1 have been allocated using the same proportions as the 'assets required' on the S1 for the previous period, taking into account the year-end closures. This is because in the past it has been apparent to the Canadian regulator that many syndicates have not attempted to allocate assets reasonably, i.e. to those years of account where they have already advised the regulator that there are liabilities and that funding has been made. This is an ongoing cause for concern to the regulator and **you should ensure that the split by year of account is reasonable.**
4. Reinsurance recoveries are subject to audit sign-off on an annual basis only. However, if recoveries are reported for quarters 1 to 3, OSFI and the auditors may wish to review these when they look at the position for Quarter 4 2011. Please note that, as a result of technical issues, the list of reinsurers in the packs shows some companies which are no longer recognised by OSFI for these purposes. Up to date lists of reinsurers (Canadian and foreign) are attached to each electronic reporting pack and can be accessed via the home page.
5. Upon completion and finalisation of the pack you must lock it to enable Market Finance (MF) to incorporate the data into the global return. Once you have locked the pack, you will not be able to unlock it to make further amendments without contacting MF. Prior to locking the pack, a summary of your agency's contact details will appear on the screen, and the pack should not be locked unless these are correct.
6. Managing agents are reminded that it is their responsibility to ensure that the electronic packs they return to MF include all transactions for regulated Canadian business. This applies to transactions which have not been processed through XIS/XCS; you must ensure that adjustments are made to add in these items. Where the associated cash movements have not been transacted through the regulated bank account, please advise MF (Stella Farrar) separately by E-mail (stella.farrar@lloyds.com) at the same time as you submit your filing.

It is essential that the final packs agree exactly to the figures on the QMR 112 form (due in on 23 February). If there is any difference at syndicate level this could lead to an audit qualification on the P&C-2 filing for the entire market.

7. If any systems issues arise in the reporting period, a link will be provided in the electronic packs setting out the nature of the problems and their status.
8. If you have any queries on the contents of the packs, or on how to complete them, please contact me, on the above number, or Stella Farrar on extension 6734. Any questions on the reserves should be raised via E-mail with Ben Thomas (ben.thomas@lloyds.com) and Jerome Kirk (jerome.kirk@lloyds.com).

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