
Market Briefing – 2018 year end

4 December 2018

Agenda

- **QMA update (Jake Tomlin, Senior Manager, UK Reporting, Market Finance)**
- Pillar 3 update (Paul Appleton, Senior Manager, Regulatory Reporting, Market Finance)
- MDC update (Steve Birch, Communications & Stakeholder Manager, MDC Project Team)

Market Briefing – QMA update

Agenda

- **What Lloyd's do with the QMA returns**
- **Q2 & Q4 2017**
- **Q2 2018**
- **Changes for Q4 2018**
- **Q4 2018 reminders**
- **Key dates: 2018 – 2019**
- **Market Communications**
- **QMA migrating to MDC**

What Lloyd's do with the QMA returns

- Review submissions for completeness and accuracy – query errors, trends or outliers identified through a series of tests performed
- Provide data to other Lloyd's users (claims, actuaries, treasury, exposure management)
- Understand some of the drivers of the market level results
- Prepare the market pro forma annual and interim results and financial statements
- Provide accounts to corporate members subscribing to Lloyd's Schedule 3 facility
- Obtain syndicate results on the 'three year accounting' basis required to allocate results to members
- Monitor the development of syndicates as part of Lloyd's overview of the market
- Present relevant data to analysts, ratings agents and external investors

Q2 and Q4 2017

A reminder of the previous changes made

New forms:

- QMA 360 – new layout of distribution form, removing USD and GBP columns and allowing additional rows for other reconciling information (Q2)

Deleted forms:

- QMA 212 and 219 (removed at Q4 2017)

Changes to previous forms:

- QMA 400 series – prior year restatement forms that had previously been mandatory (to capture additional data) now only required if restatements being made

Validations and other changes:

- Fixes made to certain warnings and validation errors, and on QMA 400 series of forms, previous warnings concerning agreement of data in notes back to balance sheet/profit and loss statement were upgraded to validation errors.

Q4 2017

Number of queries raised is reducing

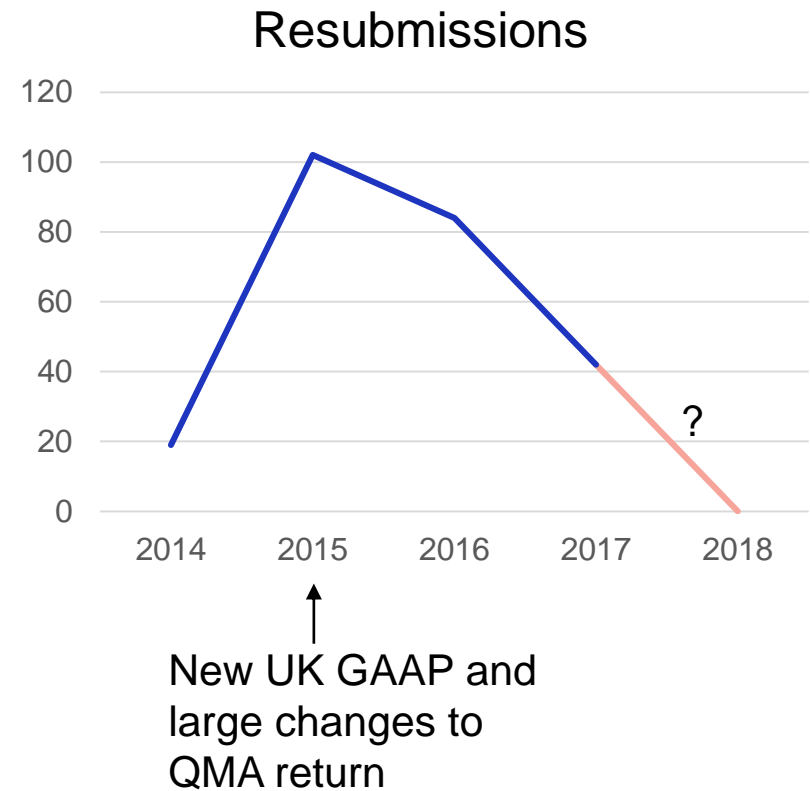
Number of queries	Number of syndicates	Total queries
1	23	23
2	22	44
3	12	36
4	12	48
5	13	65
6	4	24
7	3	21
9	1	9
13	1	13
Total with query	91	283
0	21	0
Total	112	283

Year	Number of syndicates	Total queries
2016	111	334
2015	108	295

Q4 2017

Number of resubmissions is also reducing each year following changes to return under new UK GAAP

Period	Resubmissions	Further resubmissions
2014	18	1
2015	80	22
2016	62	22
2017	35	7
2018	?	



Q4 2017

Problem areas

Form	Number of queries	%	Comment
QMA 710	30	10	Typical queries around recoveries, collateral arrangements, bad debt and movements in exposures. Reminders that RI premiums should be of the same quantum as premiums advised in QMA 001.
QMA 800	28	10	Queries concerning significant movements in ultimate positions on various losses. Resubmissions necessary when losses are missed.
QMA 104	22	8	Further explanation required on analysis across various lines of business: <ul style="list-style-type: none"> - significant prior/current year profits/losses, strengthening/releases; - high/low combined ratio and expense ratio movements etc.; - significant profits earned but low combined ratio; - outliers – significant profits/losses identified in certain syndicates in comparison to the rest of the market.
QMA 430	22	8	Queries regarding currency mismatching in QMA 430 and the need to declare that the syndicate has sufficient free funds available in other currencies that can be readily translated – or reasons for negative assets, or providing details of amounts in 'other' lines/currencies if material.
Sub-total	102	36	
Other	181	64	<ul style="list-style-type: none"> - details on restatements/reanalysis used in QMA 001 / 002; - Insufficient / no explanation provided for certain lines where NIL entry expected, or where “other” assets/liabilities/income used; - further details needed for reconciling items, or unreconciled differences left in reconciliations on QMA 610, or no commentary provided on exchange rate differences; - confirming treatment of accepted Third Party RITCs in QMA 630 – refer instructions for details; - QMA 350 – movement in level of free funds (and coverage of this over typical claims/expense levels) required further explanation; - Incorrect use of drop down menus/buttons selected on QMA 010 - inconsistent reporting between the QMA 203 / 206 and QMA 002 re: members balances.
Total	283	100	

Q2 2018

Queries raised – increase in number of queries at Q2

Number of queries	Number of syndicates Q2 2018	Total queries
1	29	29
2	25	50
3	14	42
4	9	36
5	3	15
6	4	24
7	2	14
8	4	32
10	2	20
11	1	11
Total with query	93	273
0	22	0
Total	115	273

Year	Number of syndicates	Total queries
2016	111	95
2017	112	158

Q2 2018

Resubmissions significantly lower in 2018

Period	Resubmissions	Further resubmissions
H1 2015	41	1
H1 2016	58	4
H1 2017	36	5
H1 2018	11	0

← Removal of separate unaudited and audited deadlines

Q2 2018

Problem areas

Form	Number of queries	%	Comment
QMA 104	81	30	Further explanation required on analysis across various lines of business: <ul style="list-style-type: none"> - significant prior/current year profits/losses, strengthening/releases; - allocation of earned reinsurance premiums across classes; - high/low combined ratio and expense ratio movements etc.; - significant profits earned but low combined ratio; - outliers – significant profits/losses identified in certain syndicates in comparison to the rest of the market.
QMA 001/100	66	24	Analytical queries on P&L line items, covering changes in gross/retro proportions year on year, YOA earnings pattern changes, loss ratios, expense ratios, investment return and FX in OCI. These queries will become more common.
QMA 430	32	12	Queries regarding currency mismatching in QMA 430u and the need to declare that the syndicate has sufficient free funds available in other currencies that can be readily translated – or reasons for negative assets.
QMA 710	23	9	Typical queries around recoveries, collateral arrangements, bad debt and movements in exposures. Reminders that RI premiums should be of the same quantum as premiums advised in QMA 001.
QMA 800	8	2	Queries concerning significant movements in ultimate positions on various losses. Resubmissions necessary when losses are missed.
QMA 610	8	2	Further details needed for reconciling items, or unreconciled differences left in reconciliation, or no commentary provided on exchange rate differences.
QMA 130/132	5	2	Additional analysis and explanation requested concerning movements in expenses.
QMA 650	5	2	Queries regarding ratios/earning patterns in youngest YOA.
Total	228	83	
Others	45	17	<ul style="list-style-type: none"> - QMA 350 – movement in level of free funds (and coverage of this over typical claims/expense levels) required further explanation; - consistency with QSR return - queries on acquisition/admin expenses and use of “other” acquisition expenses - details on restatements/reanalysis used in QMA 001 / 002 - insufficient/no explanation provided for certain lines where NIL entry expected, or where “other” assets/liabilities/income used.
Total Queries to the market	273	100	

Changes for Q4 2018

No changes to the QMA return

- No new forms. No deleted forms. No changes to data required to be captured










Validation and warning message updates

- Amended QMA 104/106 validations to downgrade to warnings to allow better flexibility of where “other technical provision” movements in QMA 001 map to on segmental forms QMA 104 / 106
- New QMA 360 warning when the distributable amounts in lines 10 and 11 when converted to GBP = zero – there were some syndicates that did not advise the distributable currency
- Fixed warning on QMA 390 line 7 (investment return) to ensure it captures FIS return too
- New QMA 800 warnings to check/prompt comment on signage, or if net amounts > gross etc.
- New warning on RITC info on QMA 630 (ensuring RITC not closing into same year)

Changes to instructions

- Further details of new validations added
- Additional guidance/clarity included from FAQs issued during the year
- Updated guidance added to QMA 710 instructions to help reduce queries and resubmissions in this area covering

Q4 2018 reminders

-  - Not expecting any discontinued business – FRS 103 guidance notes clarify that run-off insurance business should not be considered as discontinued
-  - Not expecting foreign exchange on P&L items in the technical result – should be non-technical in nature
-  - Submissions before 2pm will be classified as first quartile (or **green**) in the quarterly quality reporting metrics
-  - Do refer to latest QMA instructions - “tracked changes” version will help
-  - Do look out for FAQs (issued weekly throughout reporting period)
-  - Don't populate prior year comparative forms when not restating
-  - Do include comments in QMA 990 where instructions request this
-  - Do check all warnings for data/signage errors
-  - Do add detailed descriptions for “Other” cells or providing sufficient detail in “Analysis” cells (particularly > £1m)

? **Any queries on the above?** Email Lloyds-MRD-ReturnQueries@lloyds.com

Key dates: 2018 – 2019

Activity	Deadline
Q4 2018 QMA	14 February 2019
Annual syndicate financial statements	22 March 2019
Lloyd's Annual Results 2018	28 March 2019
Q1 2019 QMA	9 May 2019
Q2 2019 QMA	8 August 2019
Q3 2019 QMA	7 November 2019
QF1 managing agent returns	1 month after quarter end
AF1 managing agent returns	5 months after year end

First planned QMA submissions expected on new MDC platform later in 2019

Market Communications

- Bulletins will be issued on the first working day of the quarter following quarter end. The Q4 2018 Market Bulletin will be issued on 2 January 2019.
- QMA instructions will generally be updated twice a year, at the end of May and November. In 2018, however, the only changes to instructions have been for Q4.
- FAQs will be issued on Fridays in the weeks leading up to the day of each QMA submission. For Q4 2018 this will be in the week commencing 14 January 2019.
- Queries to and from the Lloyd's QMA inbox: Lloyds-MRD-ReturnQueries@lloyds.com
- LMA CMR group meets every two months.
- Lloyd's send quality metrics concerning reporting into Market Finance to each CFO on a quarterly basis.

QMA return migrating to MDC platform – expected in 2019

- Current format of return and details of QMA guidance will largely remain unchanged – the QMA return will continue to be submitted in its current format, with the same technical guidance, just on a new platform (MDC).
- Notable changes to warnings – warnings will now be clearer, and request a response to clear the warning. This will pre-empt several typical queries from Market Finance, which is expected to reduce the number of queries needing to be answered on the returns, and reducing the chances of errors and resubmissions.
- Possible changes to QMA 800 Major Claims return – this form is likely to be updated to capture additional information for each loss, such as reinstatement premiums. Guidance to be updated, and will request that the benefits of stop loss arrangements are also included in the net amounts submitted.
- Expected date of migration: Q2/Q3 2019 QMA submissions.

Questions?



Thank you

Agenda

- QMA update (Jake Tomlin, Senior Manager, UK Reporting, Market Finance)
- **Pillar 3 update (Paul Appleton, Senior Manager, Regulatory Reporting, Market Finance)**
- MDC update (Steve Birch, Communications & Stakeholder Manager, MDC Project Team)

Market Briefing - Pillar 3 update

Agenda

- Overview
- Review of 2018
- Quarterly reporting at Q4 2018
- 2018 annual reporting
- Next steps

Overview

Pillar 3 reporting is required for Lloyd's and each syndicate

- The Society of Lloyd's Pillar 3 reporting is an aggregation of
 - Submissions from each syndicate
 - Corporation and Central Fund assets and liabilities
 - Data on capital provided – members' funds at Lloyd's
- A Pillar 3 submission is also required in respect of each syndicate (115 in 2018)
 - SFCR and RSR required at Lloyd's level only
 - Quantitative templates are required in respect of each syndicate

Review of 2018

- 2017 annual reporting
- 2018 quarterly reporting

Second year of annual reporting saw a reduced level of resubmissions – but still a significant number

Return	Queries raised		Resubmissions	
	2017	2016	2017	2016
Annual Solvency Return Part A (ASR)	350	676	93	101
Annual Solvency Return Part B (ASB)	52	139	32	53
Annual Asset Data (AAD)	71	94	26	31
Total	473	909	151	185

Variation analysis (ASR225 to 228) featured in our queries

First time completion presented a significant challenge

Return	Query area	No of queries
ASR	Variation analysis inconsistency within ASR225 to 228 and with other ASR forms	148
ASR	ASR244 projection of future cash flows queries including inconsistency with other ASR forms	34
ASR	ASR440 underwriting analysis differences with QMA100	47
ASR	ASR522 SCR differences with ASR510 and with Lloyd's Capital Return	33
ASR	ASR290 reinsurer analysis – inconsistency of LORS codes with QMA710 and SRS	17
ASR	Others – including ASR220 foreseeable distributions, ASR251 underwriting risk data, ASR288 life obligations queries, ASR289 annuities data not reported and ASR430 activity by country missing information	71
ASB	Differences/lack of consistency with QMA	30
ASB	Differences with ASR on technical provisions	22
AAD	Difference between ASR002 balance sheet and AAD230 asset listing	2
AAD	Detailed queries on asset data	35
AAD	Other (consistency of data between AAD forms and completeness of data)	34
Total		473

Pillar 3 quarterly deadlines are being met and the level of resubmissions is reducing

Quarter	Queries	Resubmissions
Q1 2018	216 (23 QSR, 193 QAD)	20 (7 QSR, 13 QAD)
Q2 2018	273 (161 QSR, 112 QAD)	14 (7 QSR, 7 QAD)
Q2 2018 (audited)	39 (QSR)	5 (QSR)
Q3 2018	304 (60 QSR, 244 QAD)	6 (3 QSR, 3 QAD)

Queries raised remain high as we expand our review checks

- Discrepancies between asset category analysis on QSR002 compared with QAD230 have reduced significantly
- Lloyd's has expanded its review tests
 - Reflecting PRA plausibility review feedback
 - Enhanced review for Q2 2018 returns prior to audited submissions
- Covering areas such as
 - Quality and completeness of asset data
 - Movement in numbers from one return period to another
 - Additional review tests for QSR210 reconciliation of movement from UK GAAP to Solvency II result for Q2 2018

Quarterly reporting at Q4 2018

Q4 2018 introduces EIOPA taxonomy 2.3.0

- Taxonomy 2.3.0
 - In force from Q4 2018 onwards, the changes will have direct impact on CMR software and Lloyd's review process
 - New queries in various areas will be anticipated for the first time
- The main changes include additional validations
- CMR being updated to include additional validations

Q4 2018 – other areas to note

- QSR210 reconciliation from UK GAAP result to Solvency II result incorporates new line 19 'LOD premium adjustment'
- Please complete 'Q4 only' forms in QSR
 - QSR292 life obligations analysis and QSR293 duration of technical provisions
 - Needed for Financial Stability Reporting
 - Non-completion generated most of the QSR resubmissions in Q4 2017
- Lloyd's will apply QSR210 checks to Q4 unaudited
 - Objective to maximise review of Solvency II adjustments
 - To help with preparation of Q4 audited submissions
- Additional clarifications on asset reporting within QAD instructions

2018 annual reporting

2018 Annual Reporting

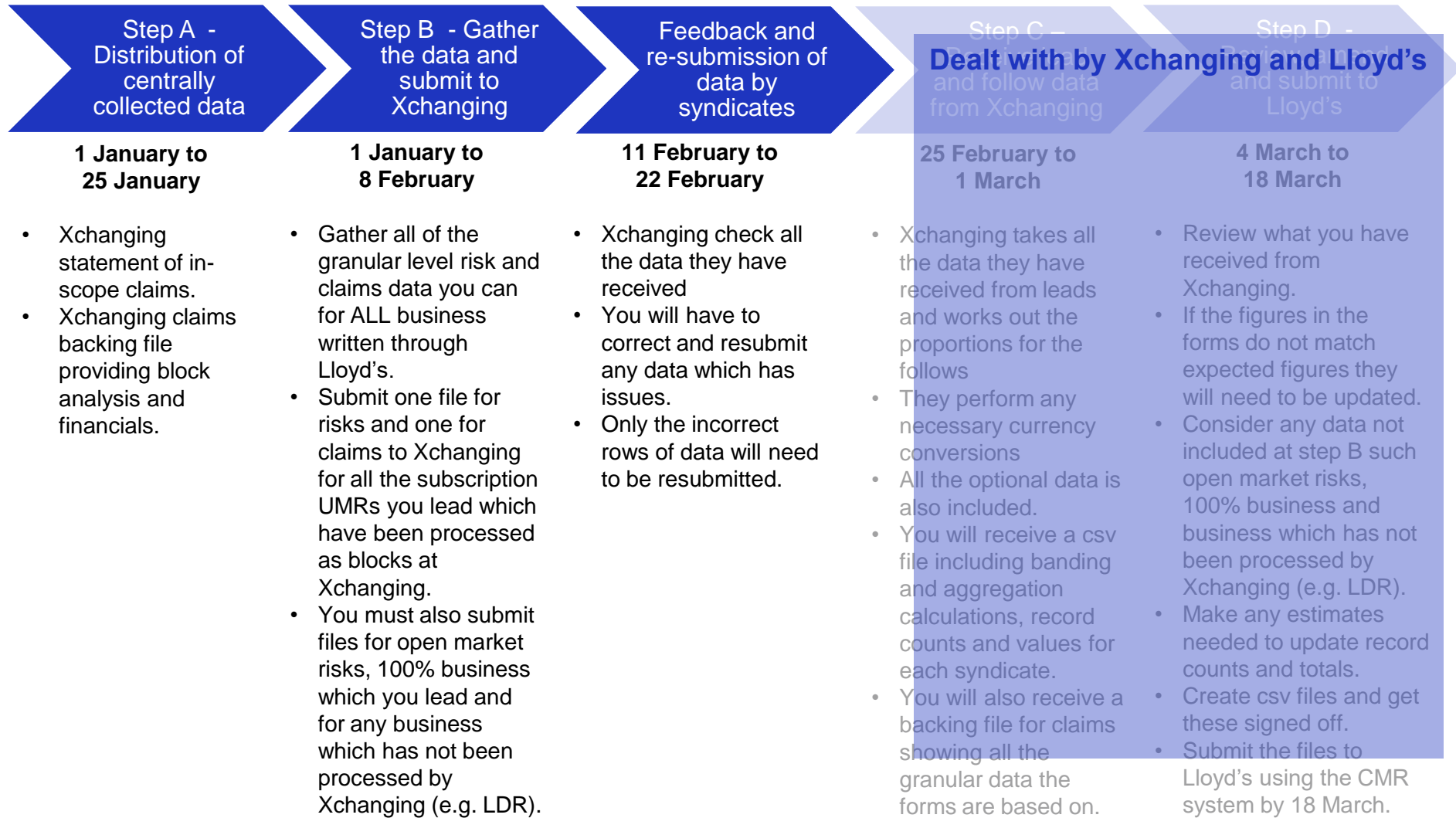
- For each syndicate, the following is expected via CMR
 - Annual Solvency Return Part A (ASR)
 - Annual Solvency Return Part B (ASB) (claims development triangles)
 - Annual Asset Data (AAD)
- The forms are the same as for 31 December 2017
- Audit requirements remain the same – i.e. reasonable assurance audit required on ASR002, 220, 240, 280, 283, 510 and 511
- Deadline for submission to Lloyd's: **18 March 2019**

No significant changes since 2018 year end

- EIOPA taxonomy 2.3.0 changes
- Additional CMR validations to reflect taxonomy changes
- ASR280 life and ASR283 health technical provisions – additional cells opened but no extra data input for syndicates
- Refinements to instructions, including:
 - ASR002 balance sheet re treatment of SPA technical provisions
 - ASR225, 226 and 227 variation analysis
 - ASR430 and ASR431 country level analysis
 - AAD to reflect Q4 2018 QAD instructions changes

Coverholder reporting (ASR249, 250 and 252) – December 2018

The Xchanging Solvency II Pillar 3 Risk and Claims Service will operate as per 31.12.2017



Next steps

Pillar 3 timetable for 2019

Return	Deadline date for syndicates	Deadline date for Lloyd's	Comments
Q4 2018	24 Jan 2019	11 Feb 2019	EIOPA taxonomy 2.3.0 applies
Q4 2018 – audited	28 February 2019	-	Audit only required for QSR002 and QSR210 – needed for Lloyd's capital tests
2018 annual	18 March 2019	18 April 2019	EIOPA taxonomy 2.3.0 applies Deadline reduced by two weeks for the market and for Lloyd's
Q1 2019	18 April 2019	3 May 2019	Deadline reduced by one week for the market and for Lloyd's – final acceleration of deadline for quarterly reporting
Q2 2019	19 July 2019	2 August 2019	-
Q2 2019 – audited	29 August 2019	-	Audit only required for QSR002 and QSR210 – needed for Lloyd's capital tests
Q3 2019	21 October 2019	4 November 2019	-

Please submit Pillar 3 queries to lloyds-SolvencyReturns@lloyds.com

Questions?



Thank you

Agenda

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- Pillar 3 update (Paul Appleton, Senior Manager, Regulatory Reporting, Market Finance)
- **MDC update (Steve Birch, Communications & Stakeholder Manager, MDC Project Team)**

Agenda

- What is MDC
- Key Market Benefits
- Release Schedule

What is MDC

What is Market Data Collections

A variety of data is collected to enable Lloyd's to exercise oversight of the market as well as to fulfil our reporting obligations to UK and overseas regulators which over time the quantum and nature of the data collected from the market has undergone significant change.

The Lloyd's Market Data Collections (MDC) programme is a strategic initiative closely aligned to TOM, that has been created to improve the ways in which Lloyd's collects, validates, stores, reports, governs and distributes data

Replacement platform for Core Market Returns (CMR) for submitting returns and supplementary documentation, hosted on the Microsoft Azure Cloud.

MDC Benefits

0-2 years

- Easy to use platform and processes for submitting returns to Lloyd's.
- Improved validation and warning capability to ensure it's easier to get information submitted to Lloyd's.
- Reduction of obsolete information from return forms.
- Imbedded help and guidance for return in platform.
- Improved workflow capabilities which capture all interactions between Lloyd's and Managing agents.
- Allow multiple ways to submit information which include existing methods (csv and online) as well as new capability to download returns into excel.

2+ years

- One place for submitting and receiving data from the Corporation and standardised processes for submitting.
- Rationalisation of the number of returns and leveraging granular data.
- Enhancing the collaboration on returns between the Market and Corporation
- Market facing interactive dashboards for analysis and data quality insights

MDC Release 1 – December 10th

Release Date

- The MDC platform will be released to the market in a controlled manner over the 10th December to 13th December, with Managing Agents onboarded in batches

User Onboarding

- All users will receive a registration email on the day of go live requesting they register to Azure cloud
- Once registered they will be able to access the platform immediately

User training

- Detailed user training is being provided to all LCR & SBF return users and is supported by online videos, user manuals, quick start guides and self help built into the platform
- Training sessions have been scheduled throughout December through to February 2019

Subsequent releases

- We are currently planning out the schedule of migration for further releases, which will be aligned with constraints such as the year-end reporting cycle
- Further information regarding MDC can be found on our website – www.Lloyds.com/mdc

Questions?



Thank you

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