

MARKET BULLETIN

REF: Y4679

Title	2014 Syndicate Business Forecast (SBF) process
Purpose	To update managing agents on the 2014 SBF business planning process, new data requirements and the 2014 timetable for all syndicates.
Type	Scheduled
From	Tom Bolt – Director of Performance Management
Date	07 March 2013
Deadline	Submission deadline for the provisional 2014 SBF Returns (for all syndicates): 4 July (1pm) <i>The deadline for non-aligned syndicates to resubmit an amended business plan reflecting initial Lloyd's feedback provided on 19 July is 26 July 2012 (1pm).</i> Submission deadline for final 2014 SBF Returns (for all syndicates): 12 September (1pm)
Related links	Solvency II 2013 Guidance notes: http://www.lloyds.com/The-Market/Operating-at-Lloyds/Solvency-II/Information-for-managing-agents/Guidance-and-workshops/Overall-Approach <u>Lloyd's Vision 2025</u> http://www.lloyds.com/Lloyds/About-us/What-is-lloyds/The-Lloyds-market/Vision-2025

Timetable for prospective year (2014) SBF Returns

All syndicates, aligned and non-aligned, are required to submit a Syndicate Business Forecast (SBF) Return in July and in September for the 2014 prospective year of account.

There are a small number of revisions to the 2014 SBF Return, which have been implemented to ensure, *inter alia*, that the data collected from the market "fits the purpose". As a result of the SBF review, a few forms have been significantly amended (i.e. form SBF107, SBF442) and specific data will be collected only in the final SBF submission, such as the geographical split of the premium.

The two deadlines for submission of the 2014 SBF Return are as follows:

- Provisional SBF submission: 4 July 2013 (by 1pm)
- Final SBF submission: 12 September 2013 (by 1pm)

All final 2014 SBF Returns must be approved by the managing agency board.

In order to assist managing agents' preparation, the 2014 SBF Return will be made available in the Core Market Returns system (CMR) on 15 April 2013.

The final 2014 SBF Return, including the final exchange rates, will be available on CMR on 29 July. Managing agents are recommended to consider the impacts of those changes when scheduling the timing of their final SBF submissions.

Please refer to the “Key 2013 SBF re-submission and 2014 SBF deadlines” - Appendix 1 for more details.

Resubmission of the current year (2013) 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 plan. Managing agents that are considering any change to an approved Syndicate Business Plan 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, and therefore requires a resubmitted SBF plan. Please note that a material change can include a premium reduction against the latest approved SBF plan.

In order to allow Lloyd’s to update the 2014 SBF Return on the CMR and archive the existing business plans, syndicates will not be able to submit any SBF Return during the period 27 March (after 1pm) to 15 April 2013.

As such all 2013 business plans need to be approved on the CMR by 1pm 27 March, before the archive process starts. Please note that whilst managing agents can technically resubmit a 2013 plan using the 2013 SBF Return until Wednesday 27 March, they need to ensure that enough time is given to Lloyd’s to review and approve the plans on the CMR before this deadline.

Any 2013 plan still outstanding on CMR after 1pm on 27 March will not be available any longer for review or approval. On 15 April, when SBF Returns can once again be accepted on CMR, any new 2013 plan submitted will need to be on the new 2014 layout.

SBF basis and guidance

There are a small number of revisions to the 2014 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 changes have been included in the 2014 SBF Return:

- Additional data validations are in place to ensure data consistency across the various SBF forms
Supplementary reinsurance data, including the reinsurance strategy/plan, is now required [forms SBF442, SBF730 and SBF990]
- The “Loss ratio composition” form [SBF107] has been revised to reduce the amount of details collected from the market
- The Claim inflation assumption has been removed from the loss ratio composition form and is now itemised separately in form SBF183
- New requirement to provide the Absolute Maximum Gross Line and Normal Maximum Gross Line amounts even for those classes with unlimited line sizes
- The business planning process does support Lloyd’s Vision 2025. In view of this, syndicates are required to provide the following strategic geographical data:
 - premium by domicile of the insurer by **all** countries (ISO code)
 - premium by location of risk by Regions

The geographical data is only required in the final SBF return (12 September 2013) and syndicates will be advised in the CMR in July about how the data will be collected.

Full guidance will be available in the 2014 SBF Instructions that are due to be published in the CMR by end of March 2013.

2014 Lloyd's Exposure Management Framework

Background:

On 7 December 2012 Trevor Maynard wrote to Exposure Managers within the Lloyd's market to explain the reasons behind and the timetable for the Occurrence Exceedance Probability (OEP) data pilot, this was further explained at a market briefing on 14 January 2013.

In summary, Lloyd's is considering, for specified Natural Perils only (i.e. excluding UK Flood), using OEP data in place of RDSs for 2014 planning purposes. RDSs will continue to be collected for both Natural and Non-natural catastrophes and remain a critical aspect of Lloyd's Exposure Management Framework.

Managing agents are providing pilot OEP data to Lloyd's with the 1 January RDS return (late March). Depending on the results Lloyd's may require managing agents to project their OEP losses forward into 2014 (as is current practice for RDSs) – the losses (for a specified return period) will be compared to the existing Franchise Guidelines.

Guidance for 2014 business planning:

The proposed return period will be discussed with the LMA/Lloyd's Exposure Management Steering Group ahead of the Lloyd's Executive Team and Franchise Board for sign off (or otherwise) on 21 May. Managing Agents will be informed as soon as practical after the Franchise Board regarding the approach to adopt for business planning.

In order to help the market to familiarise with the prospective RDS and OEP requirements, a draft SBF452 form (Realistic Disaster Scenarios) will be included in the 2014 SBF from April 2013 showing both the current RDS events and proposed OEP losses required for business planning. Syndicates should not use this form until being informed by Lloyd's regarding the final approach to adopt and confirmed that the revised form, including the final data requirements, is ready for completion in the SBF return. A note will also be released in the CMR to advise the market about the changes.

Exchange rates

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

Provisional rates: All SBF submissions between 15 April and 29 July 2013 should be based on Lloyd's provisional rates. This will be set as at end of March 2013 and communicated to managing agents in a Market bulletin on 3 April 2013.

Final rates: Final SBF submissions should be based on Lloyd's final exchange rates. These will be set as at end of June 2013 and will be communicated to managing agents in a Market Bulletin on 1 July 2013. The final exchange rates will be available on the CMR from 29 July 2013.

The provisional and final exchange rates used for 2014 SBF submissions will be consistent with those required for the Lloyd's Capital Returns (LCR).

Interaction with the capital setting process (Solvency Capital Requirements - SCRs)

The business plan review will be conducted in co-ordination with the capital review. Accordingly, agents should expect to deal with a number of different staff members in a co-ordinated manner during the review periods with the main capital contact being the allocated MRC actuary.

As in 2013, two LCR submissions will be required for each syndicate via CMR. Each submission should contain SCRs for both a “one-year balance sheet to balance sheet” and a “one-year to ultimate” basis. (LCR) as set out below:

- A draft 2014 LCR which should be accompanied by a full LCR document explaining the methodology used to calculate the SCRs.
The deadline to submit the draft LCR is 4 July for both aligned and non-aligned syndicates.
- A final 2014 LCR which should be accompanied by an analysis of change document covering any changes from the 4 July submission.
The deadlines to submit the final LCR are:

12 September 2013	<ul style="list-style-type: none"> • Non-aligned syndicates • Any aligned syndicates that have third party capital backing • Special Purpose Syndicates (SPS)
19 September 2013	<ul style="list-style-type: none"> • Aligned syndicates

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 2014 capital setting.

The basis for the July figure is the provisional SBF plan that is to be submitted on 4 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 figure is the final SBF submission due on 12 September. Further guidance and clarification on the format will be included within the SCR guidance that has been issued on 28 February 2013.

For further information, please refer to the Solvency II 2013 Guidance notes available on lloyds.com via the following link: <http://www.lloyds.com/The-Market/Operating-at-Lloyds/Solvency-II/Information-for-managing-agents/Guidance-and-workshops/Overall-Approach>.

Syndicate Own Risk and Solvency Assessment (ORSAs)

As per the published Solvency II guidance notes, Lloyd's will need to demonstrate that it is using syndicate ORSAs in its business plan review process, in particular, for the 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 March 2013 ORSA submission 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.

2014 SBF approval deadlines

The feedback to managing agents will be provided by the following deadlines:

- Initial feedback on the provisional 2014 SBF plan for non-aligned syndicates – 19 July 2013
- Approval of non-aligned syndicate final 2014 SBF plan - 18 October 2013
- Approval of aligned syndicate final 2014 SBF plan - 22 November 2013
- Coming Into Line – 27 November

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.

APPENDIX 1:

Key 2013 SBF re-submission and 2014 SBF deadlines

