

# MARKET BULLETIN

REF: Y4573

<b>Title</b>	2013 Syndicate Business Forecast (SBF) process
<b>Purpose</b>	To update managing agents on the 2013 SBF business planning process, new data requirements and the revised timetable for all syndicates.
<b>Type</b>	Scheduled
<b>From</b>	David Indge, Chair Business Plan Steering Group
<b>Date</b>	14 March 2012
<b>Deadline</b>	Submission deadline for the provisional 2013 SBF Return (for all syndicates): <b>12 July</b> <i>(The deadline for non-aligned syndicates to resubmit an amended business plan reflecting initial Lloyds feedback provided on 27 July is 2 August 2012).</i> Submission deadline for final 2013 SBF Return (for all syndicates): <b>13 September</b>
<b>Related links</b>	<a href="#">Solvency II 2012 Guidance notes</a>

## Timetable for prospective year (2013) SBF Returns

There are some important changes to the SBF submission deadlines this year, including a requirement for aligned syndicates to submit a provisional SBF in July. These changes have been made to allow Lloyd's to undertake a comprehensive review of syndicate Solvency and Capital Requirements (SCR) for the 2013 year of account, following two years of a light touch ICA approach.

There will be two deadlines for submission of the 2013 SBF Return:

- A provisional SBF submission deadline of 12 July 2012 (now mandatory for all syndicates, aligned and non-aligned).
- A final SBF submission deadline for all syndicates (aligned and non-aligned) of 13 September 2012.

In order to assist managing agents' preparation, the 2013 SBF Return will be made available in the Core Market Returns (CMR) system at the beginning of June 2012.

All final 2013 SBF Returns must be approved by the managing agency board.

## Resubmission of the current year (2012) SBF

Managing agents are required to apply to Lloyd's for prior approval where there is a proposed material change to the latest approved SBF. Please note that a material change can include a reduction against the latest approved Business Plan. Managing agents that are considering a change

should contact their Syndicate Underwriting Performance (SUP) Account Executive in the first instance to discuss whether the proposed change is considered by Lloyd's to constitute a material change.

Where a 2012 SBF is resubmitted after 1 June 2012, managing agents will need to also include the new data that is required for the 2013 review process [see SBF basis and guidance' section and Appendix 1].

### **SBF basis and guidance**

There are a small number of revisions to the 2013 SBF Return, which have been implemented to continue to improve data quality and to ensure there is consistency across existing Lloyd's returns. All changes have been subject to the appropriate User Acceptance Testing and recommendations have been incorporated into the final Return.

The following new data has been included in the 2013 SBF Return at this stage:

- The Ceding commissions and Profit participations elements of the Outwards reinsurers 'data are now itemised separately.
- The "Loss ratio composition" form has been amended to identify the "Exposure change" component in the loss ratio bridging assumptions for 2013.

For further information please refer to Appendix 1. Full guidance will be available in the 2013 SBF Instructions that are due to be published in the Core Market Returns (CMR) system by May.

### **Underwriting of Energy Liability**

As part of the Energy liability review, Lloyd's is considering the requirement to collect additional Energy Liability information for 2013, i.e. the Offshore Energy Clash test for 2013.

Once finalised, the approach for 2013 will be communicated to managing agents. It is likely that any additional information will be mandated for the final SBF submission in September only.

### **Exchange rates**

Lloyd's sets prescribed exchange rates that are to be used during the SBF process.

*Provisional rates:* Provisional SBF submissions for 12 July should be based on Lloyd's provisional exchange rates. Rates will be set as at 30 April 2012 and will be communicated to managing agents via a separate Market Bulletin in early May.

*Final rates:* Final SBF submissions for 13 September should be based on Lloyd's final exchange rates. These will be set as at 30 June 2012 and will be communicated to managing agents in a Market Bulletin on 2 July. The final exchange rates will be available on the CMR system from 3 August 2012.

The provisional and final exchange rates used for SBF submissions will be consistent with those required for SCR returns.

### **Interaction with the capital setting process (SCRs)**

As in 2011, two SCR submissions will be required for each syndicate via the Lloyd's Capital Return (LCR) as set out below:

- A draft 2013 SCR on 19 July which should be accompanied by a full SCR document explaining the methodology used to calculate the SCR.

- A final 2013 SCR on 20 September which should be accompanied by an analysis of change document covering any changes from the 19 July submission

These dates are in line with the business planning and capital setting timetable and are based on the assumption that SCRs will be used for 2013 capital setting. Lloyd's does not currently expect to require an ICA submission in addition to the SCR numbers.

The basis for the July number is the provisional SBF that is to be submitted on 12 July. Lloyd's expects that the annual review of parameters, dependencies etc. should be completed in advance of the July submission.

The basis for the September number is the final SBF submission due on 13 September. Lloyd's review of the September submission will focus largely on the number submitted and managing agents will be required to submit an analysis of change to explain any variances versus the July number. Again, further guidance and clarification on the format will be included within the SCR guidance that is to be issued in April 2012.

For further information, please refer to the [Solvency II 2012 Guidance notes available on lloyds.com](#)

### **Syndicate ORSAs**

Per Solvency II guidance notes, Lloyd's will need to demonstrate that it is using syndicate ORSAs in its business plan review process, in particular, an assessment of the longer term strategy of the syndicate. Therefore managing agents are required to affirm that the mid to long term plan set out in their December 2011 ORSA or any subsequent version submitted to address Lloyd's feedback remains appropriate. This affirmation will form part of the final SBF return in September and should be reported in form 990 under "add any return comments" section.

If the assumptions set out in the ORSA submitted to Lloyd's no longer remain appropriate, managing agents will need to provide an updated set of assumptions to their SUP Account Executive.

### **2013 SBF approval deadlines**

The Business Plan Steering Group will provide feedback to managing agents by the following deadlines:

- Initial feedback on the provisional 2013 SBF for non-aligned syndicates – 27 July 2012
- Approval of non-aligned syndicate final 2013 SBF - 19 October 2012
- Approval of aligned syndicate final 2013 SBF - 23 November 2012
- Coming Into Line – 29 November 2012

### **Additional information**

Any queries relating to this Market Bulletin should be discussed with your SUP Account Executive or sent by email to the business plan mailbox: [Lloyds-businessplans@lloyds.com](mailto:Lloyds-businessplans@lloyds.com).

**APPENDIX 1:**

**2013 SBF change summary**

- **Outwards reinsurers' commissions and profit participations**

Historically, the information regarding the outwards reinsurers' commissions and profit participations has been provided only at consolidated level. From 2013, managing agents are required to provide data for each element (commissions and profit participations) in SBF Form 100 and SBF Form 105.

- **Acquisition costs**

Form 100 (technical account) will have additional sections to collect the outwards reinsurers' commissions and profit participations data. This change has been implemented to bring consistency on acquisition costs in Form 100 and Form 105.

- **Loss ratio composition**

Form 107 has been amended to identify the "exposure change" element in the gross net loss ratio calculation

- **1:200 gross and net loss ratio at whole account level**

Managing agents are required to provide the 1:200 gross and net loss ratio at whole account level. In order to make this possible, the whole account fields for these items in Form 107 have been modified to allow managing agents to manually add the expected values.

**Additional requirements**

- **ORSA affirmation**

Managing agents are required to confirm if the mid to long term plan set out in their December 2011 ORSA or any subsequent version submitted to address Lloyd's feedback remains appropriate. This affirmation will form part of the final SBF return in September and should be explicitly indicated in Form 990 under the "add any return comments" section.