

MARKET BULLETIN

REF: Y5031

Title	Canadian Regulatory Reporting
Purpose	To set out the detailed timetable and procedures for the submission of the Quarter 3 2016 Canadian Reporting packs to the Canadian Regulators (OSFI)
Type	Scheduled
From	Leslie Redmond, Manager International Finance Direct Tel No: +44(0) 7327 5490 E-mail: leslie.redmond@lloyds.com
Date	24 October 2016
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 30 September 2016 will be available to your agency on the Overseas Reporting System (ORS) on 24 October. 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 31 October 2016** 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 the Office of the Superintendent of Financial Institutions (OSFI) and the time for finalising the return is very short. 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, and they have not already advised Lloyd's, then they will need to contact Ben Thomas in International Finance via email (Ben.Thomas@Lloyds.com) so that an IBNR requirement can be calculated.
- As agents will be aware, Regulated Canadian business is determined by risk location and not by currency. However, Xchanging's systems will only assign a CR trust fund indicator to relevant Canadian and US dollar transactions. The quantum of transactions in currencies other than CAD and USD is increasing. Agents are requested to make adjustments (in Canadian dollars) to their packs where regulated Canadian business has been written in currencies other than Canadian or US dollars; this business can be identified by its FIL code. Adjustments should be made to premium, commission and paid claims, there is no need to adjust known outstandings or IBNR. A schedule of relevant exchange rates is available for download from SecureStore.

4. Agents are advised that steps are being taken via Lloyd's brokers to write off old admissible receivables items which are deemed unlikely ever to be realised as cash. Where you have such items, we would encourage you to liaise with the brokers to expedite the write-offs.
5. 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.
6. Agents should note that the additional margin on Form S1 is now allocated to syndicates based on liabilities gross of receivables and recoverables rather than net of receivables and recoverables. This change enhances the syndicate allocation of the additional margin only and is a better reflection of the underlying exposure. The total Lloyd's S1 funding requirement will be unchanged. The 15% margin for the S2 continues to be applied to the final S1 funding requirement.
7. Managing agents should advise Lloyd's (Ben Thomas, International Finance, 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; please note that the Fort McMurray wildfire estimates are now sourced from the QMA. Significant is defined as greater than C\$10m on a gross of reinsurance basis at the individual syndicate level or greater than C\$50m on a gross of reinsurance basis at the total Lloyd's level. Managing agents are reminded that the Lloyd's underlying basis for the valuation of Lloyd's Canadian liabilities is for a prudent best estimate basis.
8. 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.
9. 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.**
10. Agents should note that Ontario commercial liability business is subject to specific provincial reporting requirements which are closely monitored. Open market risks **must be** reported or settled via Central Accounting, **or** by arrangement with Lloyd's in order that the data required to meet the regulatory requirements is captured. Please direct any questions to LITA@lloyds.com, extension 6677.
11. OSFI requires that Canadian home warrantyⁱ, product warrantyⁱⁱ and equipment warrantyⁱⁱⁱ business is reported quarterly for all provinces, and managing agents must contact Lloyd's if they commence writing this business in order that the reporting requirements can be met. For further details, please contact LITA@lloyds.com, extension 6677.

12. Upon completion and finalisation of the pack you must lock it to enable International Finance 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 International Finance. 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.
13. Managing agents are reminded that it is their responsibility to ensure that the electronic packs they return to International Finance include all transactions for regulated Canadian business. This applies to transactions which have not been processed through XIS/XCS or LDR; 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 International Finance (Stella Farrar) separately by E-mail (stella.farrar@lloyds.com) at the same time as you submit your filing.
14. 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.
15. 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).

Leslie Redmond
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Market Finance

ⁱHome warranty refers to a contract of insurance issued by a warranty provider covering defects in the construction of a new home and consequential losses or costs incurred by the owner.

ⁱⁱProduct warranty insurance means insurance not incidental to any other class of insurance against loss of or damage to personal property other than a motor vehicle under which an insurer undertakes to pay the costs of repairing or replacing the personal property.

ⁱⁱⁱEquipment warranty insurance comprises insurance against loss of or damage to a motor vehicle or to equipment arising from its mechanical failure, but does not include automobile insurance or insurance incidental to automobile insurance.