

# MARKET BULLETIN

<b>From</b>	Chairman, ICA Steering Group (extn 5129)
<b>Date</b>	25 November 2005
<b>Reference</b>	Y3680
<b>Subject</b>	<b>Syndicate ICA Reviews - Feedback on 2006 Review and Preparation for 2007 Review</b>
<b>Subject areas</b>	Market Briefing on Individual Capital Assessments (ICAs), feedback on 2006 ICA review process, proposed timetable and consultation for 2007 ICA review process
<b>Attachments</b>	Attendance Request Form
<b>Action points</b>	<b>Managing Agents to complete and return Attendance Request form and provide any feedback on 2006 Review Process</b>
<b>Deadlines</b>	<b>23 December 2005</b>

## Introduction

This bulletin sets out the proposed timetable for the feedback and review of the 2006 process between Lloyd's and Managing Agents including a Market Briefing to be held early in 2006. It also advises some key issues currently being considered for 2007.

## Feedback on 2006 ICA Review Process

Now that the 2006 ICA review process has been completed, Lloyd's is currently reviewing internally issues arising from the process that need to be discussed with agents in advance of the 2007 ICA submissions. As general feedback on the process, Lloyd's would like to recognise that significant improvements have been made in ICA submissions over the 2005 "soft test" process. Lloyd's also acknowledges the involvement of senior management and board members in the 2006 submissions and is grateful for the level of cooperation and commitment shown by Managing Agents in this process.

Lloyd's appreciates that specific feedback needs to begin as early as possible to allow agents the maximum time available to implement any revisions required to their ICA process for 2007. The issues raised by Lloyd's ICA Review Teams will be looked at in conjunction with issues arising from the FSA's Briefing note on ICAs. It is then intended

that individual meetings be arranged by Lloyd's with each agent to discuss the relevant issues and for Lloyd's to work on an ongoing basis with the agent to resolve these as far as possible before the 2007 ICA submission. We would hope to do this in the three months to February 2006.

As part of this ongoing dialogue with agents, Lloyd's considers that it may be useful for Managing Agents to make a presentation of their 2007 ICA to Lloyd's ahead of the submission date and this can be discussed further as part of the feedback process on 2006.

Lloyd's also appreciates that there may be matters arising from the 2006 process that agents wish to raise. Lloyd's would welcome such feedback from Managing Agents and have asked the LMA to assist in this process and they will contact you shortly. Please provide your comments to the LMA by no later than 23 December.

In order to ensure continuity of process, wherever possible, ICA Review Team Leaders will remain with the same agents for both the feedback process and the 2007 ICA reviews. However, due to staff changes and workload allocations there will be some changes and these will be advised as soon as possible.

### **Market Briefing on ICA Review Process**

A briefing session for all Managing Agents will be held on Tuesday 24<sup>th</sup> January 2006 in the Old Library at 4.00pm. This session will cover the general issues arising from Managing Agents feedback via the LMA and give Lloyd's response to these. The briefing will advise Managing Agents of the proposed timetable for 2007 ICA submissions. The briefing will also provide some market statistics and analysis of the final ICAs and economic capital assessments.

Managing Agents are requested to complete and return the attached Attendance Request form by no later than 23 December 2005. Please note that space is limited to two attendees per Managing Agent.

### **Issues to be considered for the 2007 ICA Review Process**

Lloyds is currently discussing both internally, and through consultation with the LMA Capital Committee and the FSA, key issues for the 2007 ICA submissions. For information, topics already identified include but are not limited to the following:

- Timetable
- Updating of Guidance
- One year time horizon or three year to capture cycle implications
- Scaling planned income to capacity
- Use of capital corridor

- Level of recognition of future profits
- Modelled ICAs vs stress and scenario versions
- Level of key template information to be provided, and mapping to the key assumptions used in the ICA
- Level of prescription on format and valuation of ICAs
- Correlations and diversification
- Tail risk vs VaR at 99.5% point estimate

Progress made on these and any other issues arising will be advised to Managing Agents as part of the Market briefing session on 24 January 2006. The 2006 Guidance on ICAs will be amended and updated where relevant following resolution of these issues.

If you have any enquiries about the content of this bulletin please contact Lorraine Harfitt ([lorraine.harfitt@lloyds.com](mailto:lorraine.harfitt@lloyds.com)).

This bulletin has been sent to all Managing Agents and to Market Associations and Direct Corporate Participants for information.

**John Parry**  
**Chairman**  
**ICA Steering Group**

**ATTENDANCE REQUEST FORM**

**FAX**

**To Lorraine Harfitt (Market Reporting)**

**Fax No: 020 7327 6178/5686**

**From:** \_\_\_\_\_

**Managing Agent :** \_\_\_\_\_

**Telephone:** \_\_\_\_\_

**Fax:** \_\_\_\_\_

**E-mail:** \_\_\_\_\_

**MARKET BRIEFING ON ICA REVIEW PROCESS  
TUESDAY 24<sup>TH</sup> JANUARY 2006 at 4.00PM, OLD LIBRARY, LLOYDS**

\* Please delete as applicable

**\* We shall be attending the above briefing and intend to send the attendees below**

**\* We shall be unable to attend the above briefing but would like to receive the presentation material**

**Attendee name:** \_\_\_\_\_

**Attendee name:** \_\_\_\_\_

Please return completed form to Lorraine Harfitt **by Friday 23 December 2005.**