

MARKET BULLETIN

REF: Y4865

Title	Canadian Regulatory Reporting
Purpose	To set out the detailed timetable and procedures for the submission of the Quarter 4 2014 Canadian Reporting packs to the Canadian Regulators (OSFI)
Type	Scheduled
From	Leslie Redmond, Manager, Overseas Reporting, Market Finance Direct Tel No: +44(0) 7327 5490 E-mail: leslie.redmond@lloyds.com
Date	23 January 2015
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.

- Electronic preliminary Canadian reporting packs for the quarter ended 31 December 2014 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. **Please note that this return is now subject to Lloyd's Overseas Returns Fining Policy (see Market Bulletin Y4843 dated 1 December 2014).**
- 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 6 February 2015** 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. If the managing agent is making any adjustment to the pack in respect of Canadian regulated outstanding claims which are not reported through Xchanging or through Lloyd's Direct Reporting then they will need to contact Ben Thomas in MRC via email (ben.thomas@lloyds.com) so that an IBNR requirement can be calculated.
- 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 the approximate percentages for each year of account are set out in Appendix 4 to this bulletin which is available via "Document Links" in the packs. The additional margin is required to uplift the funding requirement from a Lloyd's basis to a Canadian basis (including the Canadian capital (BAAT) requirement). For quarters 1-3, the Lloyd's basis is relatively high because the current year funding is on the basis of signed premiums. At quarter 4, the Lloyd's basis generally reduces because the current year funding is actuarially determined (future premiums are netted off and the loss ratios are generally lower than 100%). The Canadian basis is generally unchanged. Therefore, the uplift required to get from a Lloyd's basis to a Canadian basis will increase at Q4 but the main reason for this is that the Lloyd's funding basis is lower at Q4.

4. Managing agents should advise Lloyd's (Ben Thomas, Market Reserving & Capital, ben.thomas@lloyds.com) if they consider that a syndicate has incurred significant Canadian post close movements or if they are holding significant earmarked IBNR for any Canadian events, other than those already reported through the QMA. Significant is defined as greater than C\$10m on a gross of reinsurance basis.
5. Data in the syndicate level P&C-2 packs is aggregated and forms Lloyd's regulatory return to the Canadian federal regulator OSFI. This return is a publicly available document which is reviewed and compared by provincial regulators to returns submitted by Lloyd's detailing provincial business. It is essential that these returns reconcile as Lloyd's may be subject to fines and penalties if regulators note discrepancies between the federal and provincial returns. Therefore managing agents must no longer use the ZZ province code when making underwriting adjustments to the syndicate packs. Items with the ZZ province code are allocated across all provinces; this is not consistent with provincial reporting where the data is compiled by individual province. Therefore, managing agents must ensure that adjustments made within the packs reflect the correct province code.
6. 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. To mitigate any concerns the regulator may have, **you should ensure that the split by year of account is reasonable.**
7. 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.
8. Agents should note that the additional margin on Form S1 will not be final until all the agents' packs have been locked and the global figures calculated. This will also impact the 15% margin which is based on the funding after applying the additional margin.
9. 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.
10. 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.
11. 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).

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 Market Finance