

SAO Template Q&A year-end 2018

How will the additional information solve the concern over the most recent year and planning loss ratios. Business plans are being submitted and agreed before there is any view from the external actuary? What review will be carried out of SAO provides?

As part of Lloyd's oversight of the market significant reliance is being placed on the Statements of Actuarial Opinion. Therefore Lloyd's is increasing oversight of the SAO providers. This additional information will not directly impact on the business plan setting process and the changes will not happen immediately, however over time we expect there to be a shift in the market for this and other actions. Following review of the additional information supplied we may require meetings to discuss the reserves or walk through the reserve setting process for specific classes. If this is required we will notify you to arrange a time with the reasons for the meeting.

Too many capital loads will undermine model usage

Capital loads are for specific purposes and as such there can be more than one. In this case the capital loading is being considered as an interim measure to adjust for any deficiency in the reserves. We expect the changes to be reflected in the reserves and therefore feed the syndicate capital setting process in a timely manner.

What (if anything) are Lloyd's expecting auditors to review (in particular around the Chief Actuary raising class by class differences with the Board)?

We do not envisage any additional audit requirements above those already being carried out stemming from the Chief Actuary raising class level differences with the Board. These duties, whilst not specifically set out, are included within the Lloyd's Minimum Standards on Reserving.

Please review the template to ensure all items are still relevant

Lloyd's review the template on an annual basis. Where it is deemed information is no longer necessary this will be removed.

What do you do with Specific IBNERS?

We use specific IBNERS to help inform class level reserving (aggregated for the market) where there are differences in view between Lloyd's and the market.

Why provide risk code split and plan loss ratios with the reserving classes?

We have asked for the risk code split and plan loss ratios so that Lloyd's can map the SAO reserving classes to an appropriate MRC class with your view of performance against plan loss ratio for each class. This is because there is not a one to one map between plan and SAO reserving class.

Why is signed premium being used for risk code allocation to reserving class?

We have used signed premium as this will be available and therefore allow for ease of reporting. If another option such as net EPI is more appropriate and available please provide feedback.

Does gross and net historical information need to be provided?

Historical information should be provided both gross and net but the assumptions need only be provided gross or net.

Do we need to provide historical information for all classes?

Yes, these will need to be provided for all reserving classes. Aggregation may be appropriate where there has been a change in class structure.

Can we provide attritional historical information?

Attritional tracking can be provided. The numbers should be consistent across estimates and selections. Premium should be ultimate but plan on an equivalent basis to the claims.

What should I include where the estimates are performed on an underwriting year basis but instead an earned basis?

Include estimates at the level they are performed and include any comments in the general comments.

What does "appropriate" mean when providing class level comments in the historical information tab

We do not expect any class level comments to be provided, however if there are any classes for which you believe it will be beneficial to provide explanation to Lloyd's this can be provided here. This could include impact of any RITC. Lloyd's will ask for additional information from SAO providers where appropriate.

What documented evidence of the impact of previous underwriting actions do Lloyd's expect to be included in SAO reports?

Where underwriter action is being relied upon for a reduction in the IELR compared to that based on history it is expected the rationale for providing advance credit for the expected benefit of such action is documented in the report. Whether this be a history of loss ratio reductions through previous actions or evidence of cutting exposure to certain risks.