

2014 Process - LCR Changes

The LCR specification now includes changes made after feedback from FinCom and CALM members.

LCR Index –

Form name changes on 310, 311, 312 & 314 added

WHY:

To include more meaningful descriptions of the content

010 – Control Page –

No changes

012 – LCR Syndicate Type –

1st CHANGE:

A new checkbox added, to indicate whether the syndicate has unaccepted legal obligations.

WHY:

The ULO was previously hard coded into all returns, causing issues in collection databases where those years of account did not exist for a syndicate (i.e. a run-off syndicate). The checkbox allows a run-off to submit the ULO should a reason arise where they are required to do so.

NEW AGENT REQUIREMENT:

Active syndicates will need to check 'yes' to indicate ULO is present. Please note this change will be active in any March resubmissions (this is the only change to the LCR for March).

2nd CHANGE:

Amend third question from "Please specify whether or not this syndicate has Unaccepted Legal Obligations:" to "Please specify whether this syndicate has Unaccepted Legal Obligations".

WHY:

It is a clearer description of the data to be collected.

307 LCR Notes –

New notes added for form 314.

Most other notes edited, so should be re-reviewed as part of the 2014 process.

309 – LCR Summary –

1st CHANGE:

The pdf version of the form has several values in whole numbers rather than presented to 1dcp. Please review and amend other forms where this may occur.

WHY:

All values need to be presented to 1 decimal place.

2nd CHANGE:

Lines 2 & 7 - Need to be amended as the reference to the notes should be (see note above), not (see note below).

WHY:

It is no longer a correct reference.

310 – Balance Sheet Distributions –**1st CHANGE:**

Amend the form name from “Key Capital Assumptions” to “Balance Sheet Distributions”.

WHY:

It is a clearer description of the data to be collected.

2nd CHANGE:

Add the 50th to 99th percentiles on the ultimate basis. The cell changes are:

- B2 = -ve w: if +ve
- C2 = v: if C2 < B2 (can be positive or negative)
- D2 = +ve w: if -ve & v: if D2 < C2 (i.e. the 90th %ile cannot be smaller than the 75th %ile)
- E2 = +ve w: if -ve & v: if E2 < D2
- F2 = +ve w: if -ve & v: if F2 < E2

WHY:

This data is required to help calibrate the Lloyd’s Internal Model (LIM) and validate its role in meeting current regulatory requirements under ICAS.

NEW AGENT REQUIREMENT:

All syndicates will need to include this data in the 2014 returns.

3rd CHANGE:

Add the 99.8th percentile on the ultimate basis. The cell changes are:

- H2 = +ve w: if -ve & v: if H2 < G2

WHY:

Lloyd’s uses the Lloyd’s Internal Model (LIM) to demonstrate that it meets ICAS requirements. A key input to the CF capital assessment is the tail risk beyond 1:200 for all syndicates. Obtaining syndicate specific percentile output from agent models in the tail will validate LIM assumptions and provide additional evidence to the FSA.

NEW AGENT REQUIREMENT:

All syndicates will need to include this data in the 2014 returns.

4th CHANGE:

Remove the checkbox regarding reconciliation between forms 310 & 311.

WHY:

This is no longer required as the reconciliation is captured in new from 314.

5th CHANGE:

Remove the validation on cell G1.

WHY:

The field is pre-populated and does not need to be validated.

311 – Claims Distributions –

- **1st CHANGE:**

Amend the form name from “Non-Life Statistics” to “Claims Distributions”.

WHY:

It is a clearer description of the data to be collected.

- **2nd CHANGE:**

Add warning “+ve v: if –ve” to cell C1.

WHY:

This warning is then consistent with the other percentiles.

- **3rd CHANGE:**

Add warning “w: if A4 < A3” to cell A4.

WHY:

This warning is then consistent with the one-year gross data.

- **4th CHANGE:**

Add the 50th to 99th percentiles on the ultimate NET basis. The cell changes are:

- B3 = -ve v: if +ve
- C3 = v: if C2 < B2 (can be positive or negative)
- D3 = +ve v: if –ve & v: if D2 < C2 (i.e. the 90th %ile cannot be smaller than the 75th %ile)
- E3 = +ve v: if –ve & v: if E2 < D2
- F3 = +ve v: if –ve & v: if F2 < E2

WHY:

This data is required to help calibrate the Lloyd’s Internal Model (LIM) and validate its role in meeting current regulatory requirements under ICAS.

NEW AGENT REQUIREMENT:

All syndicates will need to include this data in the 2014 returns.

- **5th CHANGE:**

Add the 99.8th percentile on the ultimate basis. The cell changes are:

H3 = +ve v: if –ve & v: if H2 < G2

WHY:

Lloyd’s uses the Lloyd’s Internal Model (LIM) to demonstrate that it meets ICAS requirements. A key input to the CF capital assessment is the tail risk beyond 1:200 for all syndicates. Obtaining syndicate specific percentile output from agent models in the tail will validate LIM assumptions and provide additional evidence to the FSA.

NEW AGENT REQUIREMENT:

All syndicates will need to include this data in the 2014 returns.

- **6th CHANGE:**

As a result of adding the 99.8th percentile table two’s column letters need to be changed. So column:

- H (Claims brought forward) becomes I, plus the column sum changes to ‘Sum (I1 + I2).
- I (Adjustments) becomes J, plus the column sum changes to ‘Sum (J1 + J2).
- J (New business) becomes K, plus the column sum changes to ‘Sum (K1 + K2).
- K (Total claims) becomes L, plus the column sum changes to ‘Sum (L1 + L2).
- Line 2 sum (now cell L2) ULO PY+1) in the ‘Total Claims’ column L, becomes ‘Sum: (J + K)

- The total table (now cell L2 total) in the 'Total Claims' column L, becomes 'Sum: (I + J + K) instead of 'Sum: (H + I + J). This applies to each underlying yoa.
- The total table (now cell L2 total) in the 'Total Claims' column L also has the validation: 'v: if L total <> A1' instead of 'v: if K total <> A1'

WHY:

As above, to support receipt of syndicate specific tail distribution points.

- **7th CHANGE:**

Within line one, add the new 2014 yoa.

WHY:

To add the next proposed year of account.

NEW AGENT REQUIREMENT:

All active syndicates will be required to complete the 2014 ULO.

- **8th CHANGE:**

Amend line two title to "Unincpected Legal Obligations as at December 2014, for the 2015 year of account (Note 311.5)"

WHY:

To add the next proposed year of account.

NEW AGENT REQUIREMENT:

All active syndicates will be required to complete the 2015 ULO.

- **9th CHANGE:**

Amend the main column header on table one from "One Year basis" to "One Year Basis.

WHY:

To be consistent with other forms.

- **10th CHANGE:**

Amend cells A3, A4, G3, G4 from warnings to validations.

WHY:

To be consistent with the rest of the table as it is only losses and should therefore always be positive.

NEW AGENT REQUIREMENT:

No change, as all data submitted to date has been positive.

312 – Projected Solvency II Technical Provisions at time Zero –

- **1st CHANGE:**

Amend the form name from "Technical Provisions" to "Projected Solvency II Technical Provisions at Time Zero".

WHY:

It is a clearer description of the data to be collected.

- **2nd CHANGE:**

Within line one, add the 2013 yoa reserves.

WHY:

To add the next year of account.

NEW AGENT REQUIREMENT:

All active syndicates will be required to complete the 2014 ULO.

- **3rd CHANGE:**

The pdf version of the form has several values in whole numbers rather than to presented to 1dcp. Please review and amend other forms where this may occur.

WHY:

All values need to be presented to 1 decimal place.

- **4th CHANGE:**

The header row that includes the main column descriptions; i.e. “Gross Insurance Losses” or “Gross Future Losses” is not included on the second page of the pdf print. Can this be added to ensure it is more presentable for the agents.

- **WHY:**

Would be more presentable.

- **5th CHANGE:**

Align right the YOAs

WHY:

Would be more presentable and matches form 311.

313 – Financial Information –

- **1st CHANGE:**

Amend the title of table one from “Syndicate business forecast (Should match the linked SBF)” to “Syndicate Business Forecast (data should match the linked SBF)”.

WHY:

To be consistent with other forms.

- **2nd CHANGE:**

Table three (Catastrophe Risk Summary) has been replaced. While the columns remain the same:

- F = one-year net mean
- G = one-year net 99.5th
- H = ultimate net mean
- I = ultimate net 99.5th

The rows have been changed; please see specification for full details.

WHY:

To capture catastrophe claims split by Lloyd’s Catastrophe Model related and non-LCM. Then adding in premium and reserve risk claims, with diversification credit, in order to review against the data provided in form 311. The data collected will assist Lloyd’s to review full CAT exposures to the syndicate compared to LCM risks and overall insurance risks at the mean and on the SCR

NEW AGENT REQUIREMENT:

All syndicates will be required to complete the new information.

- **3rd CHANGE:**

Add note above checkbox stating “All Syndicates”.

WHY:

To be consistent with form 310.

314 – Additional Quantitative Analysis – NEW FORM

The aim of this new form is to capture the required information that was previously requested in the quantitative template during the 2013 review. The data was key to the review process but was not supplied in a consistent manner by syndicates and we were unable to aggregate

and compare key metrics. This has, therefore, been included within the LCR. This enables more control on the inputs from Agents and centralised collation and distribution of the results.

The new form contains the following:

- **Table One – Mean and Stress by Risk Category (on ultimate basis)**

This table requires agent's to complete the mean outcome, stress value and the 1in200 confidence level (which is pre-populated from data input on form 309 where appropriate).

AIM:

To establish the mean expected return per syndicate on an ultimate basis.

NEW AGENT REQUIREMENT:

All syndicates will be required to complete the new information.

- **Table Two – Market Risk**

This table requires agent's to complete the mean outcome, stress value (pre-calculated as the difference between the mean and 1:200) and the 1in200 confidence level.

AIM:

To provide the syndicate review team with greater detail of the inputs to the syndicate's market risk value, entered on form 309.

NEW AGENT REQUIREMENT:

All syndicates will be required to complete the new information.

- **Table Three – SCR Reconciliation**

This table requires agent's to complete the mean outcome, stress and the 1in200 confidence level. We have greyed out some cells not expected and calculated others where appropriate.

AIM:

To provide the syndicate review team with the reconciliation between forms 310 & 311 (one-year basis) of the deterioration between the Mean and the 99.5th percentile. The checkbox on form 310 has been removed.

NEW AGENT REQUIREMENT:

All syndicates will be required to complete the new information.
