

**Syndicate Business Forecast**

**2019-2020**

**SBF Instructions**

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Please note that the SBF instructions might be amended during the year to reflect changes in the SBF requirements. If this happens, notifications will be given on the Market Data Collections (MDC) system. The latest SBF instructions should be used as a reference to complete the SBF Return.

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#  GENERAL INSTRUCTIONS

##  The business planning process

### The syndicate business forecast (SBF) provides information that is needed to enable Lloyd's to support the business plan approval and capital processes. The SBF Return collects data that is common to each syndicate. It does not represent the full business plan, which requires submission of additional information that is specific to syndicates and ad-hoc requests.

### Most of the SBF forms are for a single year of underwriting only. The software allows as many submissions as necessary over a 19 month cycle. This cycle takes the SBF through the approval process which must be completed by coming into line 02 December 2019 for the 2020 year if underwriting commences from 1 January 2020. Material changes from the approved plan after this date should lead to a further submission of the SBF Return which will require approval (and if approved will supersede the original plan).

### Any amendments to the 2019 approved plan are to be dealt with in direct discussion with Syndicate Business Performance (SBP), and this may require the submission of a new SBF Return for the 2019 year.

### The 2020 SBF submission timetable is shown below:

|  |  |  |
| --- | --- | --- |
| **Phase 1 Syndicates** | 02 September 2019 | 13.00 hrs |
| **Phase 2 Syndicates** | 09 September 2019  | 13.00 hrs |
| **Phase 3 Syndicates** | 16 September 2019  | 13.00 hrs |
| **Phase 4 Syndicates** | 23 September 2019  | 13.00 hrs |
| **Phase 5 Syndicates** | 30 September 2019 | 13:00 hrs |

### Syndicates should be aware which of the above phases they fall within as agreed with their Oversight Manager.

### **All final 2020 SBF Returns must be approved by the managing agency board.**

### Each SBF submission will be validated upon submission and will be returned for resubmission, should any errors be found.

### Where a syndicate is planning to write Direct business through Lloyd’s China, managing agents are expected to provide additional information as required by the Chinese Insurance Regulatory Commission (CIRC). See section 20.6.2 for further information.

##  Overview of SBF Return

### A separate SBF Return must be submitted in respect of each syndicate, including Special Purpose Arrangements (SPA).

### The SBF Return must be completed in respect of the prospective (2020) year of account; if any material change has occurred for 2019 a SBF Return for the current (2019) year of account may need to be submitted (please liaise with your SBP manager as appropriate).

### When setting up a return on the Market Data Collections system, the user will be asked to complete form SBF010 (see Section 3 below) which reports various information concerning the syndicate; e.g. the applicable reporting years. The system will then generate the forms to be completed, and establish the validation rules to be adhered to, as appropriate to that syndicate’s circumstances.

##  Syndicate classes of business

### The class of business split provided in the SBF Return should be the same class of business split that a syndicate uses to manage its own book and should reflect the risk codes split as reported in the Performance Management Data return (PMDR). These classes should be sufficiently granular to allow effective performance monitoring by generic line of business. This will allow PMD to assess the syndicate’s book using the same class split as used by syndicate management. These classes of business are carried forward to the Quarterly Monitoring Return B (QMB). Consistency of class of business definitions is a key principle of the Market Data Collections system. Form QMB 105 can only be completed using classes of business that have been approved through the SBF.

### All currently approved syndicate classes of business will be set up ready for use in the final September SBF.

##  Class of business reclassification

### If agents intend to re-classify their classes of business they are required to apply to SBP in writing for permission before the submission deadline. If permission is granted, then they must supply SBP with a new SBF Return reflecting the changes to the classes of business. Note that agents can only re-classify for the current year and the prospective year, re-classification is not possible for prior years.

### Reclassification of classes of business, as opposed to just adding a new class, requires a number of data items and mappings to be updated. This is to ensure that the historic development under the new classes can be identified and monitored in future. However, syndicates are still required to submit QMB data based on ‘old’ classification for all Open Years.

### In practice, a root and branch reclassification happens only rarely so Lloyd’s will adopt a bespoke approach rather than attempt to devise software for every eventuality.

##  Data entry and reporting

### All numbers on forms are to be supplied in units (rather than ‘000s) or percentages. Decimals are permitted. Numbers will be rounded for display and reporting only, and financial amounts will generally be presented as 000s.

### Throughout the SBF Return positive or negative entries are expected to be made depending on the nature of the field in question. Generally, all income/asset items are to be entered as positives and expenditures/liabilities as negatives. If a number is supplied and its sign is contradictory to expectations, then the software will generate a warning message.

##  Electronic reporting

### The SBF Return must be completed using the Market Data Collections system. Managing agents must not make submissions through any other route or mechanism.

### The SBF Return must be signed off by two Executive Directors. Use of the sign-off function in the software constitutes formal notification to Lloyd’s that the SBF Return has been approved by a person authorised to represent the Directors.

### The information gathered will be strictly for Lloyd’s internal use only and will be treated in the strictest confidence.

##  Submission deadlines

### Managing agents will be subject to disciplinary action and fines will be imposed if the return is submitted after the due deadline, in accordance with the following schedule:

 Per return per syndicate – flat fine £5,000

### Persistent delays will lead to further disciplinary action.

##  Assistance in completing forms

### Any queries about the completion of the SBF Return should be directed by e-mail to PMD at (Lloyds-SBFReturns@lloyds.com).

# BASIS OF PREPARATION

##  Best estimates

### The business plan is to be completed on a ‘best estimate’ basis. For the purposes of the SBF, ‘best estimate’ is defined as the probability-weighted average of future cashflows without discounting for present value.

### The ‘best estimate’ figures should be supported by both the historical experience and the technical pricing margins capable of being achieved in the class, having made suitable provision for attritional, large and catastrophe claims.

### The SBF and QMB returns should be prepared on a consistent basis.

##  Reporting by all reporting years combined/reporting year/pure year

### Each form must be completed at one of the following levels:

* All reporting years of account combined (whole account) for the calendar year
* Reporting year of account
* Pure year of account

### **All reporting years combined** means all the transactions or assets as appropriate for the syndicate as a whole during the calendar year in question.

### **Reporting year of account** is the ‘traditional’ Lloyd’s method of identifying years of account and means each year of account upon which members have a participation during a given calendar year. So, for the calendar year 2020 this will include the 2019, 2018 and 2017 years of account and various 2016 and prior run-off years of account which have not been reinsured to close. When reporting on the transactions for a reporting year of account, it is necessary to include the movements on any earlier years of account previously closed into that reporting year of account.

### **Pure year of account** relates to the year of account in which the business was originally written and to which the original premiums and all subsequent transactions are allocated. The pure year of account may still be open, or subsequently reinsured to close into another (reporting) year of account. When reporting on the transactions for a pure year of account, only the transactions relating specifically to that pure year of account must be reported.

### These instructions state whether the form is required at whole account, reporting year or pure year level.

##  Currencies and exchange rates

### The SBF051 form must be completed in the following currencies:

|  |  |  |
| --- | --- | --- |
| USD | - | US Dollars in Dollar |
| GBP | - | British Pounds in Sterling **only** |
| CAD | - | Canadian Dollar in Canadian Dollar |
| EUR | - | Euro in Euro |
| AUD | - | Australian Dollar in Australian Dollar |
| Other | - | All other currencies excluding USD, CAD, GBP sterling, AUD and EUR to be submitted in GBP. |

### Some forms only require CNV (Converted) or fewer currencies.

### See Section 4 below for more information on exchange rates, but the following rules should be noted:

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Deadlines** | **Exchange rates** | **Definition** | **Available on MDC** | **Lloyd’s returns** |
| 02 September 2019/ 09 September 2019/ 16 September 2019/ 23 September 2019/ 30 September 2019 | Plan Rates | As atEnd of June 2019 | 05 July 2019 | Final |

##  QQS clarification

It should be noted that QQS arrangements are no longer considered as being acceptable forms of risk transfer.

# SBF010 CONTROL PAGE

##  Summary

### This is the set-up form that acts as the control point for performing actions with the return.

##  Key points

### The option for managing agents to amend exchange rates on the current business plan has been removed.

### There are functions on the form to control the software and submissions. Full details of these are given in the User Manual, which is available from the Help section in the software.

# SBF020 EXCHANGE RATES

##  Summary

This form contains the exchange rates that are to be used for completing the SBF Return. Lloyd’s will provide a mandatory Plan Rate for USD,CAD,EUR,AUD and other settlement currencies to GBP.

In order to ensure consistency between the SBF and the LCR, managing agents are required to use the Plan rates for September submission.

Lloyd’s expects managing agents to use the same rates of exchange to monitor actual premium income against plan. SBP will also be monitoring premiums against plan on this basis.

##  Key points

Each year Lloyd’s sets the rates of exchange to be used for the prospective year of account in the business planning process.

For 2020 final SBF, the Plan Rate will be set as of end of June 2019 and made available by 05 July 2019. Rates will be communicated to managing agents in a market bulletin on 01 July and will be consistent with those used in the LCR process.

### These same exchange rates should be used to convert premiums to sterling when monitoring premium against business plans, irrespective of fluctuations in the actual rates of exchange over time. Prescribing a fixed exchange rate allows direct comparison with the figures used in the original approved business plan and introduces a uniform approach for all Lloyd’s reporting purposes.

### This form is a read-only form as the data is supplied by Lloyd’s.

# SBF050 CLASS OF BUSINESS DESCRIPTIONS

##  Summary

### This form details the types of business that the syndicate is writing or intends to write. The syndicate classes should be sufficiently granular to allow effective performance monitoring by generic line of business.

### Any discontinued classes of business for 2020 should not be included.

### In the prospective year of account all current syndicate classes of business will be displayed. However, all classes of business and risk codes, current or new, are subject to approval by CPG in this submission.

### Where new risk codes are being requested under historical classes of business, this should be made clear in the required additional information under form 990.

##  Key Points

### This form is divided into two sections on the input screen. The top section displays all the approved classes of business for the relevant year of account. The second section displays classes of business that are subject to approval for the year of account in question i.e. all new classes of business.

###  New classes of business can be added to the SBF for approval. These must be unique in both description and code. It is not possible to delete or change existing classes of business, unless reclassifying (see below). Please ensure that the class of business codes selected for use in a business plan only use combinations of numbers (0 to 9) and letters (A to Z). **Characters such as &, #, “, etc. should not be used in class of business codes.**

### Any new classes of business will not become active until the SBF is approved. When you are notified of approval, you will be able to use the new class(es) of business in other returns that require them, such as the QMB and PMDR.

### For the prospective year managing agents are able to select or deselect any classes of business from the lists. Removing a class of business will also remove the risk code mapping for the class. Where a class is removed from the prospective SBF, the syndicate is still required to complete QMB for this class for the open years.

### Lloyd’s is prescribing that Offshore Energy Gulf of Mexico wind and Offshore Energy business excluding Gulf of Mexico wind must be recorded in the plan using specific class of business codes as shown in the table below.

|  |  |
| --- | --- |
| Class of business Code | Class of business description |
| OEGW | Offshore Energy GOM wind |
| OEXGW | Offshore Energy excluding GOM wind |

# SBF051 RISK CODE MAPPING OF CLASSES OF BUSINESS

##  Summary

###  Distribution channel, risk code and currency mappings are required for each class of business selected in the class of business descriptions (SBF050) for the prospective year of account.

### This form should be reported on a pure year of account at ultimate basis.

##  Key Points

### Managing agents will be required to complete the risk code mapping of classes of business for each Lloyd’s distribution channel selected in form SBF051. Channels available are London, Asia, Japan, China Direct, China Reinsurance, Dubai and Europe. Syndicates are expected to provide a split of their business by distribution channel on this form and this will be used to drive the completion of distribution channel level data on SBF100 and SBF105. A table detailing permitted risk codes by distribution channel has been provided for ease of reference by Overseas Syndicate Business Performance:

###

### Each class of business should be broken down to individual risk codes and each risk code split between the available currencies (GBP, USD, CAD, EUR, AUD and OTH). All premiums written in currencies other than GBP, USD, CAD, EUR and AUD should be converted to GBP at the rates indicated in SBF020 and included in the OTH field. Note that the GBP component is the pure sterling amount not the aggregate non-US dollar amount as in previous version of SBF051.

### The percentage split should be based on the gross written premiums for that individual class of business.

### As part of the planning process, managing agents are expected to complete the form SBF051 following an accurate assessment of their current portfolio’s risk codes split. Lloyd’s will monitor written premium through the PMDR and material variances will need to be discussed.

### The sum of the percentage splits per class of business/distribution channel must be 100%. This is validated in the MDC and submissions are rejected if the split does not sum to 100%. All classes of business selected in SBF050 must have a valid risk code mapping.

### Valid Risk Codes should be used for the prospective year. A current list of Risk Codes can be found on:

### <http://www.lloyds.com/the-market/operating-at-lloyds/resources/risk_codes>.

### It should be noted that two prescribed class of business codes should be used to identify Offshore Energy business OEGW and OEXGW

### These classes of business have a narrowly defined core set of risk codes shown below in the SBF051. Any SBF Return that fails to use the prescribed class of business codes will be rejected and a new submission will be required to rectify the errors.

|  |  |  |
| --- | --- | --- |
| *Class of business Code:* | *Class of business description:* | *Core set of Risk Codes allowed for Class:* |
| *OEGW* | *Offshore Energy GOM wind* | *EH, EG, EC, XE, EM and EY* |
| *OEXGW* | *Offshore Energy excluding GOM wind* | *EH, EG, EC, XE, EZ and EN* |

### Incidental risk codes are also allowed for each class but limited to a maximum of 10% of premium for class as shown below.

|  |  |  |
| --- | --- | --- |
| *Class of business Code:* | *Class of business Description:* | *Incidental risk codes also allowed for class but maximum 10% of premium for class:* |
| *OEGW* | *Offshore Energy GOM wind* | *EF, V, T, B, W, TO, G, 1E, 3E, 2E, 4E, 3T, 8T, VX, WB, TS, EA, CY and CZ* |
| *OEXGW* | *Offshore Energy excluding GOM wind* | *EF, V, T, B, W, TO, G, 1E, 3E, 2E, 4E, 3T, 8T, TU, VX, WB, TS, EA, CY and CZ* |

# SBF100 FORECAST TECHNICAL ACCOUNT and SBF100s FORECAST TECHNICAL ACCOUNT SUMMARY FOR ALL DISTRIBUTION CHANNELS

##  Summary

### This form provides 12 month and ultimate year of account forecasts for each distribution channel where the syndicate intends to write business.

### Where appropriate, data from the Underwriting Performance Forecast (SBF105) section will be used to validate entries in the ‘ultimate’ columns.

### SBF100s Forecast Technical Account Summary for all distribution channels shows the summary for all distribution channels. This form is automatically populated.

### Data is to be provided on a best estimate basis.

##  Key Points

### This form should be reported on a pure year of account at ultimate basis.

### An SBF100 form should be completed for each distribution channel.

### A consolidated view of all distribution channels is automatically generated by the return (SBF100s).

### All entries in this section must be in CNV.

### For the purposes of this section, it has been assumed that ultimate equals the position at full natural expiry of all business written. Please use the comments box to explain if this is not the case.

### Where appropriate, data from the Underwriting Performance Forecast (105) section will be used to generate entries in the ‘ultimate’ columns.

### “Outward reinsurance premiums (gross)” (line 2) should be used to report the outwards reinsurance premium expected to be ceded to all reinsurers before any deduction for ceding, overriding commission, or profit participations expected to be received, which should be reported separately within lines (11c1) and (11c2). This should include outwards reinsurance to third party reinsurers, related party reinsurers and/or Special Purpose Arrangements (SPA). The total in the Ultimate column row should reconcile with the totals within form 105 from the combination of columns (D) and (E).

### Gross claims (line 7) includes allocated claims handling expenses, but not ULAE, which is recorded in line 8.

### There is no specific line where reinsurance recoveries should be shown. However, they should be included in total technical charges before net operating expenses (line 10). They should include reinsurance recoveries from third party reinsurers, related party reinsurers and/or SPA reinsurers.

### Total “Net operating expenses” (11d) should represent the net calculation of the figures reported within 11a, 11b, 11c1, 11c2, namely:

* + - * “Gross Acquisition costs” (11a) are to include brokerage, commissions and business arrangement fees as per the managing agent’s accounting policies under UK GAAP. Reinsurance commission receivable under outwards reinsurance contracts which are calculated from this item should not be deducted to show a net position; instead they should be reported separately in column 11c1.

###  Acquisition costs reported in line 11a should reconcile to the “brokerage and commissions” (column F) plus “service company acquisition costs” (column G) plus “Business Arrangements fees” (column H) plus “Bonuses and Rebates, Gross of Reinsurance (column J) total amount in form SBF105.

### (Form 100, row 11a, column C = Form105, column F plus column G + column H + column J)

### “Administrative expenses” (11b) includes all other net operating expenses, including personal expenses, administrative expenses, other acquisition costs and deferred acquisition costs for the 12 month period. Personal expenses should include managing agents’ fees; profit commissions; Central Fund levy and Lloyd’s subscriptions. Non-standard personal expenses including members’ agents’ fees are not to be reported on this form. Reinsurance commission receivable under outwards reinsurance contracts which are calculated from this item should not be deducted to show a net position; instead they should be reported separately in column 11c1.

###  “Outwards reinsurance commissions received” (11c1) should be used to report commissions expected to be received from reinsurers as part of outwards reinsurance contracts. The total figures in the Ultimate column should reconcile with the corresponding totals within form 105 in Outwards reinsurance commissions received (column Ia).

### “Outwards reinsurance profit participations received” (11c2) should be used to report profit participations expected to be received from reinsurers as part of outwards reinsurance contracts. The total figures in the Ultimate column should reconcile with the corresponding totals within form 105s in respect of the column entitled “Outwards reinsurance profit participations received” (Ib) (see 8.2.12 and 8.12.13 for definitions of “outwards reinsurance commissions received” and “outwards reinsurance profit participations received”).

### In the ordinary course of events, we would expect “other technical income net of reinsurance” (line 6), “other technical charges net of reinsurance” (line 12) and “other charges” (line 15) all to be zero. Where entries are made, an explanation is required in the comments section.

### The amounts under "bonuses and rebates net of reinsurance" (line 13) should follow whatever disclosure is made by the managing agent under UK GAAP. If disclosure is made, then it would cover bonuses and rebates to the insured only. Hence, any non-zero entry will be regarded as exceptional and requires a detailed explanation in the comments section. The amount entered here should be equal to form SBF105 columns L Bonuses and rebates Net of Reinsurance (column L equals column J Bonuses and Rebates, Gross of Reinsurance plus column K Bonuses and Rebates Reinsurers’ Share).

###  (Form 100, column C, row 13 = Form 105, column L).

### Investment expenses should be included within line “total investment return” (line 14), as this figure is net of any expenses incurred.

### The total in column L1 SBF105 should reconcile to the line 11b Admin expenses in form SBF100.

### Row 20 is a calculated field that indicates the Gross Combined ratio:

### [(Gross claims + Gross Acquisition costs + Admin expenses)/Gross Written premium]

# SBF105 UNDERWRITING YEAR OF ACCOUNT PERFORMANCE FORECAST and SBF105S UNDERWRITING YEAR OF ACCOUNT PERFORMANCE FORECAST SUMMARY FOR ALL DISTRIBUTION CHANNELS

##  Summary

### For each distribution channel, this form provides a forecast of underwriting performance for each class of business that the syndicate writes or intends to write, as defined internally by the syndicate for the prospective year of account. For the Europe distribution channel syndicates need to submit a supplementary spreadsheet for business placed in Europe by syndicate class of business and countries.

### SBF105s Underwriting Year of Account Performance Forecast Summary shows the summary for all distribution channels. This form is automatically populated.

##  Key Points

### This form should be reported on a pure year of account at ultimate basis.

### Entries must be made for the relevant classes of business in CNV only; any changes to the currency make-up of a class of business throughout the duration of the reporting cycle should be reported through relevant changes to the risk code currency mapping in SBF051.

### Each class of business currently selected in the ‘class of business description’ section (SBF050) as part of the business forecast will be added to this section and each entry must be completed in full. If a class of business has not been selected in SBF050 then it will not appear on this section.

### This form includes a column for expected reinstatement premiums on an inwards basis (column Ca). The premium in this column is a subset of the total gross premiums written (column C).

### “Outwards Reinsurance Premium Ceded to SPA” indicates the premium ceded to SPAs (column D). This field should be used to report the reinsurance premium expected to be ceded to Special Purpose Arrangement (SPA) syndicates, gross / before any deduction for reinsurance commission (ceding, overriding) or profit participations received (which should be reported separately within columns ‘Ia’ and ‘Ib’). The gross reinsurance premium ceded to SPAs should be calculated in a manner consistent with the terms of the reinsurance contract, and not artificially grossed up or netted down. This should correspond with the Gross Written Premium reported for the SPA(s).

### “Other Outwards Reinsurance Premiums” (column E) should be used to report the reinsurance premium expected to be ceded to all reinsurers other than the cession to the SPA (see column D), gross / before any deduction for reinsurance commission (ceding, overriding) or profit participations received (which should be reported separately within columns ‘Ia’ and ‘Ib’), including expected reinstatement premiums to be paid for outwards reinsurance.

###  “Outwards reinstatement premiums” (column Ea), is a subset of column E and should be used to report how much of column E relates to expected reinstatement premiums due to reinsurers as result of planned recoveries from outwards reinsurance contracts.

### Any planned reinsurance premium associated with multi-class or whole account reinsurance protections should be allocated across the classes of business protected, in proportions that best reflect the likely cost allocation method to be used when purchased, e.g. income weighted exposure / loss contribution.

### It is not permitted to enter a single outwards reinsurance amount as a separate class of business.

### Brokerage and commissions (F) exclude service company acquisition costs (G), business arrangement fees (H) and bonuses and rebates (J). Reinsurance commission receivable under outwards reinsurance contracts which are calculated from this item should not be deducted to show a net position; instead they should be reported separately in column Ia.

### Business arrangement fees (H) and service company acquisition costs (G) must be completed, irrespective of whether managing agents treat these costs as administrative or acquisition expenses. They include fees payable to brokers in addition to commissions and brokerage in respect of, for example, volume, profitability, management administration, marketing or processing functions (this is not an exhaustive list). Business Arrangement Fees are also known as PSAs, Market Service Agreements or Contingent Commissions. Reinsurance commission receivable under outwards reinsurance contracts which are calculated from this item should not be deducted to show a net position; instead they should be reported separately in column Ia.

### The SBF105 total brokerage and commissions (column F) plus ‘service company acquisition costs’ (column G) plus ‘Business Arrangement Fees’ (column H) plus ‘Bonuses and Rebates, Gross of Reinsurance’ (Column J) should reconcile to acquisition costs reported in line 11a in SBF100.

### (Form 105, column F plus column G plus column H plus column J = Form 100, column C, row 11a)

### “Outwards reinsurance commissions received” (column Ia) should be used to report commissions expected to be received from reinsurers as part of outwards reinsurance contracts. This should relate only to amounts due from reinsurers under the terms of the outward reinsurance contract which represent commissions receivable, i.e. not premium adjustments or recovery amounts. The total figures in these columns should reconcile with the corresponding totals within form 100 in respect of the line entitled “Outwards reinsurance commission received”.

### “Outwards reinsurance profit participations received” (column Ib) should be used to report amounts expected to be received from reinsurers as part of outwards reinsurance contracts which relate to profit participations. This should relate only to amounts due from reinsurers under the terms of the outward reinsurance contract which represent profit participations receivable, e.g. contractual terms which explicitly require the reinsurer to pay a portion of its profits made under the reinsurance contract to the syndicate if the financial performance exceeds set criteria. It should not include premium adjustments or recovery amounts. The total figures in these columns should reconcile with the corresponding totals within form 100 in respect of the line entitled “Outwards reinsurance profit participations received”.

### Admin Expenses column (L1) should be used to report the breakdown of expenses at class of business level. The total in column L1 SBF105 should reconcile to the line 11b Admin expenses in form SBF100. Reinsurance commission receivable under outwards reinsurance contracts which are calculated from this item should not be deducted to show a net position; instead they should be reported separately in column Ia.

### The amount in form SBF105 column L Bonuses and Rebates Net of Reinsurance should match form SBF100 row 13 Bonuses and Rebates Net of Reinsurance. See 7.2.12 for further information concerning bonuses and rebates.

### (Form 105 column L = Form 100, column C, row 13)

### Each entry under ultimate claims settled (M and N) must be a best estimate of anticipated ultimate claims on both gross and net bases. Allocated claims handling expenses should be included, but not ULAE.

### The formula for gross ULR (column O) uses the net figure for bonuses and rebates because it is an item in the ABI SORP technical account. If present, it is used to adjust the gross premiums written figure. Where appropriate the corresponding Bonuses and Rebates Gross of Reinsurance and Bonuses and Rebates Reinsurers Share entries (columns J and K) should be completed in order to provide meaningful adjustments for stamp premiums. However, in practice all of these items are expected to be zero.

### If you plan to write Offshore Energy business please ensure that you report using the two standard classes of business codes that have been introduced to identify Offshore Energy business, OEGW and OEXGW (see section 6.2.8).

# SBF116 PREMIUM INCOME DEVELOPMENT

##  Summary

### The aim of this form is to show how income develops throughout the year and it will be used to monitor your plan against data reported in PMDR.

##  Key Points

### This form should be reported on a pure year of account basis to ultimate.

### All entries in this section must be in CNV.

### The form should continue to be based on gross written premium. The incremental premium incepting in each quarter should be recorded so that the total sums to the ultimate written premium for the year.

### Total gross written premium at class of business level should be the same as the gross written premium reported in form SBF105.

### This form should be completed on the same basis as the premium is captured on the PMDR. Premium should be recorded per quarter based on the inception date. Binder business should be reported based on the inception date of the binder with a premium number that includes all future declarations attaching to that binder (i.e. including the inception date accounting premium). As the binder declarations received after the end of the year of account are reported in the quarter where the binder commences, all of the premium should be accounted for during the four quarters.

# SBF117 LOSS RATIO COMPOSITION

##  Summary

### The purpose of this form is to collect the breakdown of the Gross Loss Ratio components (attritional, large and Cat loss ratio) for the prospective year only for each class of business and at a whole account level. The form also collects the 1:200 gross and net Loss ratio for the prospective year of account at a whole account level only.

##  Key points

### This form does collect the prospective year only data.

# SBF118 LOSS RATIO BRIDGING ANALYSIS

## Summary

### The purpose of this form is to provide a loss ratio bridging analysis for each class of business based on the syndicate’s assumptions for prospective year, across the elements of pricing and claims inflation. The form also allows the managing agents to provide an explanation on negative variances (i.e. where the planned gross ultimate Loss ratio is not in line with the bridging analysis)

##  Key points

### This form has been created to ensure that adequate information is collected to understand the planned gross loss ratios, especially where material changes are proposed year on year.

### This section is pre-populated with classes of business as specified in the class of business descriptions section. The classes displayed will be those that have been selected irrespective of whether they are approved or only proposed.

### Current year gross ultimate loss ratio should be based on latest approved syndicate’s current business plan. The information is not required for new classes in 2020. In these instances, the columns should be left blank

### Gross risk adjusted rate change (RARC) assumptions are calculated from form SBF184.

### Claim inflation assumptions should be provided at class of business level in percentage (%). The percentage shall explain the change in the expected ultimate claims cost for products sold next year compared to this year. For more details see the guidance document on [www.lloyds.com/claimsinflation](http://www.lloyds.com/claimsinflation).

### Managing agents are expected to provide commentary for those classes where the planned GULR has not moved in line with the assumptions (i.e. negative variance in column F).

# SBF164 BUSINESS COMPOSITION BY TYPE OF PLACEMENT

##  Summary

### The aim of this form is to measure the extent of Delegated Authority and Open Market business. The form also collects the total of reinsurance business within the Open Market (i.e. not written under a delegated authority).

##  Key Points

### This form should be reported on a pure year of account at ultimate basis.

### All entries in this section are recorded in CNV.

### "Binding authorities delegated to Third Party Coverholders" refers to all binding authorities that are not with a service company.

### “Service Companies” refers to all binding authorities with a service company. A service company is a company within the same group as, or owned by, the Lloyd’s managing agent to whom the managing agent delegates authority to enter into contracts of insurance or to issue insurance documents as evidence of contracts of insurance.

### A “line slip” is an arrangement where authority is delegated to another managing agent, or to an authorised insurance company, for business introduced by a named Lloyd’s broker. A lineslip will usually apply to specific types of business. Once the authorised managing agent or insurance company has entered into a contract of insurance with the insured, the relevant Lloyd’s broker will issue evidence of the insurance (for example, a cover note supported by a full slip or slip policy). The lineslip may allow the authorised managing agent or insurance company to agree claims.

### Any reinsurance business written via service companies should be included in the total premium written via service companies and must not be reported in the “all other reinsurance business (not written under a delegated authority)” field.

### The “all other reinsurance business (not written under a delegated authority)” field should refer to the Open Market business only.

### Acquisition costs (Col B) should be stated before any apportionment of administrative expenses that would be made under UK GAAP.

# SBF167 PREMIUM INCOME SPLIT BY RISK CODE

##  Summary

### This section has been generated based on the information provided in the Risk Code Mappings section and Underwriting Performance Forecast (SBF105) section.

### Please note the same risk code currency mapping will be used for both the stamp gross premiums written and stamp net premiums written.

##  Key Points

### This form should be reported on a pure year of account at ultimate basis.

### Please take time to ensure that all numbers are correct. You must confirm that the data shown in this section is correct by ticking the box on the form. Failure to do so will prevent the submission of the data to PMD.

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# SBF184 PREMIUM BRIDGING ANALYSIS (GROSS RARC)

##  Summary

### The purpose of this form is to provide a premium bridging analysis showing a “walk” of changes to each class of business’ premiums from the current year to prospective year. The SBF184 captures premium changes on a gross premium basis, i.e. premium before the deduction of acquisition costs and SPA premium.

##  Key Points

### This form should be completed on a pure year of account at ultimate basis.

### All entries in this section must be in CNV.

### The prospective year gross written premium on SBF184 column P should reconcile to gross written premium in form SBF105 column C.

### The SBF184 includes the previous year’s expiring premium in column C. This should equal the SBF105 column C premium from the latest approved 2019 SBF converted at the prospective year’s exchange rates from SBF020 (i.e. 2020 SBF planning rates). All premium and acquisition costs data on SBF184 should be recorded at the prospective year’s planning exchange rates so there is no exchange rate distortion in the rate change calculations.

### SBF184 collects previous year premium (column C), new business (column D) and non-renewed business (column E). From here, the expiring renewed premium can be determined (column F). This should effectively be the previous year’s expiring premium excluding non-renewed premium.

### The change in expiring renewed premium is split into component parts in line with the format of PMDR. These are changes in gross premium due to Deductible/Attachment Point (column G, in line with column 180 from PMDR), Breadth of Cover (column H, column 190 from PMDR), Other (column I, column 200 from PMDR) and Pure Rate Change (column L, column 210 from PMDR). Note that all these change fields are expressed as gross premium amounts. The change elements that bridge gross premium between last year and this year are shown in blue in the diagram below.

### SBF184 column J shows the gross premium that would be charged on last year’s pricing basis for the expiring renewed business after the effects of changes in Deductible/Attachment Point, Breadth of Cover and Other exposure (see diagram below).

### The Gross Risk Adjusted Rate Change (RARC) is calculated in column O as (column L)/(column M – column J).

### SBF184 column K (in line with column 240 from PMDR) shows the acquisition cost component of renewed premium in SBF184 column J. The acquisition costs should be recorded as a negative amount. SBF184 column N shows the acquisition costs of the prospective year renewed premium in column M. Please note that the acquisition cost amounts are not used in the calculation of the Gross RARC (see shaded area in diagram).

### Diagrammatic Representation SBF184

#

# SBF420 CAPACITY INFORMATION

##  Summary

### This section provides a breakdown of the syndicate’s estimated capacity. It also provides expected member participations of aligned corporate members.

##  Key Points

### Managing agents are required to confirm if they have tradable or non-tradable capacity.

### The Estimated Level of Support column will show the total capacity of the syndicate split by various types – this includes new and existing capacity.

### This form should be on a reporting year of account basis.

### All entries in this section must be in CNV.

### Where a corporate member is new and no member number has yet been allocated by Lloyd's Members Services Unit then input a dummy member number 999999A.

### Aligned capacity (line 1) is capacity provided by controllers / major shareholders associated with the managing agency.

### Other direct corporate (line 2) is third party corporate capacity provided direct to syndicate.

### For aligned syndicates, the total aligned capacity should match the sum of aligned member participations (column E syndicate participations = column A1 aligned corporate level of support). Validations are in place to ensure that the correct data is submitted in the return.

### Syndicates with SPAs are required to report the Total Capacity Ceded to SPA in line 5. The total SPAs capacity should reconcile to the total amount reported by the SPAs in each business plan.

# SBF443 UNDERWRITING CONTROLS

##  Summary

### This section shows the maximum gross and net line sizes for each syndicate’s class of business

### Line sizes can be provided in five currencies: GBP, USD, EUR, CAD, AUD. All other currencies should be reported under the GBP heading in sterling.

### An additional distribution channel column has been added to the form. This column should be used where a syndicate is operating on any overseas distribution channel (including the Europe distribution channel). This should be completed for each distribution channel and completed for all classes of business. Rationale should be provided in Form 990 when the line size for any overseas distribution channel is larger than that for London.

##  Key Points

### Franchise Guidelines for maximum line sizes are measured as a percentage of gross premium income

### The form must be completed for the prospective year of account.

### This form should be on a reporting year of account basis.

### “Class of business” (columns A and B) should reflect the “Limit Type” (column C) definitions prescribed for the classes referred to in the attached document (below).. Syndicates are required to enter the combined code, as provided in the attached table, in column C (this is a free text field) and column C1 will automatically populate with the Max Line definition from the attachment. Where applicable, syndicates should supply their maximum lines in accordance with these definitions. If the class descriptions differ from those specified in the attached document, you should adhere to the prescribed “Limit Type” definition as closely as possible. Differences should be explained in form 990.

###

###  For those classes not specifically referred to in the attached document you should record the limit type which is most appropriate for your class of business. The text entered in column C will automatically populate column C1 with the same text. You may select the limit type definition from the examples listed below or use those definitions prescribed in the Limit Type Form. Please leave blank if your line size is “unlimited”.

* Any one claim
* Any one event
* Any one known accumulation
* Any one life
* Any one risk
* Any one insured

### “Currency” (column D): all entries in this section can be made in five currencies (GBP, USD, EUR, CAD, AUD). All other currencies should be reported under the GBP heading in sterling.

### The following information should be reported for each class of business:

### Unlimited Line Size (Y/N), column E

### Absolute Maximum Gross Line, column F

### Absolute Maximum Net Retained Line, column G

### Normal Maximum Gross Line, column I

### Normal Maximum Net Retained line, column K

###  Gross line sizes are to be reported gross of the QS reinsurance cessions to SPAs.

### “Retention as % of Absolute Max Gross Line” (column H) and “Retention as % of Normal Max Gross line” (column L) do not need to be updated as they will be automatically generated based on the information in columns F, G, I and K.

### In calculating the net retained line information all outwards reinsurance arrangements that protect the gross lines for each planned Class of Business should be taken into account including QS reinsurance with SPAs.

### If unlimited line size (E) is reported as “yes” you do not need to enter any data for that class of business in the gross line size columns (F or I) but the “Absolute Maximum Net Retained Line” (G) and “Normal Maximum Retained Line” (K) should be completed.

### If there is a difference between absolute max and normal max gross line, then please provide explanatory text in form 990 under the additional section comments.

### If there is more than one class of business underwriter, then the most senior should be entered in “Class Underwriter” (column M).

### For line sizes (F and I) where the line limits differ by currency, please provide details of the largest line only. Please note largest line size is defined by Absolute Maximum Gross Line (Column F).

### Any class, where the absolute or normal maximum gross line sizes are outside Franchise Guidelines and therefore require Lloyd’s approval, the syndicate is required to provide an up to date risk profile showing the number of risks, sums insured and premiums for that class of business and a summary of the structure and counterparty concentrations in the corresponding reinsurance arrangements. For new classes of business please provide an estimated risk profile. Form SBF990 should be used to attach the information.

### Any class, where the Net Retained Line is lower than the Franchise Guidelines (i.e. less than 10% of the Gross Line) and therefore requires Lloyd’s approval, the syndicate is required to provide details of the business objective / rationale to support the dispensation request.

# SBF452 CATASTROPHE RISK

##  Summary

### This section enables Lloyd's to understand and control the level of planned catastrophe risk during 2020, as measured by forecast loss-estimates for a number of defined loss scenarios. Some of the scenarios are probabilistic (AEP), others are deterministic (RDS).

##  Key Points

###  The defined scenarios apply to catastrophe risk arising from all reporting years of account, and for all relevant lines of business which may have accumulation risk during the plan year.

###  All entries in this section must be in GBP, USD, CAD or EUR. All non-GBP currencies other than USD, CAD and EUR should be converted into GBP. All currencies will be automatically converted to CNV at Plan rate of exchange. Please enter forecasts in the main currency of exposure where possible. For example, the AEP 1-in-30 for US windstorm should generally be in USD rather than GBP.

###  There are two types of catastrophe risk measures collected under this form: probabilistic loss estimates at an Aggregate Exceedance Probability of 1-in-x [AEP 1-in-x], and deterministic loss estimates for Realistic Disaster Scenarios [RDS].

### For the AEP 1-in-x, forecast losses should be consistent with your Internal Model. They should use the same assumptions, data and methodologies as your Lloyd’s Capital Return [LCR] and Lloyd’s Catastrophe Model [LCM] Forecast return.

### For the RDS, forecasts losses should reflect the ***maximum***anticipatedloss estimates at any time during the prospective calendar year.

###  Losses should be reported for gross, net and final net.

### Gross loss is the estimated loss arising from damage to the Insured Values, after the application of syndicate participations and policy or treaty limitations on cover, such as coinsurance, deductibles and limits. Gross losses are to be reported gross of the QS reinsurance cessions to Special Purpose Arrangements.

### Net Loss is the estimated loss after reinsurance recoveries, but before reinstatement premiums have been paid and/or received.

### Final net loss is the estimated loss after reinsurance recoveries have been received and reinstatement premiums have been paid and/or received.

### In calculating the net losses and final net losses, all reinsurance recoveries from outwards reinsurance arrangements that protect the gross losses should be considered including QS reinsurance with Special Purpose Arrangements.

# SBF730 OUTWARDS REINSURANCE PREMIUMS (including Fac.)

##  Summary

###  The purpose of this section is to provide a breakdown of the type of reinsurance protections the syndicate plans to purchase, along with the expected financial quality of the reinsurance counterparties.

###  Estimates of the % of Outwards Reinsurance premium to be ceded under the following reinsurance arrangements are also required – see 18.5 for full details:

Shared Reinsurance Contracts

Related Party Reinsurance Contracts

Non-Standard Reinsurance Contracts

##  Key Points

###  This form is based upon the total gross outwards reinsurance premium reported within the 105 forms, as summarised within form 105s (columns D and E).

### A percentage breakdown of the planned reinsurance spend, by reinsurance type and security category should be reported in the top “Estimated %” part of this form. This will then be automatically combined with the total gross outwards reinsurance premium from the 105 forms to generate the lower “Outwards reinsurance premium (CNV)” section.

##  Reinsurance Contract Type

### The following pre-defined categories for reinsurance type should cater for the vast majority of reinsurance arrangements:

Facultative (column A); all contracts regardless of whether proportional or non-proportional

Proportional Treaty (column B); all proportional contracts including any SPA quota share arrangements reported in column D of form 105 / 105s

Excess of Loss Treaty (column C1); all excess of loss contracts other than those where the primary trigger is not the syndicate’s own insurance loss (see D1).

Indexed / Parametric (column D1); any product where the primary trigger of the contract is based on an index or parametric rather than the syndicate’s own loss, e.g. Industry Loss Warranty, Original Loss Warranty, Market Loss Warranty, Weighted Industry Loss, State or County Exposure Weighted Loss, meteorological conditions etc.

Stop Loss (column E).

If you plan to purchase reinsurance protections which do not appear to fit cleanly within any these categories, please seek guidance from the Syndicate Business Performance or Outwards Reinsurance teams at Lloyd’s.

##  Reinsurance Counterparty Financial Strength / Quality

### The information reported will be used to evaluate the financial strength of the reinsurance counterparties and form part of counterparty credit risk assessments.

### A percentage breakdown of the expected financial rating strength for the planned reinsurance counterparties are to be reported within each of the six financial strength rating categories:

1. **Lloyd’s syndicate(s)**

This category should be used to report the scale of reinsurance to be placed with Lloyd’s syndicates including any SPA quota share arrangements reported in column D of form 105 / 105s.

1. **Financial Strength Rating (FSR) equivalent of A- up to AAA**
2. **Financial Strength Rating (FSR) equivalent of B- up to BBB+**
3. **Financial Strength Rating (FSR) equivalent of C- up to CCC+**
4. **Under regulatory supervision / financially impaired.**
5. **Not rated by a credit rating agency**

This category should be used to report the proportion of reinsurance to be placed with reinsurance entities or pools that do not hold a FSR from the rating agencies used by the syndicate in its normal reinsurance counterparty financial strength assessments. Please provide a brief summary of these arrangements within the comments section, and a detailed explanation as part of the Reinsurance Strategy commentary within Form 990.

Column A1: “% total of each FSR category which is to be collateralised” should be used to estimate how much of the exposures to be ceded to the reinsurers in each financial strength rating category (1-6) is expected to be supported by a form of collateral. Any of the following forms of collateral can be considered, as long as they are in place from inception of the reinsurance contract:

* + - Cash or equivalent in trust
		- Cash or funds withheld
		- Letters of credit
		- Assets in trust

This should be expressed as a proportion of the financial strength rating category itself i.e. each category could independently be 100%, so if Category 6 represented 5% of the syndicates reinsurance premium and the ceded exposures are to be supported 100% by collateral arrangements, then 100.00 should be reported in Column A1, i.e. 100% of the 5% is supported by collateral. If only 50% of the ceded exposures, are to be supported by collateral, then 50.00 should be reported.

Please provide a brief summary of the structure and nature of the planned collateral arrangements within the comments section, and a detailed explanation as part of the Reinsurance Strategy commentary within Form 990.

The estimated Outwards reinsurance premium amount by type of contract and financial strength categories will be automatically calculated in the table entitled Outwards Reinsurance Premiums (CNV).

##  Outwards Reinsurance Contract type Summary

### In addition to 18.3, Managing agents are required to also provide an estimation of the % of outwards reinsurance premium to be ceded under any of the following types of reinsurance contracts:

* + - Shared Reinsurance Contracts\* (Column M, row 1)
		- Related Party Reinsurance Contracts\*\* (Column M, row 2)
		- Non-Standard Reinsurance Contracts\*\*\* (Column M, row 3)

Unlike the proceeding tables these are independent not cumulative categories.

If any of the above is planned reinsurance arrangements, please provide a brief summary of the arrangements within the comments section, and a detailed explanation as part of the Reinsurance Strategy commentary.

\*Shared Reinsurance Contracts being defined as: “Any reinsurance contracts where the syndicate shares any part of the reinsurance contract wording, coverage and/or the limits and retentions thereunder with any other entities / parties. This should include entities that are both related and un-related to the syndicate. This should include contracts that provide ‘common’ or ‘joint’ account protections for multiple entities.

Only the portion of the syndicate’s own estimated outwards reinsurance premium that is planned to be spent on these contracts should be included in this field, not the total 100% contract value for all entities.

\*\*Related Party Reinsurance Contracts being defined as: Any reinsurance contracts where the contract is being underwritten in part or in full by a reinsurer that is:

* + 1. A company within the same group as the managing agent
		2. A company within the same group as a corporate member of the syndicate which has a member’s syndicate premium limit of more than 10% of the syndicate allocated capacity
		3. A company which has two or more directors in common with the managing agent
		4. Another syndicate managed by the same managing agent; this includes quota share contracts with an SPA

If the reinsurance contract is expected to have multiple reinsurers, only the portion of the estimated outwards reinsurance premium that is expected to be ceded to the Related Party should be included in this field.

\*\*\*Non-Standard Reinsurance being defined as: Any reinsurance contract or financial instrument which has been deemed as reinsurance by the managing agent but which is not directly based on the principle of indemnity or is based on a contract wording which has limited or no demonstrable risk transfer mechanism.

Column N will automatically calculate the estimated Outwards Reinsurance Premium (CNV) being ceded under each category based on the % each cell of column M and the total Outwards Reinsurance Premiums (CNV) from column L / row 14.

##  Reinsurance Strategy / Plan

### As per item 19.4 a summary of the syndicate’s reinsurance strategy and purchasing plan for the prospective year should be supplied as an attachment within form 990.

## 19 SBF990 REQUIRED ADDITIONAL INFORMATION Summary

### **19.1** Along with the comments provided in the relevant sections, please include any commentary you have regarding any part of the SBF Return. You may use more than one entry per section if required.

1.

##  Additional Submissions

### Managing agents must provide additional submissions as per specific guidance provided below for

1. Business plan narrative for the syndicate organisational charts, portfolio composition, market environment, underwriting strategy and any proposed new classes of business or products lines.
2. Portfolio Remediations
3. Business plan narrative for the syndicates’ service companies.
4. Business plan assumptions.
5. Reinsurance strategy and purchasing plan details.
6. Franchise Guideline Dispensations.
7. Related Parties Transaction, where the information is already available.
8. Peer Review processes and underwriting authorities / controls.
9. Lloyd’s Minimum Underwriting Standards.
10. Claims annual business plan (as referenced in Lloyd’s Claims Management Principles and Minimum Standards).
11. Multiple Platforms.
12. Line size utilisation.
13. Overseas distribution channels, including mandatory information for Lloyd’s China Direct (regulatory requirements – further detail in section 20.6.2) and Europe (further detail in section 20.6.3).
14. For European businesses refer to section 8.1.1.
15. Multiyear policies.
16. Managing agents are required to confirm if the mid to long term plan set out in their latest ORSA or any subsequent version submitted to address Lloyd’s feedback remains appropriate. This affirmation will form part of the final SBF Return in September and should be explicitly indicated in form SBF990 under the “add any return comments” section.

### Where new risk codes are being requested under historical classes of business, this should be made clear in the required additional information in section 990.

### Submissions should be attached to the SBF Return using the software function provided. Managing agents are required to indicate, using the tick boxes provided, those which they have submitted. Guidance with regard to the additional submissions is provided below.

##  Business Plan Narrative

### Please give an organisation chart and explanatory narrative for the syndicate showing business lines and relevant underwriters. The diagram below gives one example.

Syndicate

Marine

(Underwriter).

Property

(Underwriter)

Casualty

(Underwriter)

Aviation

(Underwriter)

Hull – underwriter

Cargo – underwriter

Specie – underwriter Boat

*“SBF Classes of business”*

*“Business lines”*

###  **Portfolio Composition**

### For each SBF class of business within the business plan please provide a thumbnail sketch of the account that is written to include:

* nature of the business written, for example:
* Typical, or average, limits written (i.e., not maximum or normal maximum lines)
* Types of assured e.g. Fortune 500 / 5000 or SME or sole trader, tier two airlines, Far Eastern blue-water fleets etc.
* Geographic characteristics e.g. US, non-US, Southern Europe etc.
* Whether primary, full value or excess business and if excess then target attachment points
* Where appropriate, types of occupation or trade covered
* Basis of policy coverage e.g. claims made, losses occurring etc.
* Lead or follow split
* Source of business e.g. service company, open market, treaty reinsurance
* Any material changes planned

###  **Market Environment**

* A brief analysis of the current competitive environment.
* A brief analysis of the expected competitive environment next year and the following year i.e. how you expect the market cycle to develop and how you intend to manage your business through it.
* What differentiates the syndicate’s approach to others operating in the marketplace for this class i.e. not just Lloyd’s or London but perhaps globally.
* What is the syndicate’s underwriting strategy e.g. target customers, target market share?

**Drivers of Poor Performance and Performance Improvement Plans**

* Include commentary on the underperforming classes or portfolios (Decile 10) as reported in Performance Improvement quarterly returns and any new Decile 10 classes based on 2019 assessments.
* Provide a segmental analysis which identifies the areas of underperformance.
* Describe how the syndicate plans to remediate thi performance. This should be both quantitative and qualitative with reference to the market cycle for that class.

**Drivers of Profitable Performance (Decile 1 and 2 classes)**

As part of the Decile class reviews which Lloyd’s have asked all syndicates to consider, syndicates should provide narrative on their Decile 1 and 2 classes and any rationales for growth in these profitable areas taking into account market conditions and tangible opportunities.

##  Outwards Reinsurance Strategy and Plan

### Managing agents are required to provide an overview of the high level reinsurance purchasing strategy which outlines the syndicate’s philosophy, business drivers and objectives for the purchase of reinsurance. It should outline how the purchasing strategy supports the risk appetite of the syndicate both per loss and in aggregate, in terms of retained insurance risk and how this influences the scale, breadth and attachment of the reinsurance purchased.

### Managing agents are also required to provide a commentary which details the expected reinsurance arrangements that are to protect the classes of business and exposures within the prospective year’s plan. This should include:

An explanation of how these protections compare to the high level reinsurance purchasing strategy

An explanation as to how the planned reinsurance premium has been formulated and allocated across the classes of business and its adequacy

A supporting commentary for any material reliance on reinsurance commissions

A supporting commentary regarding the adequacy of the RI premiums in the event that the whole account or planned Class of Business figures indicate that Reinsurers Loss Ratio would exceeds 90%. This being calculated as the planned reinsurance recovery as a percentage of the planned gross reinsurance premium less the planned reinsurance commissions and profit participations

Details of any material reinsurer counterparty concentrations, both related and third party, in particular for any planned Class of Business where the net retention is less than 10%.

Details of the key assumptions, expectations or dependencies which could impact the achievement of the plan, and a quantification of their materiality, along with details of any protocols or plans in place which would mitigate their potential impact

Details of the collateral arrangements which will support the planned reinsurance - see 18.4

Details of any proposed non-standard reinsurance arrangements - see 18.5

### Confirmation that multi-year reinsurance protections on matching period, coverage and terms (both vertically and horizontally) are in place to protect any multi-year policies written by the syndicate – see 20.7.

# Franchise Guideline Dispensations

## Managing agents seeking Lloyd’s approval for a syndicate to operate outside Franchise Guidelines in respect of either Aggregate Exceedance Probability (AEP) or for any syndicate class line size are required to supply the following information:

### **Catastrophe Risk (AEP and RDS metrics)**

### Syndicates requesting dispensations from Franchise Guidelines for AEP 1-in-30 and/or RDS metrics must discuss the rationale for these requests with Risk Aggregation prior to submission.

### **Gross Lines size**

###  Current Gross Line size profiles by class of business showing risk numbers, sums insured and premiums.

### Details of matching reinsurance by both amount and basis of coverage (LOD/RAD etc.).

### **Net Line size**

### Any class, where the Net Retained Line is lower than the Franchise Guidelines (i.e. less than 10% of the Gross Line) which therefore require Lloyd’s approval, the syndicate is required to provide details of the business objective / rationale to support the dispensation request, along with a summary of the planned reinsurance protections and reinsurer panel.

##  Related Parties Transactions

Managing agents are required to provide a brief summary of the planned Related Parties Transactions. Please also refer to 18.5 and 19.4 regarding Outwards Reinsurance Related Party transactions.

## Please note that annual Related Party Disclosure & Declaration submission will be required in Q1 of each year.

##  Peer review

### Each syndicate must provide details of their independent expert review panel including which classes they review, terms of reference, frequency of reviews, to whom the reviewers have to report and their employment status.

##  Lloyd’s Minimum Underwriting Standards

### Managing agents are required to comply with the Minimum Standards published at <http://www.lloyds.com/the-market/operating-at-lloyds/lloyds-minimum-standards> in order to operate at Lloyd’s. The Minimum Standards are applicable for the duration of the implementation of the agreed plan and apply to all territories where business is written, whether business is accepted directly or via any form of delegated authority, in London or on any of Lloyd’s overseas distribution channels. Where managing agents identify that a syndicate does not fully comply with the Lloyd’s Minimum Standards, they are required to provide an update on the areas where there are still gaps and their plans to address them, including timescales. Where a review(s) of your business has recently been conducted by Lloyd's which has resulted in a specific action plan being put in place, that plan must be completed to the satisfaction of Lloyd's within the deadlines agreed.

##  Multiple Platforms

### Where the syndicate is one platform within a larger insurance group, which operates both within and outside of the Lloyd’s market, the managing agent should provide the group's protocol for allocating business to be written as between the Lloyd’s syndicate and the non-Lloyds entities.

##  Lloyd’s Overseas Distribution Channels

**20.6.1** Where the syndicate operates or intends to operate on Lloyd’s overseas distribution channels, include a business plan narrative in the SBF990 and include planned premiums and loss ratios for each distribution channel, split by syndicate class of business. This should be submitted on a basis consistent with form SBF105 of the SBF Return.

**20.6.2** Where the syndicate is planning to write business through Lloyd’s China, the following additional information would be required from the managing agent, to ensure compliance as set by the Chinese Insurance Regulatory Commission (CIRC).

 When writing business on a Direct basis, the below information must be provided in the form SBF990:

* The split of Direct (i.e. Chinese language local insurance policy issued) vs. Reinsurance (including Facultative) business premium forecast GWP GBP for Lloyd’s China by syndicate class of business. When in doubt over whether business is Direct or Reinsurance under CIRC requirements, managing agents should contact Lloyd’s China.
* The split of business between the Beijing vs. Shanghai branch office, in GWP GBP at the syndicate class of business level.
* Please note, when completing Forms 100 and 105 for the China Direct distribution channel, the GWP figure entered should represent 100% of the premium to be underwritten. The reinsurance cede of 20% should be shown as ‘outwards reinsurance premiums’. If there is any additional reinsurance cover purchased (i.e., worldwide XOL cover etc., this would be included here also). The 100% (gross) and 80% (net) figures should be accounted for in other relevant Lloyd’s returns – i.e., in Form 443 where these gross and net figures are shown at distribution level.

When writing business on both a Direct and/or Reinsurance basis, the following information must be provided in the form 990:

* Details of maximum line size for each class of business written through Lloyd’s China, even if they are within Franchise Guidelines.
* Where already operating on the distribution channel, managing agents must provide written confirmation that staff are fully compliant and understand Lloyd's China processes through a formal induction by Lloyd’s China.
* Where already operating on the distribution channel, managing agents must provide written confirmation that referral procedures for risks outside of local underwriter authority are in place.
* Managing agents should note that participation on the distribution channel is on a represented basis only – i.e. underwriters must be located in Lloyd’s China.

**20.6.3** Where the syndicate is planning to write business through Lloyd’s Europe, the following additional information would be required from the managing agent.

* SBF051 - All business must be reported using Direct risk codes.
* SBF990 - Facultative and Non-Proportional Treaty (XoL) business can be placed through Lloyd’s Brussels. It can also be placed through London. However, Proportional Treaty business could only be placed, if it followed a bespoke manner similar to processing of DA business. Please provide information about the premium income and classes of business if you are planning to write this via the Europe distribution channel.
* SBF990 – Additional information is required to be completed on an excel spreadsheet that can be accessed in Secure Store within the relevant “EUR\_Supplemental data” folder on the High Level Planning Data Submission Site. Data is required for GWP by country and syndicate class of business.
* Please note that the Lloyd’s Europe Distribution channel SBF:
* should not report the reinsurance commission charge within this return; and,
* should not report SPAs syndicate plan as they are not allowed to write though Lloyd’s Europe.

##  Multi-Year Policies

### It is Lloyd’s expectation that policy periods do not exceed 12. However, it is acknowledged that there may be exceptions. In these instances, reference should be made to the Chairman’s Strategy Guidelines (CSG) wording:

a) Non-cancellable policies covering a period of greater than 18 months should be recorded as multi-year policies.

b) Multi-year policies should either have matching reinsurance cover\* or be limited to the agreed maximum net exposure to the class of business as set out in the syndicate’s business plan.

\*matching reinsurance is expected to match regarding period, coverage and terms both vertically and horizontally.

For each class of business in form SBF105, please provide details of those policies which are written on a multi-year basis with an explanation of how the Franchise Guidelines are being met, and whether the premium for these policies is expected to increase or decrease.

If the syndicate requires a Franchise Guideline dispensation the syndicate is required to provide details of the business objective / rationale to support the dispensation request,

##  Supplementary Information

### You may need to provide supplementary information to support your business plan.

##  Underwriting of war, civil war and related perils

### Permission to underwrite: Syndicates planning to underwrite policies that cover War and/or NCBR (including incidentally) are required to gain Lloyd's specific approval in advance.

### This will normally form part of the Capital & Planning Process, although it also applies to mid-year changes of plan.

### Rather than add a new element to the SBF return in Market Data Collections, Lloyd's has created a separate War and NCBR template. As with the SBF itself, all syndicates should submit the template regardless of whether permission to write War and NCBR perils is being sought. The ‘Nil return’ check box should be used where no War or NCBR exposure is planned.

### Lloyd’s will be comparing the forecast aggregates by region to the information you provide for in-force aggregates with the 2020 RDS return as part of Supplementary Information.

### Accumulation Risk: Lloyd’s requires syndicates to understand and monitor potential accumulation risk arising from War and NCBR exposures. (Please refer to market bulletin Y4972 published on 1 March 2016.) The template includes forecast War/NCBR aggregate exposures by defined region.

### Documentation: Both the War/NCBR template itself and the related Guidance & Instructions will be sent to syndicates by the end of July 2019. Extra copies are available from Lloyd's Risk Aggregation (steven.champion@lloyds.com Ph: 0207 327 5983). The document references are:

### War/NCBR submission template EM279

### War/NCBR Guidance & Instructions EM280

### Submission: Syndicates should submit the revised War/NCBR template via Secure Store within the “Lloyd’s Catastrophe Model/2020 CPG” folder (see below) at the same time as submitting the 2020 SBF through MDC.

### cid:image001.png@01D52C2F.30BA79F0

## RISK CODES

The in-force risk codes list can be obtained from the Lloyd’s website, [www.lloyds.com](http://www.lloyds.com)

# COUNTRY LISTING

| **Country** | **Region** | **Sub-Region** | **ISO-CODE** |
| --- | --- | --- | --- |
| Afghanistan | Asia Pacific | Central Asia | AF |
| Åland Islands | Europe | Western Europe (excl. UK) | AX |
| Albania | Europe | Central & Eastern Europe | AL |
| Algeria | Middle East & Africa | Northern Africa | DZ |
| American Samoa | Asia Pacific | Oceania | AS |
| Andorra | Europe | Western Europe (excl. UK) | AD |
| Angola | Middle East & Africa | Central & Southern Africa | AO |
| Anguilla | Americas | Caribbean | AI |
| Antartica | Asia Pacific | Oceania | AQ |
| Antigua and Barbuda | Americas | Caribbean | AG |
| Argentina | Americas | South America | AR |
| Armenia | Asia Pacific | Central Asia | AM |
| Aruba | Americas | Caribbean | AW |
| Australia | Asia Pacific | Oceania | AU |
| Austria | Europe | Western Europe (excl. UK) | AT |
| Azerbaijan | Asia Pacific | Central Asia | AZ |
| Bahamas | Americas | Caribbean | BS |
| Bahrain | Middle East & Africa | Middle East | BH |
| Bangladesh | Asia Pacific | South Asia | BD |
| Barbados | Americas | Caribbean | BB |
| Belarus | Europe | Central & Eastern Europe | BY |
| Belgium | Europe | Western Europe (excl. UK) | BE |
| Belize | Americas | Central America | BZ |
| Benin | Middle East & Africa | Central & Southern Africa | BJ |
| Bermuda | Americas | North America | BM |
| Bhutan | Asia Pacific | East Asia | BT |
| Bolivia | Americas | South America | BO |
| Bosnia and Herzegovina | Europe | Central & Eastern Europe | BA |
| Botswana | Middle East & Africa | Central & Southern Africa | BW |
| Bouvet Island | Asia Pacific | Oceania | BV |
| Brazil | Americas | South America | BR |
| British Indian Ocean Territory | Asia Pacific | Oceania | IO |
| British Virgin Islands | Americas | Caribbean | VG |
| Brunei Darussalam | Asia Pacific | East Asia | BN |
| Bulgaria | Europe | Central & Eastern Europe | BG |
| Burkina Faso | Middle East & Africa | Central & Southern Africa | BF |
| Burundi | Middle East & Africa | Central & Southern Africa | BI |
| Cambodia | Asia Pacific | East Asia | KH |
| Cameroon | Middle East & Africa | Central & Southern Africa | CM |
| Canada | Americas | North America | CA |
| Cape Verde | Middle East & Africa | Central & Southern Africa | CV |
| Cayman Islands | Americas | Caribbean | KY |
| Central African Republic | Middle East & Africa | Central & Southern Africa | CF |
| Chad | Middle East & Africa | Central & Southern Africa | TD |
| Channel Islands | Europe | Western Europe (excl. UK) | N/A |
| Chile | Americas | South America | CL |
| China | Asia Pacific | East Asia | CN |
| Christmas Island | Asia Pacific | Oceania | CX |
| Cocos (Keeling) Islands | Asia Pacific | Oceania | CC |
| Colombia | Americas | South America | CO |
| Comoros | Middle East & Africa | Central & Southern Africa | KM |
| Congo | Middle East & Africa | Central & Southern Africa | CG |
| Cook Islands | Asia Pacific | Oceania | CK |
| Costa Rica | Americas | Central America | CR |
| Cote d'Ivoire | Middle East & Africa | Central & Southern Africa | CI |
| Croatia | Europe | Central & Eastern Europe | HR |
| Cuba | Americas | Caribbean | CU |
| Cyprus | Europe | Central & Eastern Europe | CY |
| Czech Republic | Europe | Central & Eastern Europe | CZ |
| Democratic People's Republic of Korea | Asia Pacific | East Asia | KP |
| Democratic Republic of the Congo | Middle East & Africa | Central & Southern Africa | CD |
| Denmark | Europe | Western Europe (excl. UK) | DK |
| Djibouti | Middle East & Africa | Central & Southern Africa | DJ |
| Dominica | Americas | Caribbean | DM |
| Dominican Republic | Americas | Caribbean | DO |
| Ecuador | Americas | South America | EC |
| Egypt | Middle East & Africa | Northern Africa | EG |
| El Salvador | Americas | Central America | SV |
| Equatorial Guinea | Middle East & Africa | Central & Southern Africa | GQ |
| Eritrea | Middle East & Africa | Central & Southern Africa | ER |
| Estonia | Europe | Central & Eastern Europe | EE |
| Ethiopia | Middle East & Africa | Central & Southern Africa | ET |
| Faeroe Islands | Europe | Western Europe (excl. UK) | FO |
| Falkland Islands (Malvinas) | Americas | South America | FK |
| Fiji | Asia Pacific | Oceania | FJ |
| Finland | Europe | Western Europe (excl. UK) | FI |
| France | Europe | Western Europe (excl. UK) | FR |
| French Guiana | Americas | South America | GF |
| French Polynesia | Asia Pacific | Oceania | PF |
| French Southern Territories | Asia Pacific | Oceania | TF |
| Gabon | Middle East & Africa | Central & Southern Africa | GA |
| Gambia | Middle East & Africa | Central & Southern Africa | GM |
| Georgia | Asia Pacific | Central Asia | GE |
| Germany | Europe | Western Europe (excl. UK) | DE |
| Ghana | Middle East & Africa | Central & Southern Africa | GH |
| Gibraltar | Europe | Western Europe (excl. UK) | GI |
| Greece | Europe | Western Europe (excl. UK) | GR |
| Greenland | Americas | North America | GL |
| Grenada | Americas | Caribbean | GD |
| Guadeloupe | Americas | Caribbean | GP |
| Guam | Asia Pacific | Oceania | GU |
| Guatemala | Americas | Central America | GT |
| Guernsey | Europe | Western Europe (excl. UK) | GG |
| Guinea | Middle East & Africa | Central & Southern Africa | GN |
| Guinea-Bissau | Middle East & Africa | Central & Southern Africa | GW |
| Guyana | Americas | South America | GY |
| Haiti | Americas | Caribbean | HT |
| Heard Island and McDonald Islands | Asia Pacific | Oceania | HM |
| Holy See (Vatican City State) | Europe | Western Europe (excl. UK) | VA |
| Honduras | Americas | Central America | HN |
| Hong Kong Special Administrative Region of China | Asia Pacific | East Asia | HK |
| Hungary | Europe | Central & Eastern Europe | HU |
| Iceland | Europe | Western Europe (excl. UK) | IS |
| India | Asia Pacific | South Asia | IN |
| Indonesia | Asia Pacific | East Asia | ID |
| Iran (Islamic Republic of) | Middle East & Africa | Middle East | IR |
| Iraq | Middle East & Africa | Middle East | IQ |
| Ireland | Europe | Western Europe (excl. UK) | IE |
| Isle of Man | Europe | Western Europe (excl. UK) | IM |
| Israel | Middle East & Africa | Middle East | IL |
| Italy | Europe | Western Europe (excl. UK) | IT |
| Jamaica | Americas | Caribbean | JM |
| Japan | Asia Pacific | East Asia | JP |
| Jersey | Europe | Western Europe (excl. UK) | JE |
| Jordan | Middle East & Africa | Middle East | JO |
| Kazakhstan | Asia Pacific | Central Asia | KZ |
| Kenya | Middle East & Africa | Central & Southern Africa | KE |
| Kiribati | Asia Pacific | Oceania | KI |
| Kuwait | Middle East & Africa | Middle East | KW |
| Kyrgyzstan | Asia Pacific | Central Asia | KG |
| Lao People's Democratic Republic | Asia Pacific | East Asia | LA |
| Latvia | Europe | Central & Eastern Europe | LV |
| Lebanon | Middle East & Africa | Middle East | LB |
| Lesotho | Middle East & Africa | Central & Southern Africa | LS |
| Liberia | Middle East & Africa | Central & Southern Africa | LR |
| Libyan Arab Jamahiriya | Middle East & Africa | Northern Africa | LY |
| Liechtenstein | Europe | Western Europe (excl. UK) | LI |
| Lithuania | Europe | Central & Eastern Europe | LT |
| Luxembourg | Europe | Western Europe (excl. UK) | LU |
| Macao Special Administrative Region of China | Asia Pacific | East Asia | MO |
| Macedonia, The former Yugoslav Republic of Macedonia | Europe | Central & Eastern Europe | MK |
| Madagascar | Middle East & Africa | Central & Southern Africa | MG |
| Malawi | Middle East & Africa | Central & Southern Africa | MW |
| Malaysia | Asia Pacific | East Asia | MY |
| Maldives | Asia Pacific | South Asia | MV |
| Mali | Middle East & Africa | Central & Southern Africa | ML |
| Malta | Europe | Western Europe (excl. UK) | MT |
| Marshall Islands | Asia Pacific | Oceania | MH |
| Martinique | Americas | Caribbean | MQ |
| Mauritania | Middle East & Africa | Central & Southern Africa | MR |
| Mauritius | Middle East & Africa | Central & Southern Africa | MU |
| Mayotte | Middle East & Africa | Central & Southern Africa | YT |
| Mexico | Americas | Central America | MX |
| Micronesia (Federated States of) | Asia Pacific | Oceania | FM |
| Moldova | Europe | Central & Eastern Europe | MD |
| Monaco | Europe | Western Europe (excl. UK) | MC |
| Mongolia | Asia Pacific | Central Asia | MN |
| Montenegro | Europe  | Central & Eastern Europe | ME |
| Montserrat | Americas | Caribbean | MS |
| Morocco | Middle East & Africa | Northern Africa | MA |
| Mozambique | Middle East & Africa | Central & Southern Africa | MZ |
| Myanmar | Asia Pacific | East Asia | MM |
| Namibia | Middle East & Africa | Central & Southern Africa | NA |
| Nauru | Asia Pacific | Oceania | NR |
| Nepal | Asia Pacific | East Asia | NP |
| Netherlands | Europe | Western Europe (excl. UK) | NL |
| Netherlands Antilles | Americas | Caribbean | AN |
| New Caledonia | Asia Pacific | Oceania | NC |
| New Zealand | Asia Pacific | Oceania | NZ |
| Nicaragua | Americas | Central America | NI |
| Niger | Middle East & Africa | Central & Southern Africa | NE |
| Nigeria | Middle East & Africa | Central & Southern Africa | NG |
| Niue | Asia Pacific | Oceania | NU |
| Norfolk Island | Asia Pacific | Oceania | NF |
| Northern Mariana Islands | Asia Pacific | Oceania | MP |
| Norway | Europe | Western Europe (excl. UK) | NO |
| Occupied Palestinian Territory | Middle East & Africa | Middle East | PS |
| Oman | Middle East & Africa | Middle East | OM |
| Pakistan | Asia Pacific | South Asia | PK |
| Palau | Asia Pacific | Oceania | PW |
| Panama | Americas | Central America | PA |
| Papua New Guinea | Asia Pacific | Oceania | PG |
| Paraguay | Americas | South America | PY |
| Peru | Americas | South America | PE |
| Philippines | Asia Pacific | East Asia | PH |
| Pitcairn | Asia Pacific | Oceania | PN |
| Poland | Europe | Central & Eastern Europe | PL |
| Portugal | Europe | Western Europe (excl. UK) | PT |
| Puerto Rico | Americas | Caribbean | PR |
| Qatar | Middle East & Africa | Middle East | QA |
| Republic of Korea | Asia Pacific | East Asia | KR |
| Republic of Moldova | Europe | Central & Eastern Europe | MD |
| Réunion | Middle East & Africa | Central & Southern Africa | RE |
| Romania | Europe | Central & Eastern Europe | RO |
| Russian Federation | Europe | Central & Eastern Europe | RU |
| Rwanda | Middle East & Africa | Central & Southern Africa | RW |
| Saint Helena | Middle East & Africa | Central & Southern Africa | SH |
| Saint Kitts and Nevis | Americas | Caribbean | KN |
| Saint Lucia | Americas | Caribbean | LC |
| Saint Pierre and Miquelon | Americas | North America | PM |
| Saint Vincent and the Grenadines | Americas | Caribbean | VC |
| Samoa | Asia Pacific | Oceania | WS |
| San Marino | Europe | Western Europe (excl. UK) | SM |
| Sao Tome and Principe | Middle East & Africa | Central & Southern Africa | ST |
| Saudi Arabia | Middle East & Africa | Middle East | SA |
| Senegal | Middle East & Africa | Central & Southern Africa | SN |
| Serbia  | Europe | Central & Eastern Europe | RS |
| Seychelles | Middle East & Africa | Central & Southern Africa | SC |
| Sierra Leone | Middle East & Africa | Central & Southern Africa | SL |
| Singapore | Asia Pacific | East Asia | SG |
| Slovakia | Europe | Central & Eastern Europe | SK |
| Slovenia | Europe | Central & Eastern Europe | SI |
| Solomon Islands | Asia Pacific | Oceania | SB |
| Somalia | Middle East & Africa | Central & Southern Africa | SO |
| South Africa | Middle East & Africa | Central & Southern Africa | ZA |
| South Georgia and the South Sandwich Islands | Americas | South America | GS |
| Spain | Europe | Western Europe (excl. UK) | ES |
| Sri Lanka | Asia Pacific | South Asia | LK |
| Sudan | Middle East & Africa | Northern Africa | SD |
| South Sudan | Middle East & Africa | Northern Africa | SS |
| Suriname | Americas | South America | SR |
| Svalbard and Jan Mayen Islands | Europe | Western Europe (excl. UK) | SJ |
| Swaziland | Middle East & Africa | Central & Southern Africa | SZ |
| Sweden | Europe | Western Europe (excl. UK) | SE |
| Switzerland | Europe | Western Europe (excl. UK) | CH |
| Syrian Arab Republic | Middle East & Africa | Middle East | SY |
| Taiwan | Asia Pacific | East Asia | TW |
| Tajikistan | Asia Pacific | Central Asia | TJ |
| Thailand | Asia Pacific | East Asia | TH |
| Timor-Leste | Asia Pacific | East Asia | TL |
| Togo | Middle East & Africa | Central & Southern Africa | TG |
| Tokelau | Asia Pacific | Oceania | TK |
| Tonga | Asia Pacific | Oceania | TO |
| Trinidad and Tobago | Americas | Caribbean | TT |
| Tunisia | Middle East & Africa | Northern Africa | TN |
| Turkey | Europe | Central & Eastern Europe | TR |
| Turkmenistan | Asia Pacific | Central Asia | TM |
| Turks and Caicos Islands | Americas | Caribbean | TC |
| Tuvalu | Asia Pacific | Oceania | TV |
| Uganda | Middle East & Africa | Central & Southern Africa | UG |
| UK | Europe | UK | GB |
| Ukraine | Europe | Central & Eastern Europe | UA |
| United Arab Emirates | Middle East & Africa | Middle East | AE |
| United Republic of Tanzania | Middle East & Africa | Central & Southern Africa | TZ |
| United States of America | Americas | North America | US |
| United States Minor Outlying Islands | Asia Pacific | Oceania | UM |
| United States Virgin Islands | Americas | Caribbean | VI |
| Uruguay | Americas | South America | UY |
| Uzbekistan | Asia Pacific | Central Asia | UZ |
| Vanuatu | Asia Pacific | Oceania | VU |
| Venezuela | Americas | South America | VE |
| Viet Nam | Asia Pacific | East Asia | VN |
| Wallis and Futuna Islands | Asia Pacific | Oceania | WF |
| Western Sahara | Middle East & Africa | Northern Africa | EH |
| Yemen | Middle East & Africa | Middle East | YE |
| Zambia | Middle East & Africa | Central & Southern Africa | ZM |
| Zimbabwe | Middle East & Africa | Central & Southern Africa | ZW |

#

# RDS / AEP LIST

Please refer to the RDS / AEP list in MDC.

# Reporting for London, Asia, Japan, China, Dubai and Europe

* The SBF Return collects data about the expected premium income, claims and profitability by distribution channel. The distribution channel data is recorded on four of the forms in the SBF, namely:
* SBF051 – A mapping of the syndicate’s own lines of business to Lloyd’s risk codes and distribution channel.
* SBF100 – A technical account (premiums /claims /reinsurance /acquisition costs/ management costs/ profit/ investment income/ combined ratio) per distribution channel. A return must be completed for each distribution channel identified on SBF051.
* SBF105 – A split of expected premium income and claims by line of business per distribution channel. A return must be completed for each distribution channel/class of business identified on SBF051.
* SBF443 - This form includes details of absolute maximum, normal maximum gross and net retained lines by class of business. A return must be completed for all distribution channels for each class of business identified on SBF051.
* SBF990: see section 20.6 for detail.
* Please note that all service companies located in the DIFC must provide a business plan completed for the Dubai distribution channel. This also applies to those syndicates that are not located in the Lloyd’s Dubai office.

**Special Purpose Arrangement**

**Instructions for the 2020 Year of Account**

Year of Issue: 2019

Version: 1

Contact: Lloyds-businessplans@lloyds.com

1. **Overview of return**

## A Special Purpose Arrangement (SPA) is a limited tenancy arrangement which is related to a host syndicate.

## The SPA must complete a full SBF. It must also complete all other Lloyd’s mandatory returns (e.g. RDS, PMDR, SRS, QMA, QMB etc).

## As SPAs are for one year only, there is no capacity to be traded in the auctions. So the SPA will follow the deadlines of the host(s) – aligned or non-aligned.

* 1. The host syndicate should include the income, claims, acquisition costs lines sizes and losses for the SPA within the gross figures of the host.
	2. The general SBF instructions can be followed for completion of the SPA and the host with the addition of the following specific instructions. If you require any guidance on completion of the SBF please refer to Syndicate Business Performance in the first instance.
1. **SPA specific instructions**
	1. SPA reinsurance contracts can transfer risk on a variety different structures as such the reporting instructions for each arrangement will vary by SPA and host. It is therefore important that the SBF reflects, and is consistent with, the specific risk cession, premium calculations and loss recovery terms of the reinsurance contract in place.
	2. The SPA should be treated as any other reinsurance arrangement and the reporting within the SBF should be consistent with the terms of the reinsurance contract. The only differences for host’s completion of the SBF forms are
2. Form 105 – column D must be used to report the Outwards Reinsurance Ceded to SPA from the host. This should correspond with the Gross Written Premium reported for the SPA.
3. Form 420 – row 5 SPA Capacity – this should reflect the capacity for the SPA and should match the Capacity figure in the SPA’s form 420 (row 6).
	1. **SBF100 and SBF105**

### The Gross Written Premium for the SPA should reflect the reinsurance premium ceded (before deduction of reinsurance commissions payable to the host) calculated in a manner consistent with the terms of the SPA reinsurance contract, e.g. % of host syndicates (i) Gross Written Premium, (ii) Gross Net Premium, (iii) Net Net Premium; and should not be artificially grossed up or netted down.

### Any reinsurance commissions (ceding, overriding) payable from the SPA to the host syndicate should be treated as Acquisition costs (brokerage and commissions) in the SPA forms 100 and 105, and shown in the host syndicate’s SBF as “Outwards reinsurance commissions received”

### Any reinsurance profit participations or profit commissions payable from the SPA to the host syndicate should be treated as Acquisition costs (brokerage and commissions) in the SPA forms 100 and 105, and shown in the hosts syndicate’s SBF as “Outwards reinsurance profit participations received”

### Any brokerage, commission or fees payable by the SPA to an intermediary for the placement of the reinsurance contract between the host syndicate and the SPA should be treated as Acquisition costs (brokerage and commissions) in the SPA forms 100 and 105

### Syndicate classes of business; The class of business split as provided in the SBF should be the same class of business split that the host syndicate uses to manage its own book. These classes of business are carried forward to the QMB (Quarterly Monitoring Return B). For SPAs, the Class of Business split should reflect the hosts(s) classes that are subject to the quota-share to the SPA.

### Shared / Common Account Reinsurance between host and SPA; If the SPA QS is on a gross loss cession basis from the host syndicate the SPA shares common account reinsurance with the host, the SPA and the host syndicate should only report their respective shares of the allocated outwards reinsurance premiums, reinsurance commissions receivable and reinsurance recoveries from these arrangements in their respective SBFs.

Gross QS cessions with shared / common account reinsurance protections can create accounting complications so it is recommended that such arrangements are discussed with Lloyd’s Exposure Management & Reinsurance team in advance.

1. **SBF167 PREMIUM INCOME SPLIT BY RISK CODE**
	1. **Summary**
		1. This section has been generated based on the information provided in the Risk Code Mappings section and Underwriting Performance Forecast (SBF105) section.
		2. The Gross Written Premium will include SPA premiums. The Stamp Gross Written premium will exclude SPA premiums and the Stamp Net Written Premium will also exclude SPA premiums.
2. **SBF420 CAPACITY INFORMATION**
	1. **Summary**

### This section provides a breakdown of the SPA’s estimated capacity, for the prospective year of account. It also provides expected member participations of aligned corporate members.

* 1. **Key Points**
		1. The Estimated Level of Support column will show the total capacity of the syndicate split by various types – this includes new and existing capacity.
		2. For the Host, any SPA capacity should be included in line 5 “Total Capacity Ceded to SPA”. For the SPA, the total capacity as shown on the form 420 will match the line 5 “Total Capacity Ceded to SPA” entry from the host.
1. **SBF443 UNDERWRITING CONTROLS**
	1. This form includes details of absolute maximum, normal maximum gross and net retained lines by class of business.
	2. The SPA gross line sizes by class of business should reflect the absolute maximum and normal maximum gross lines being ceded by the host to the SPA in accordance with the QS reinsurance contract and should be gross of any reinsurance shared with the host to protect these lines of business.
	3. The SPA net retained lines by class of business should be after the benefit of all reinsurance protecting the lines of business, whether shared with the host or purchased independently.
2. **SBF452 CATASTROPHE RISK**
	1. For AEP and RDS planning and reporting, a SPA should be considered simply as a reinsurer of the Host syndicate. Recoveries from the SPA should be treated in the same way as recoveries from any other reinsurer.
	2. In particular, an SPA is not a Qualifying Quota Share arrangement. This means that the Host syndicate must report AEP 1-in 30 and RDS Gross losses before deducting recoveries from the SPA, as with any other reinsurer. Franchise Guidelines are assessed on the same basis. This rule applies regardless of the capital-structure, or other financial relationship, between host and SPA.
	3. Lloyd’s acknowledges that this does lead to ‘double counting’ of Gross losses across the Host and SPA, as with all intra-syndicate reinsurances.
	4. Losses should be reported for Gross, Net and Final Net.
	5. The SPA Gross losses should reflect the losses being ceded by the host to the SPA in accordance with the QS reinsurance contract, and should be gross of any reinsurance shared with the host to protect these lines of business.
	6. The SPA Net retained losses should be after the benefit of all reinsurance protecting the SPAs gross losses, whether shared with the host or purchased independently.
3. **SBF990 Additional required information**
	1. The SPA should have a business plan narrative of its own which explains its relationship to the host syndicate and its raison d’être. Syndicates should supply a copy of the proposed draft SPA reinsurance contract wording as part of its business plan submission to Lloyd’s, and confirmation that the SBF has been completed on a basis consistent with the contract.
	2. Following plan approval, a copy of the final SPA reinsurance contract is to be provided to Lloyd’s.
4. **Other SBF forms**
	1. All other SBF forms, where no specified SPA instructions have been set should be completed following the SBF instructions issued for the stand-alone syndicates.