

# ASSET DATA COLLECTION & SOLVENCY II

13/14 September 2012

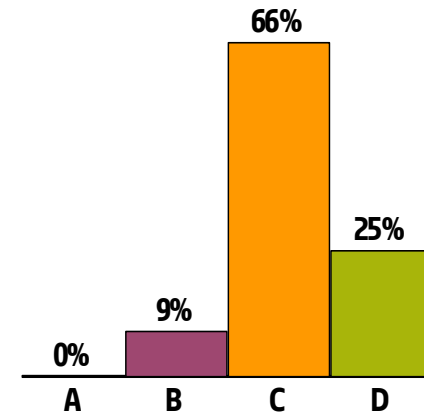
# Agenda

- Introduction – Linda Zuberi
- The background – Stuart Simpson
- The details – Debbie Sallas
- Table discussions
- Wrap up

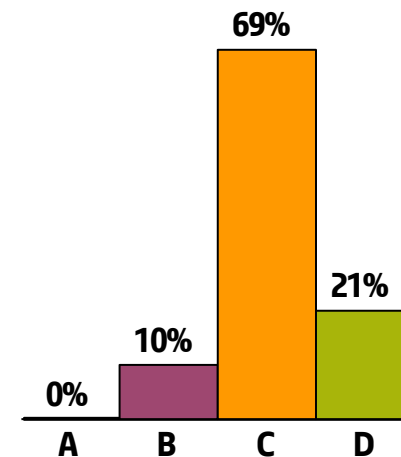
# How involved are you in the collation of asset information sent in to Lloyd's?

- A. I was not aware that our syndicate asset data is submitted to Lloyd's
- B. I know that data is submitted but I am not involved
- C. I am partially involved in the process
- D. I do it all

## 13 SEPTEMBER RESULTS:



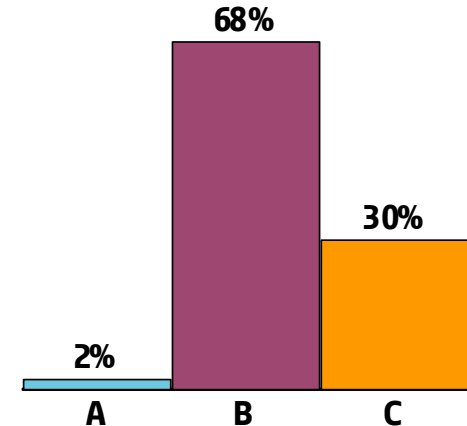
## 14 SEPTEMBER RESULTS:



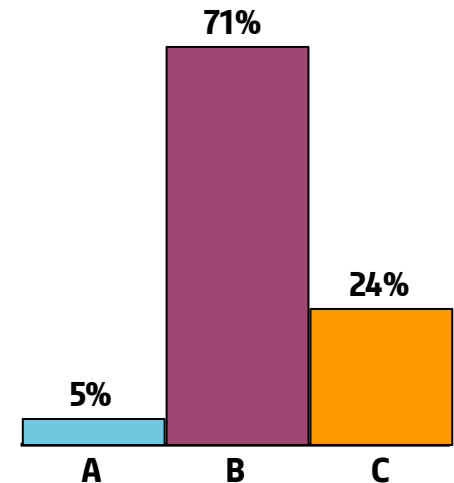
# What is the extent of your understanding of the requirements of the Quarterly Asset Data (QAD) return required in 2013?

- A. What's a QAD return?
- B. I have a broad understanding but do not know the specifics
- C. I have a detailed understanding.

**13 SEPTEMBER RESULTS:**



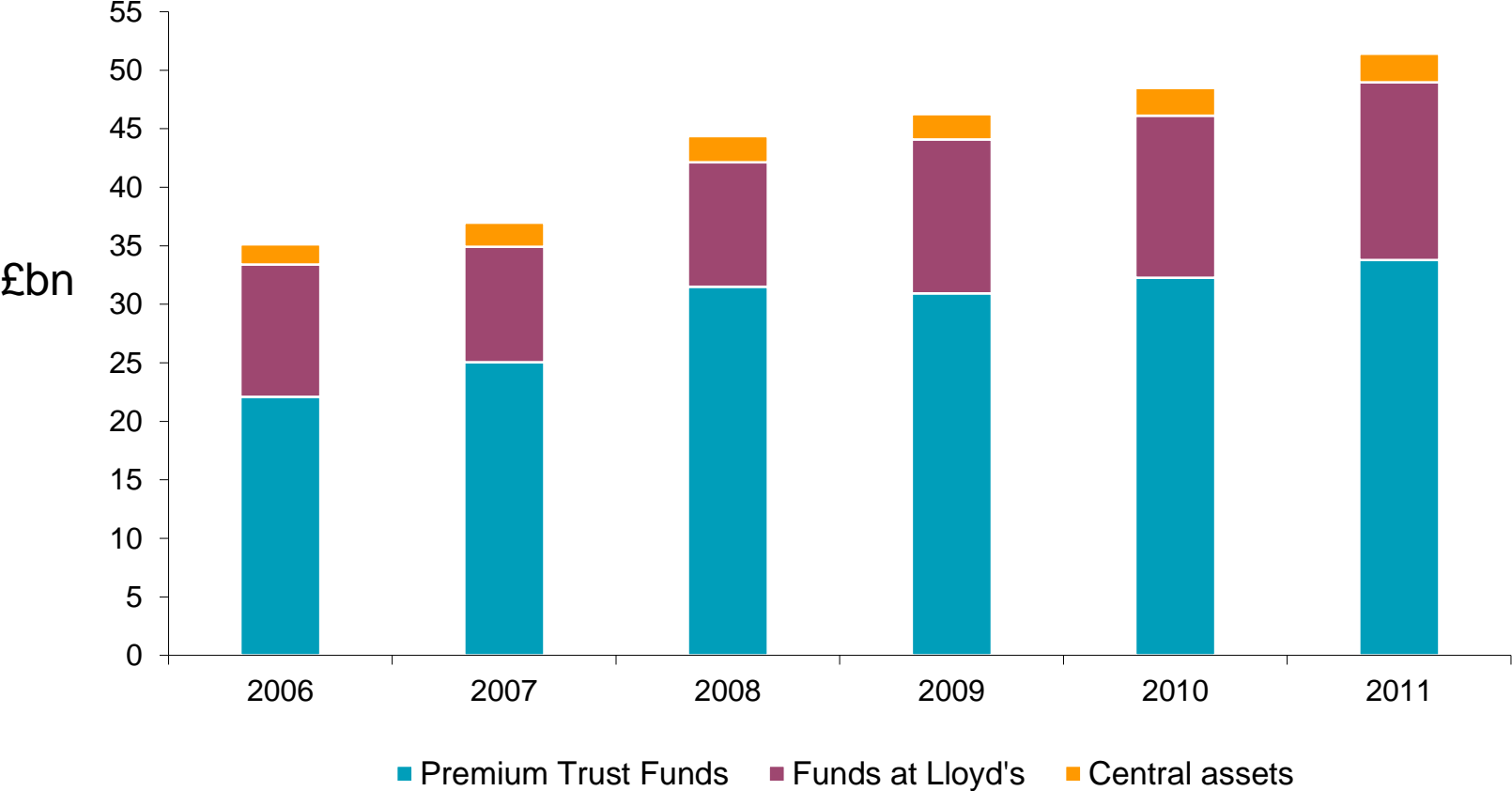
**14 SEPTEMBER RESULTS:**



# THE BACKGROUND

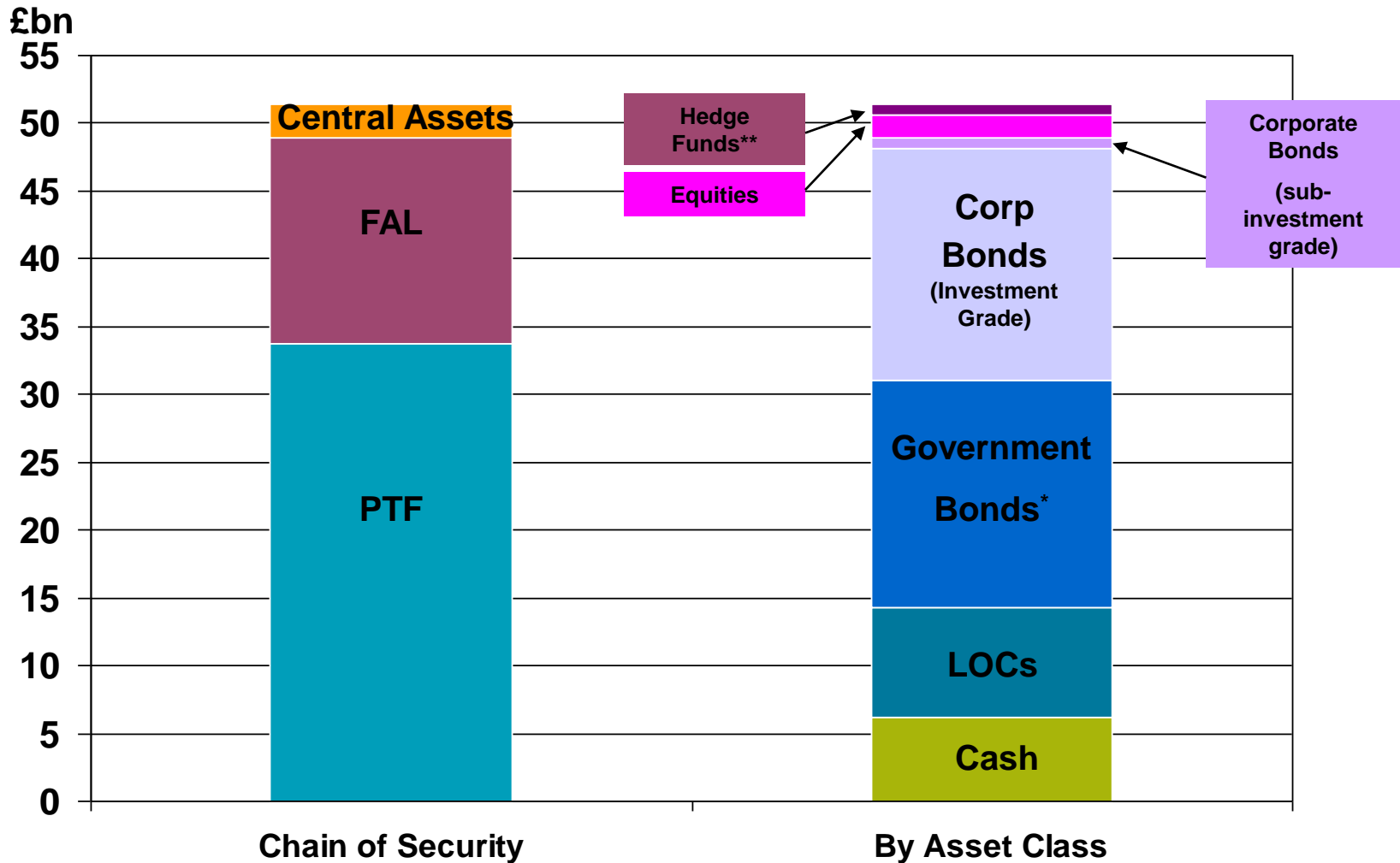
Stuart Simpson, Treasurer

# Investment assets at Lloyd's have continued to grow in recent years...



Source: Lloyd's pro forma financial statements

# ...although investment dispositions have changed little and remain conservative



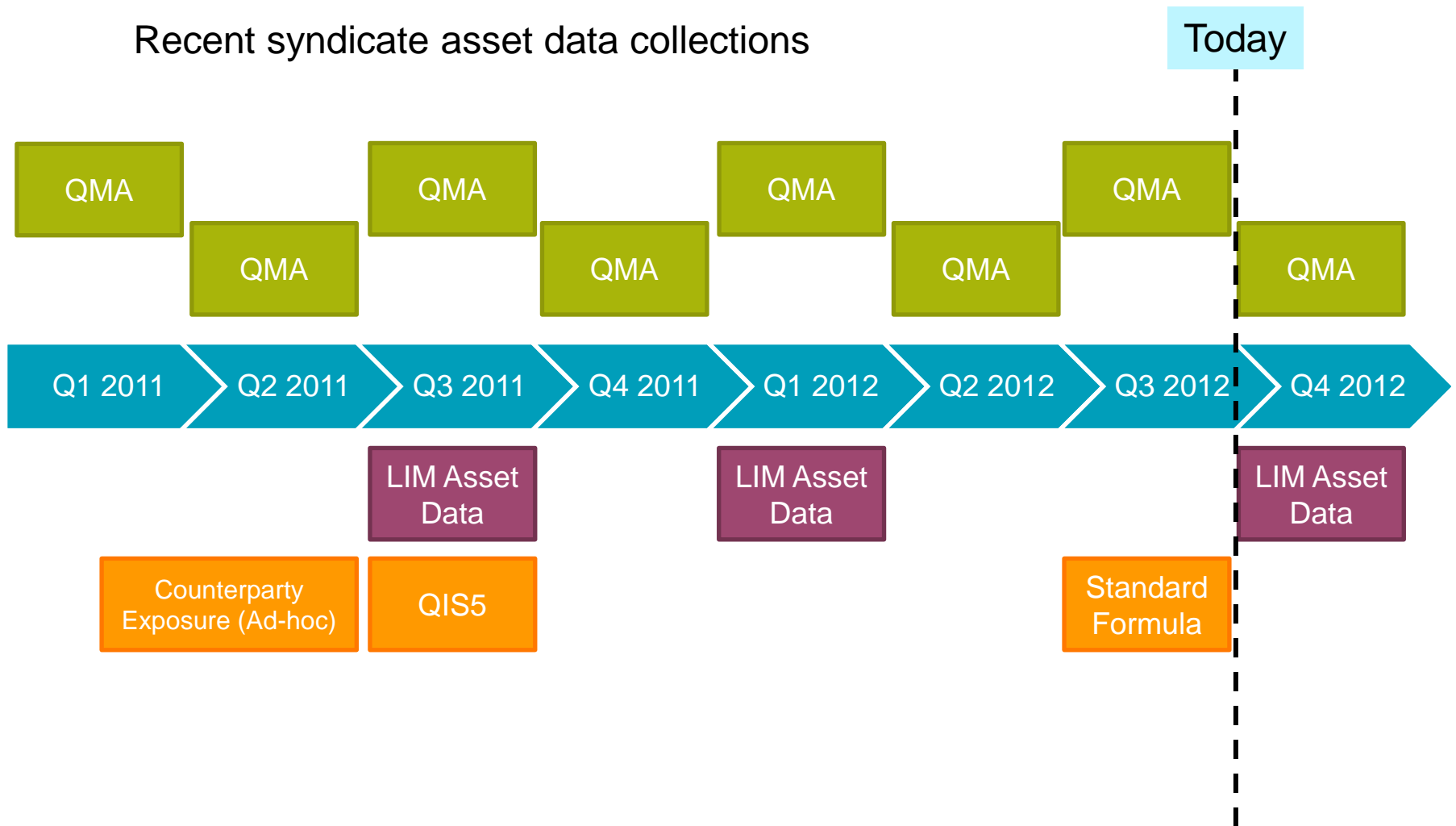
•Includes government agencies and supranationals

\*\* Includes hedge funds, alternative and other assets

Source: Lloyd's Treasury & Investment Management, as at 31 December 2011

# We have been asking you for a lot of data about your asset dispositions...

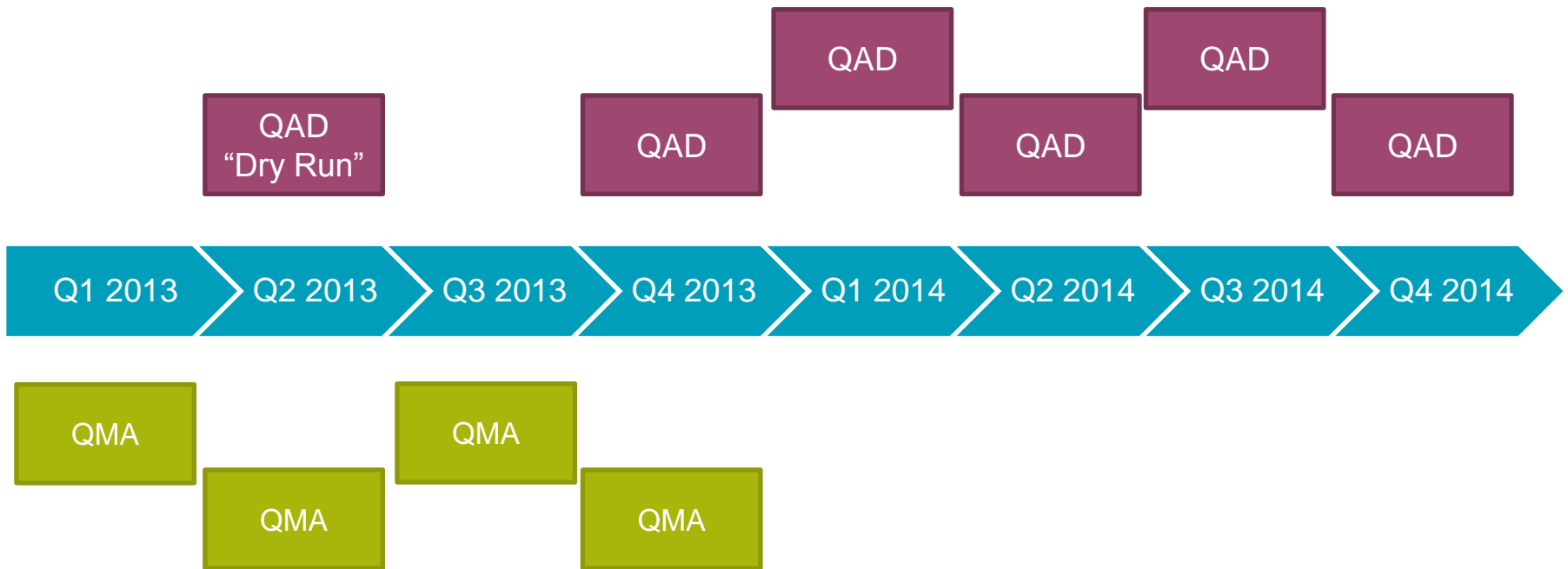
Recent syndicate asset data collections





# ...as we make the transition to a more stable process under Solvency II ...

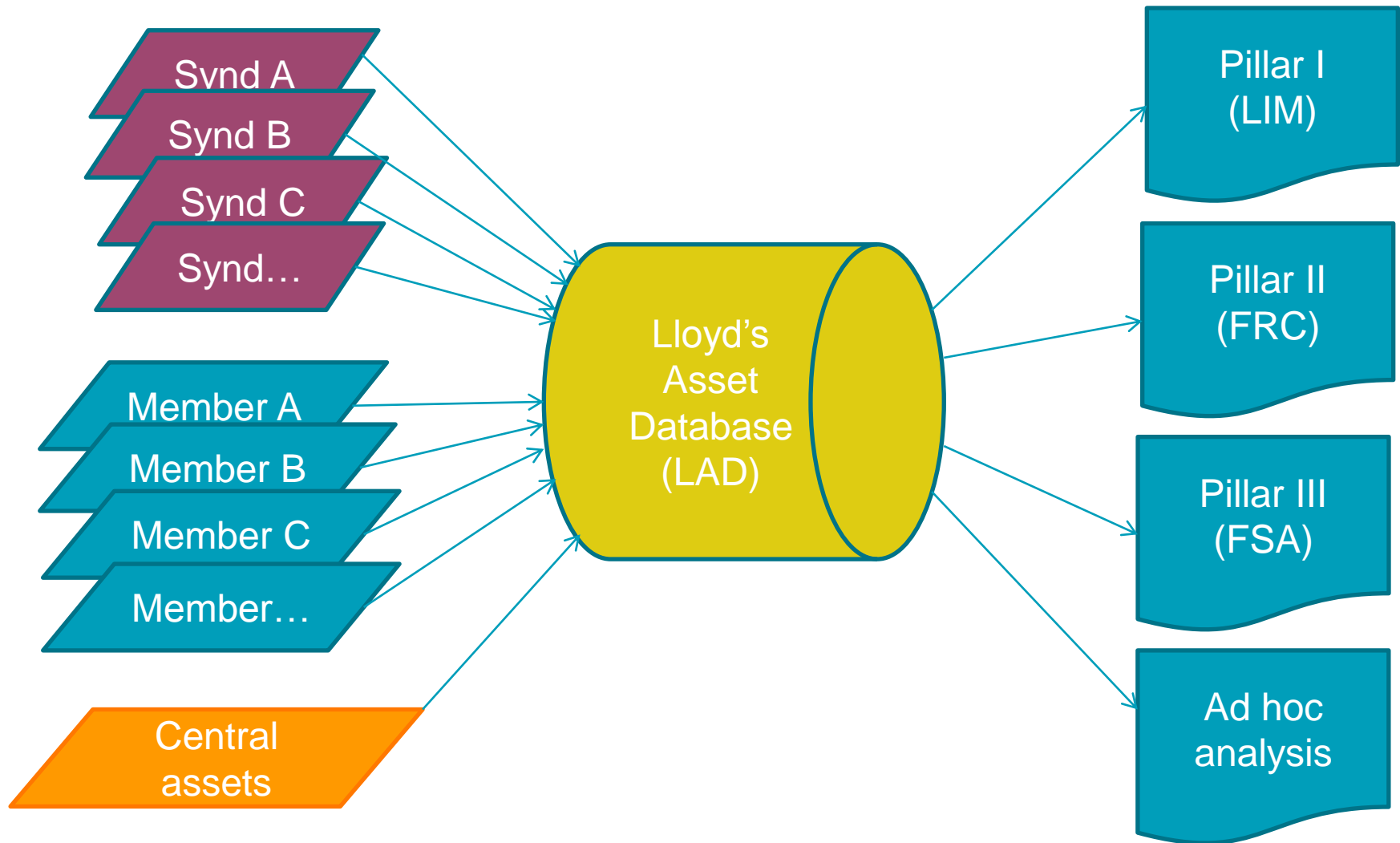
Expected future collections



# ...although we will still need detailed information to meet SII requirements...

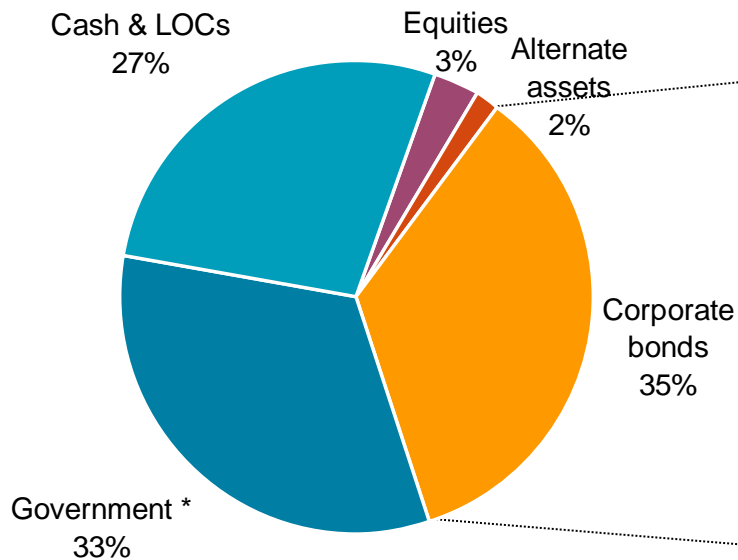
- Syndicate QAD asset returns are designed to meet all future asset data requirements:
  - Pillar 1
    - Data required by the Lloyd's Internal Model (LIM)
    - Data to support standard model calculations
  - Pillar II
    - Analysis for review by the Lloyd's Financial Risk Committee (FRC)
  - Pillar III
    - EIOPA defined regulatory reporting to the FSA (PRA/FCA)
  - Ad hoc analysis and reporting to all stakeholders

...even though we will minimise the data we need from you by collating it ourselves

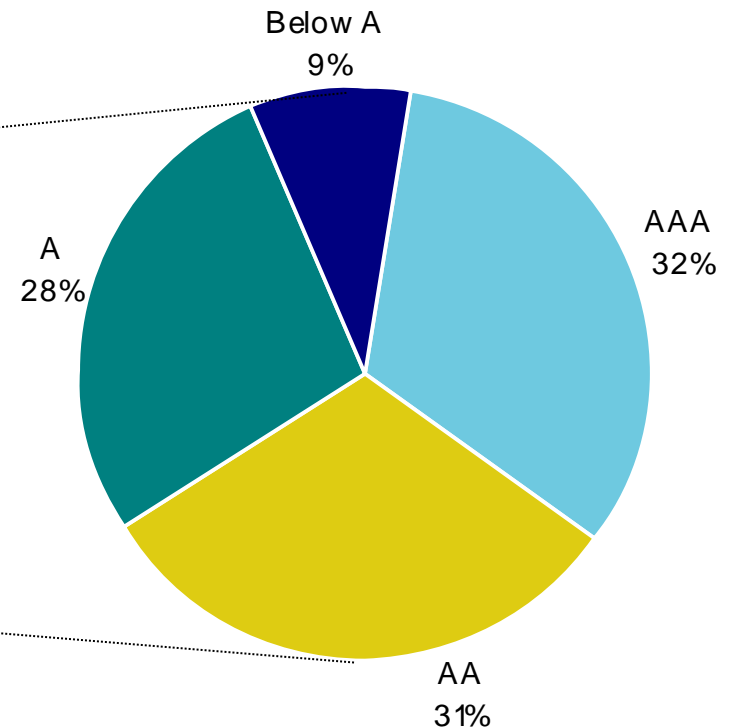


# Previously, we could describe Lloyd's asset dispositions at a high level...

## LLOYD'S MARKET INVESTED ASSETS



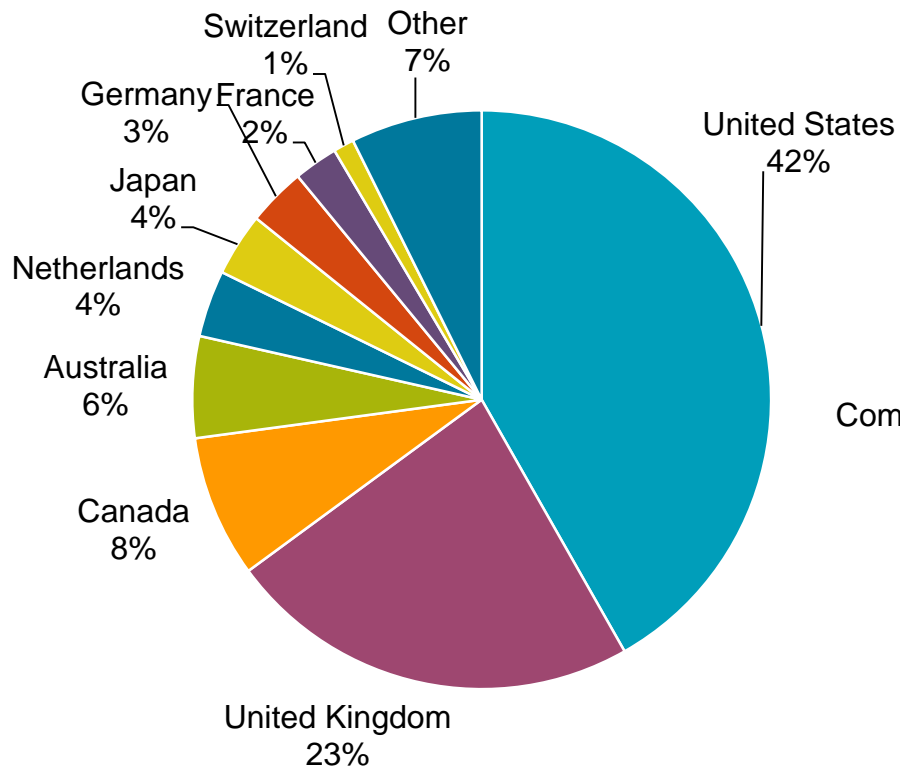
## CORPORATE BONDS



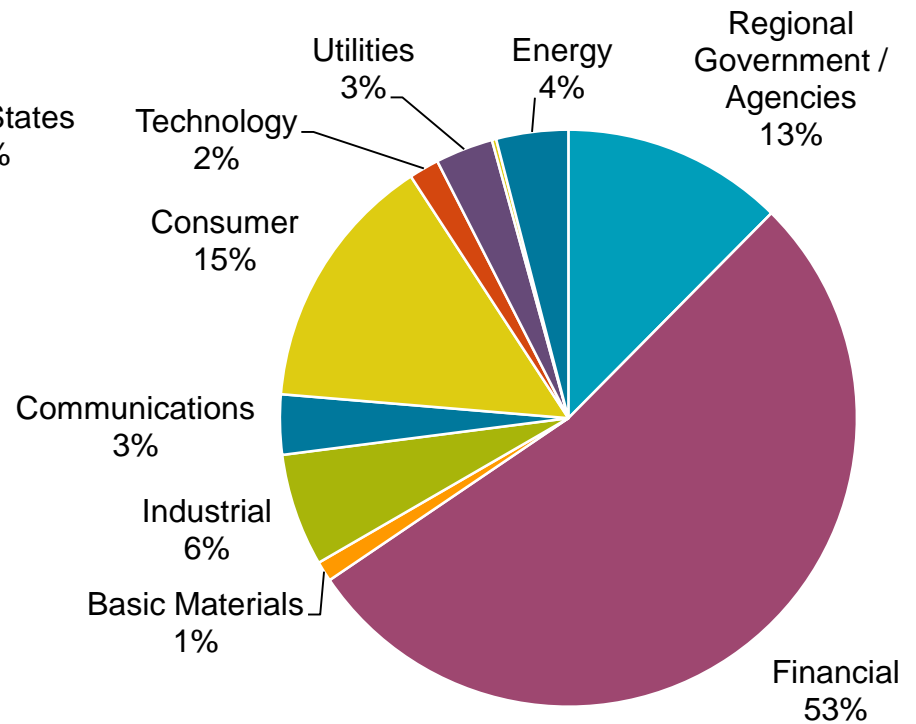
Note: \* Includes supranationals and Government agencies  
Source: Lloyd's pro forma financial statements, 31 December 2011

# ...today, we have better information...

## Total Market Assets by Country of Origin



## Total Market Corporate Bonds by Sector



# Asset data collection requirements under Solvency II are unavoidably onerous, but...

- ...the data we collect from you, and its format, will be standard and consistent
- ...we are working to make the process as 'painless' as possible for managing agents
- We need you to tell us what else we can do to help

# THE DETAILS

Debbie Sallas, Manager, Investment Analysis & Operations

# Agenda

- The Current Process: **LIM Asset Data Collection**
  - Meeting Solvency II requirements: Pillars I and II
- The Future Process: **Quarterly Asset Data Collection (QAD)**
  - The mission for a single submission: Pillars I, II and III



# **THE CURRENT PROCESS**

**LLOYD'S INTERNAL MODEL (LIM)  
ASSET DATA COLLECTION**

# The current collection covers two of the three Solvency II pillars...

## ✓ Pillar 1

- Data required by the Lloyd's Internal Model (LIM)
- Data to support standard model calculations

## ✓ Pillar II

- Analysis for review by the Lloyd's Financial Risk Committee (FRC)

## ✗ Pillar III

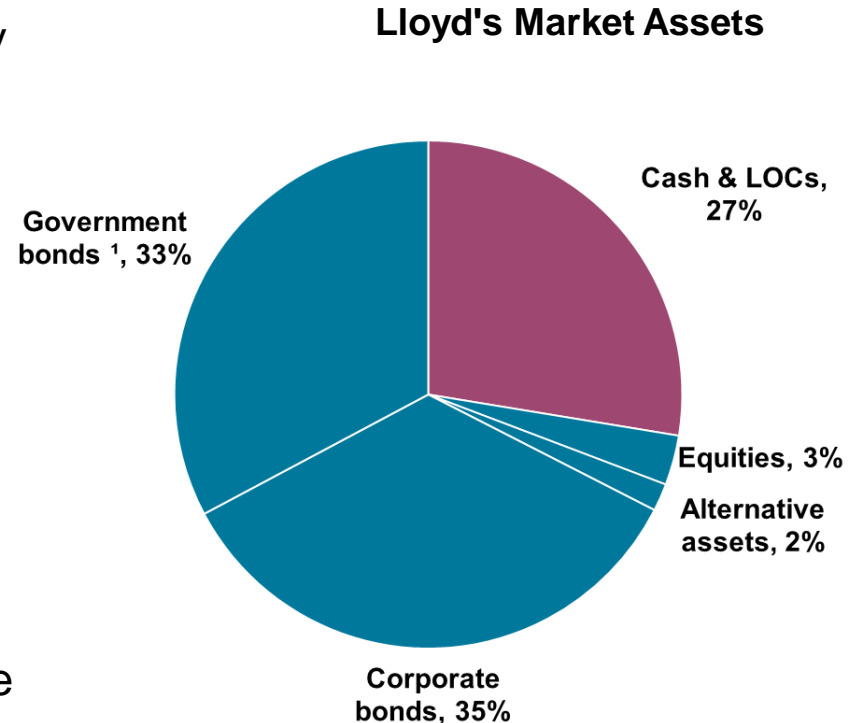
- EIOPA defined regulatory reporting to the FSA (PRA/FCA)
- ✗ Ad hoc analysis and reporting to all stakeholders

# ...we will be collecting this data from you again, as at 30 September, on 2 November

- There are three key areas where we have encountered issues in previous collection processes:
  - Listing of cash exposures by counterparty
  - Investment funds: 'look through' approaches
  - Derivatives used for hedging

# The LIM needs to model Lloyd's significant cash credit exposures at counterparty level

- Assets classified as “Cash and Deposits” must be listed with the bank counterparty
- We have provided a list of the most commonly used banks in the template
- The LIM target is to have information for 80% of cash assets by counterparty
- So we need to ‘look through’ to underlying exposures of money-market investment funds
- This will allow the LIM to properly capture concentrations of cash credit risk at Lloyd's



<sup>1</sup> Includes supnationals and Government agencies

Source: Lloyd's pro forma financial statements, 31 December 2011

© Lloyd's

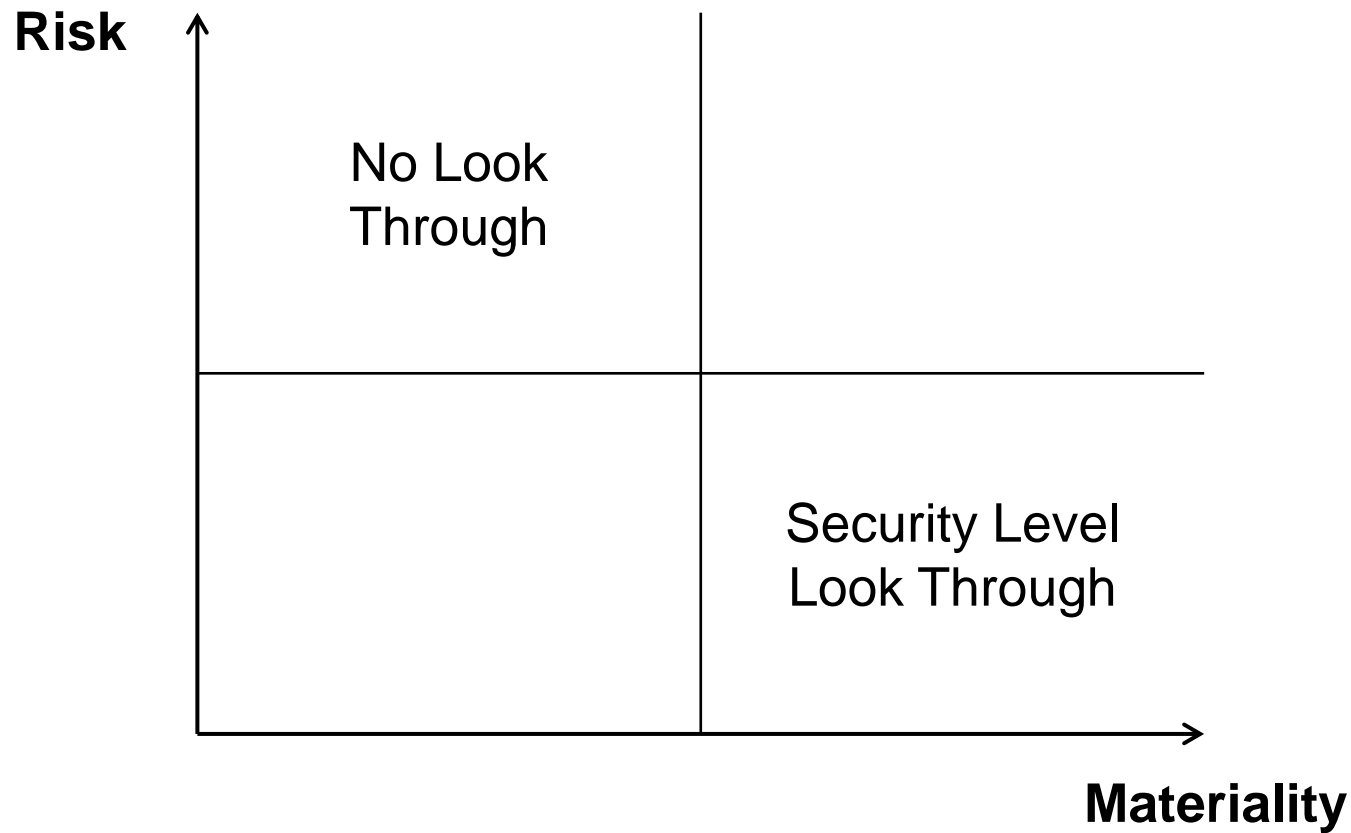
# Your choices when reporting 'investment fund' exposures are important...

- Solvency II offers three choices when you report investment fund exposures:
  - **Security level look through:** list each underlying investment
  - **Mandate level look through:** using the fund prospectus to estimate underlying exposures
  - **No look through:** the fund will be classified as “Other”, which assumes a high level of risk

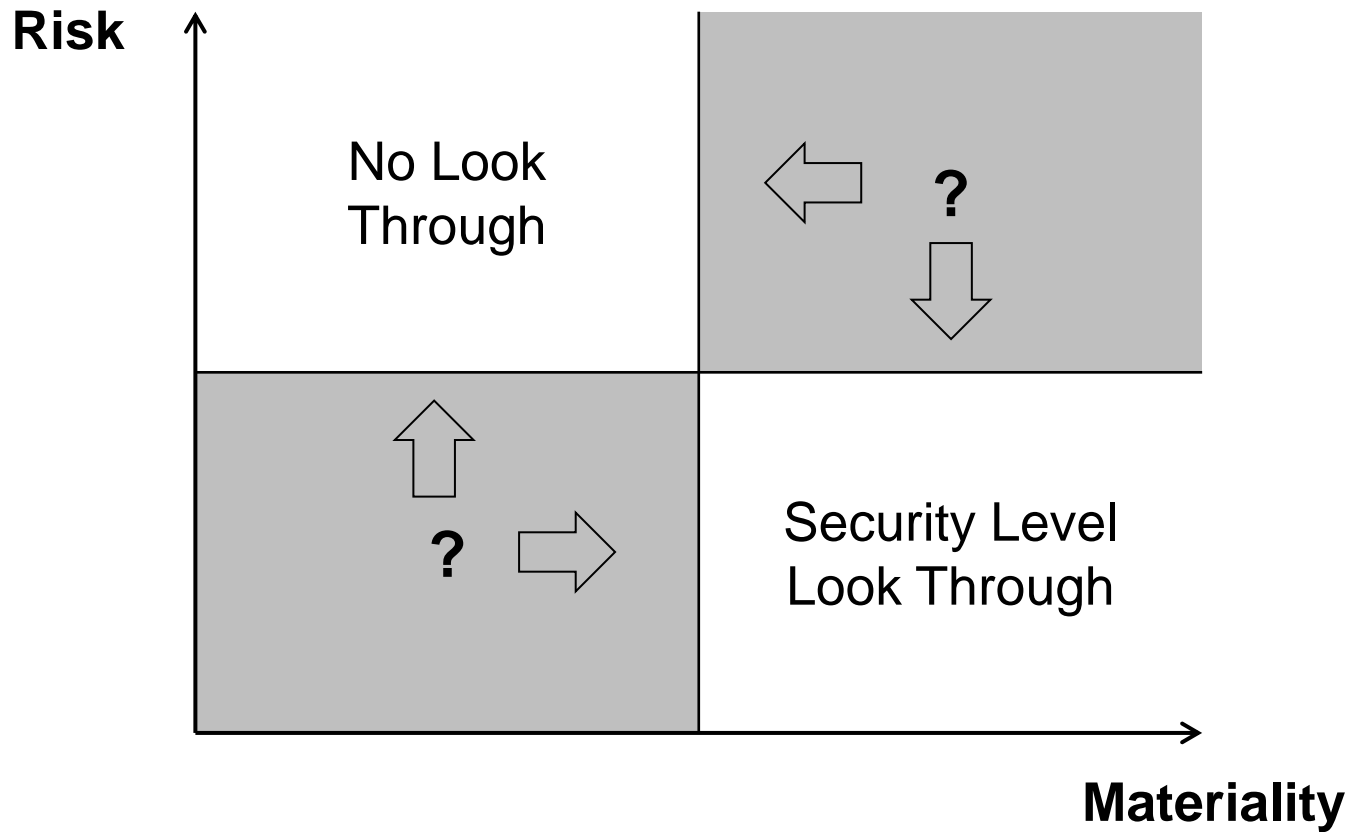
**...we ask that you consider both risk and materiality when deciding how to report**



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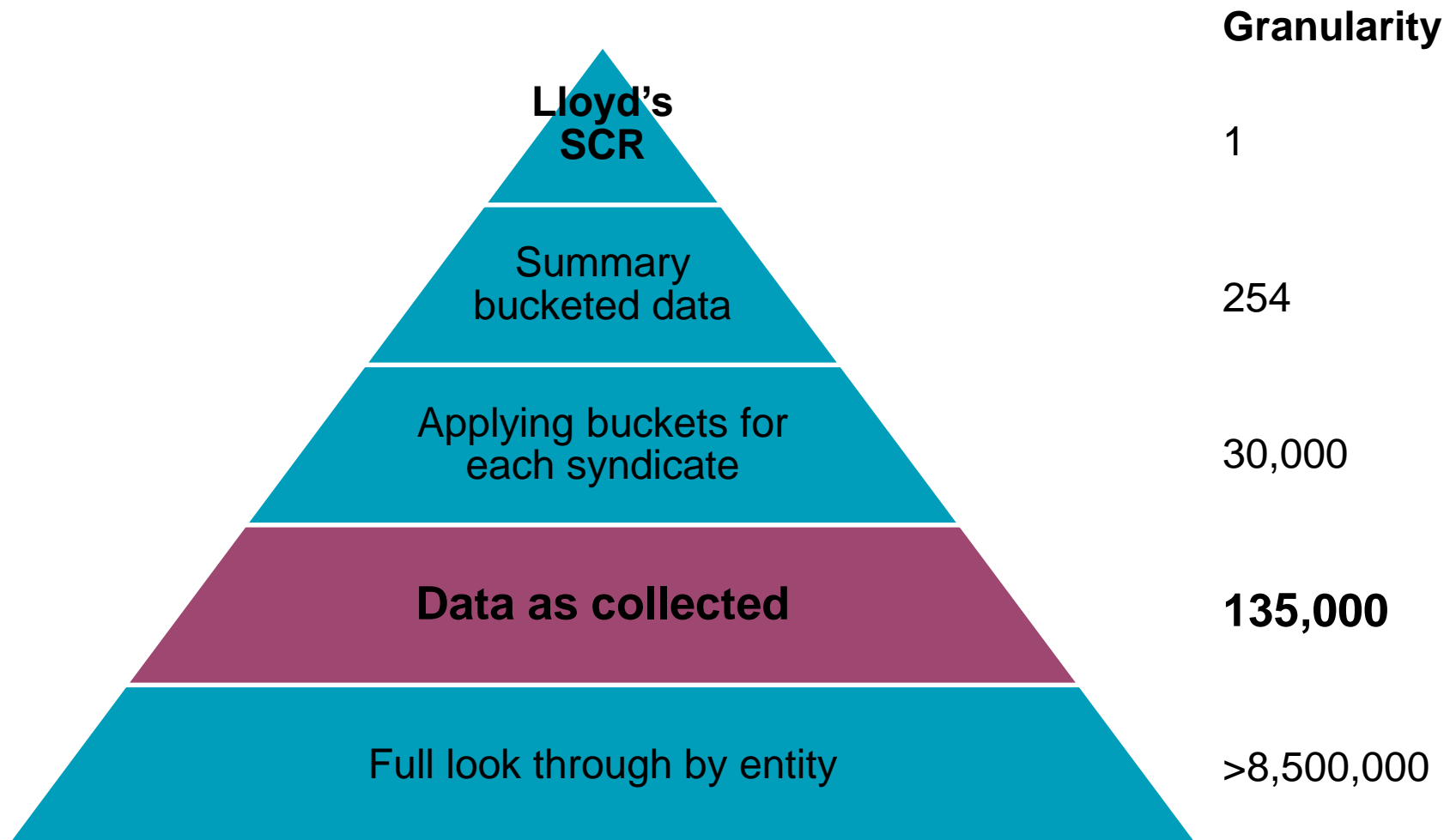


# ...we ask that you consider both risk and materiality when deciding how to report





# A practical approach to granularity takes us to 135,000 rows of data



# Correct reporting of derivatives allows us to properly capture the impact of hedging

- Most derivative use in syndicates is for the purpose of hedging foreign exchange or interest rate exposures
- Where we have full information we can incorporate the impact of such hedging for LIM modelling purposes
- The LIM does not model complex derivative structures

# There are some minor changes to the data collection template for September 2012

- Where possible, the template has been simplified and the number of fields reduced
- All security level assets are captured in a single form
- Asset classifications are limited to the underlying asset categories as specified by EIOPA
- New integrated validation to assist with accurate template population
- Additional information relating to derivatives is requested

**FROM MAY 2013 THE  
COLLECTION PROCESS WILL  
CHANGE**

**QUARTERLY ASSET DATA (QAD)  
COLLECTION**

# The QAD will provide us with all of the asset data required for Solvency II...

- ✓ Pillar 1
  - Data required by the Lloyd's Internal Model (LIM)
  - Data to support standard model calculations
- ✓ Pillar II
  - Analysis for review by the Lloyd's Financial Risk Committee (FRC)
- ✓ Pillar III
  - EIOPA defined regulatory reporting to the FSA (PRA/FCA)
- ✓ Ad hoc analysis and reporting to all stakeholders

# ...this will include some new information, to meet Pillar III requirements

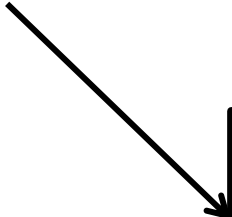
- Issuer sector
  - Still undecided by EIOPA, however NACE codes are still the most likely option
- Acquisition cost
- Complementary Identification Codes (CIC)
  - EIOPA developed classification; categorising all assets by country of origin and asset type
  - After much lobbying, Bloomberg are developing their systems to provide (and maintain) this as a new field

# CIC codes; another new requirement, but not complicated in practice

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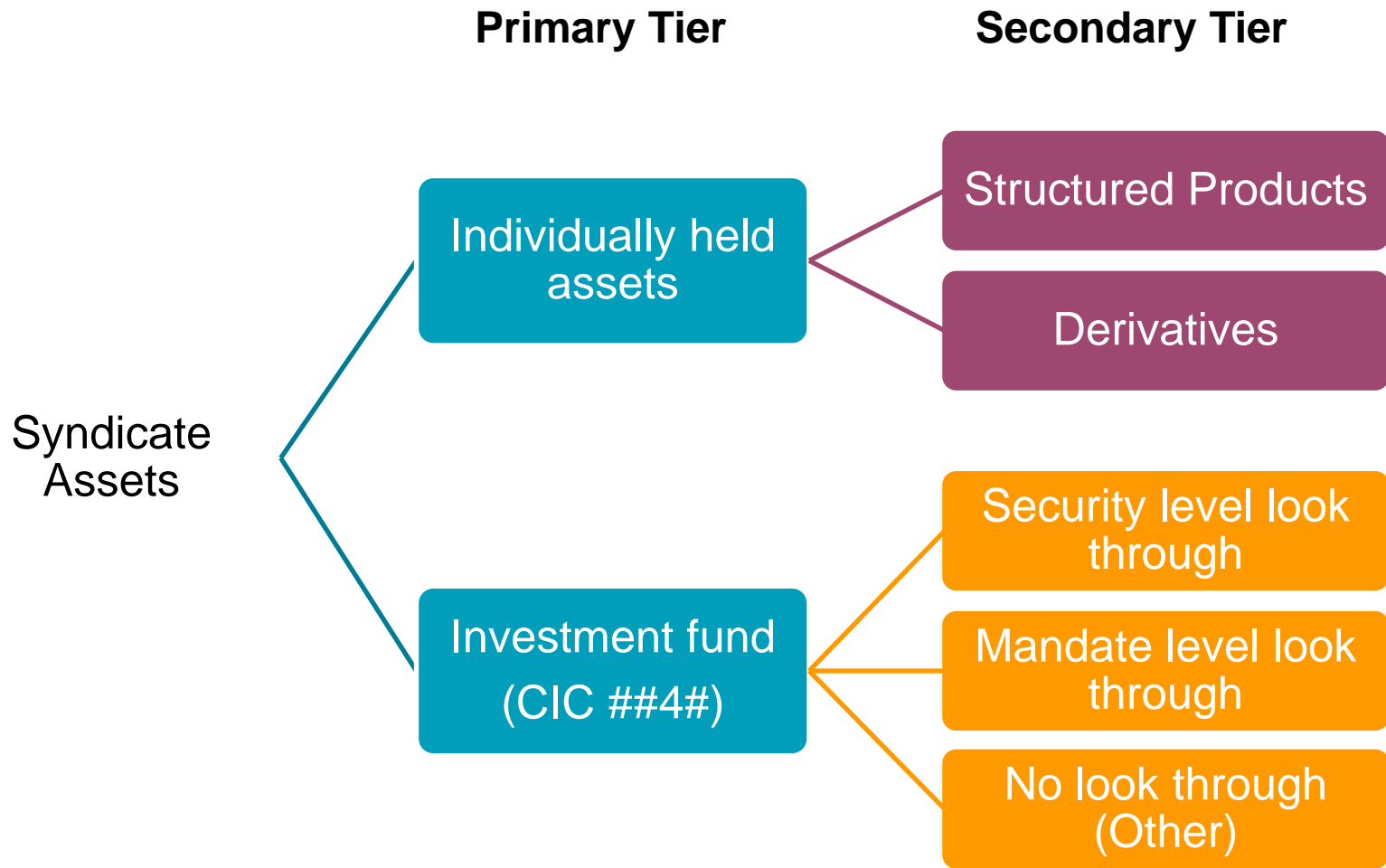
**CIC = US11**

1	2	3	4
Government bonds	Corporate bonds	Equity	Investment funds
1	1	1	1
Central Government bonds	Common bonds	Common equity	Equity funds
2	2	2	2
Supra-national bonds	Convertible bonds	Equity of real estate related corporation	Debt funds
3	3	3	3
Regional government bonds	Commercial paper	Equity rights	Money market funds



BlackRock GBP Liquidity Fund  
**CIC = GB43**

# EIOPA requires multiple tiers of asset reporting





# LTIM have engaged with some asset managers about likely requirements of Lloyd's clients...

- BlackRock
- Goldman Sachs
- RBS
- Schroders
- State Street
- UBS
- Western Asset Management

# LTIM will also be providing data for centrally managed funds for the QAD

- Lloyd's has sought agreement from the FSA for centrally managed funds to be treated as investment funds
  - Reduced reporting requirements
- Data for the LTIM managed overseas trust funds, ASL and commingled PTF funds will be provided to participants

# In summary

- There will be one more collection using the current template, in November
- From 2013 you will need to provide QAD submissions to Lloyd's via the Core Market Returns system
- We have been working to make this process as easy as we can...
- ... but we need to know what else we can do to help?

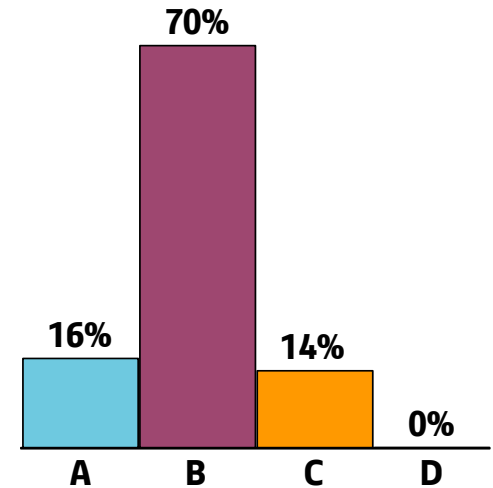
# Group Table Discussion Questions

- What level of look through do you apply to your investment funds for internal model purposes?
- What have been the main drivers (materiality/risk etc) in determining the level of look through applied to your investment funds?
- Who/how will you apply CIC codes to your investments?
- Do you foresee any problems with the additional data requirements, if so which ones and why?
- How involved is your Investment Manager in providing investment data?
- What can we do to help facilitate the process of collecting asset data?

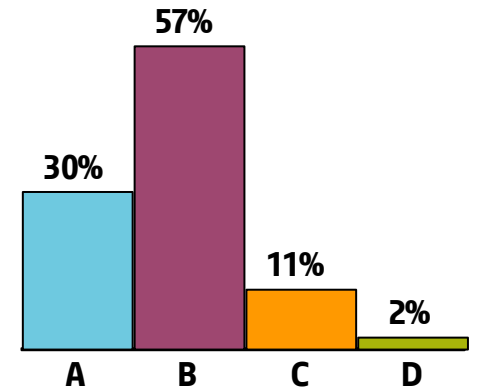
# How useful have you found today's session?

- A. Very useful and I have learnt something
- B. Useful and we will use the slides for reference
- C. Useful, but greater technical guidance would have been beneficial
- D. Not very useful

**13 SEPTEMBER RESULTS:**



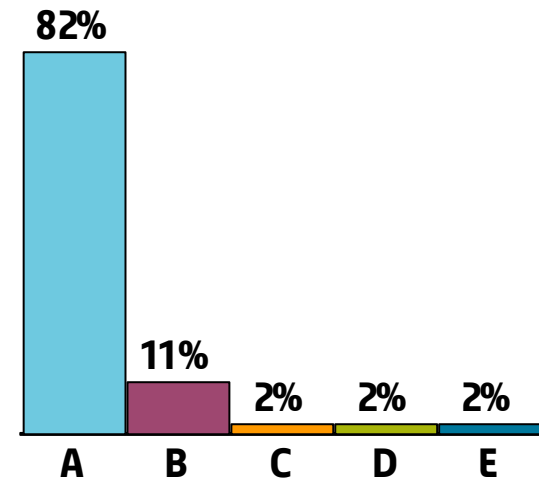
**14 SEPTEMBER RESULTS:**



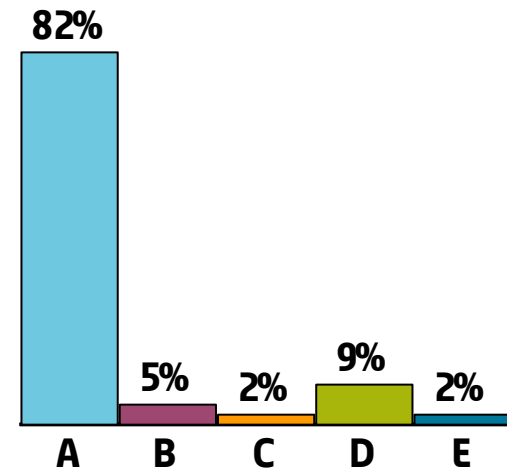
# How have you found the format of today's workshop?

- A. I liked having a discussion session and the balance was good
- B. The discussion session should have been shorter
- C. The discussion session should have been longer
- D. Would prefer a presentation only with no discussion
- E. Other

**13 SEPTEMBER RESULTS:**



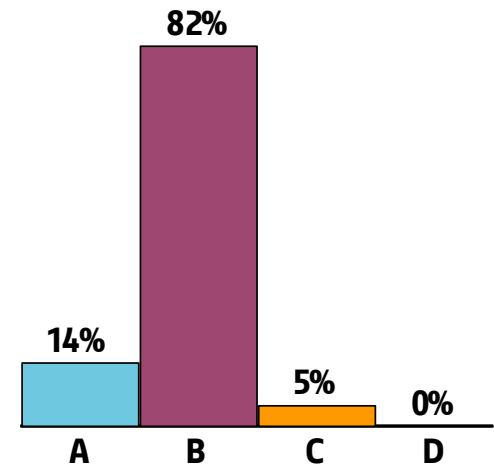
**14 SEPTEMBER RESULTS:**



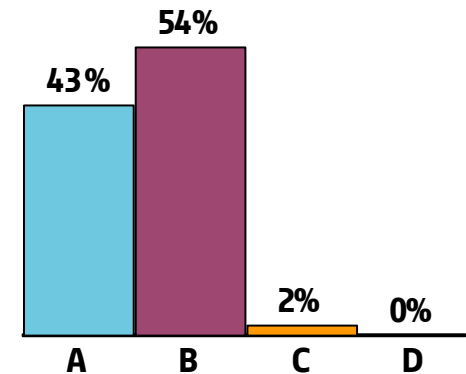
# Would it be helpful for us to run a similar workshop with your investment managers?

- A. Yes, the same workshop would be helpful
- B. Yes, but the content should be adapted to be more suitable for an Investment Manager audience
- C. No
- D. No view

**13 SEPTEMBER RESULTS:**



**14 SEPTEMBER RESULTS:**



# Contact Details

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