

# MARKET BULLETIN

REF: Y4778

<b>Title</b>	2015 Syndicate Business Forecast (SBF) process
<b>Purpose</b>	To update managing agents on the 2015 SBF business planning process, new data requirements and the 2015 timetable for all syndicates.
<b>Type</b>	Scheduled
<b>From</b>	Tom Bolt – Director of Performance Management
<b>Date</b>	7 March 2014
<b>Deadline</b>	Submission deadline for the provisional 2015 SBF Returns (for all syndicates): <b>3 July (13:00)</b> The deadline for non-aligned syndicates to resubmit an amended business plan reflecting initial Lloyds feedback provided on 18 July is 24 July 2014 (13:00). Submission deadline for final 2015 SBF Returns (for all syndicates): <b>16 September (13:00)</b>
<b>Related links</b>	<p><b><u>2014 Solvency II and Risk Assurance Guidance</u></b>  <a href="http://www.lloyds.com/The-Market/Operating-at-Lloyds/Solvency-II/Information-for-managing-agents/Guidance-and-workshops/Overall-Approach">http://www.lloyds.com/The-Market/Operating-at-Lloyds/Solvency-II/Information-for-managing-agents/Guidance-and-workshops/Overall-Approach</a></p> <p><b><u>Lloyd's Vision 2025</u></b>  <a href="http://www.lloyds.com/lloyds/about-us/strategy/vision-2025">http://www.lloyds.com/lloyds/about-us/strategy/vision-2025</a></p> <p><b><u>LCM Guidance &amp; Instructions 2014 document (ref EM115 v1.0)</u></b>  <a href="https://reaction.lloyds.com/rs/emsdocuments/Exp%20Mgt/LCM%20Feb%202013/1_LCM_Guidance_%20and_Instructions_January%202014.pdf">https://reaction.lloyds.com/rs/emsdocuments/Exp%20Mgt/LCM%20Feb%202013/1_LCM_Guidance_%20and_Instructions_January%202014.pdf</a></p>

## Timetable for prospective year (2015) 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 2015 prospective year of account.

There are a small number of revisions to the 2015 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, new data will be collected related to the Outward Reinsurance premium (form SBF730) and Net admin expense will be collected in form SBF105 at class of business level.

The two deadlines for submission of the 2015 SBF Return are as follows:

- Provisional SBF submission: 3 July 2014 (by 13:00)
- Final SBF submission: 16 September 2014 (by 13:00)

All final 2015 SBF Returns must be approved by the managing agency board.

In order to assist managing agents' preparation, the 2015 SBF Return will be made available in the Core Market Returns system (CMR) on 14 April 2014.

The final 2014 SBF Return, including the final exchange rates, will be available on CMR on 4 August. 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 2014 SBF re-submission and 2015 SBF deadlines" - Appendix 1 for more details.

### **Resubmission of the current year (2014) 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.

A re-submitted SBF that contains material changes to planned catastrophe risk is likely also to require revised LCM forecast factors to be submitted (see Exposure Management Framework section below). This should be discussed with Lloyd's Exposure Management.

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 31 March (after 13:00) to 11 April 2014.

As such all 2014 revised business plans need to be approved on the CMR by 31 March 13:00, before the archive process starts. Please note that whilst managing agents can technically resubmit a 2014 plan using the 2014 SBF Return until Monday 31 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 2014 plan still outstanding on CMR after 13:00 on 31 March will not be available any longer for review or approval. On 14 April, when SBF Returns can once again be accepted on CMR, any revised 2014 plan will need to be submitted on the new 2015 layout.

### **SBF basis and guidance**

There are a small number of revisions to the 2015 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 2015 SBF Return:

- Additional data validations are in place to ensure data consistency across the various SBF forms.
- Supplementary outward reinsurance data is now required [forms SBF730]
- New requirement to provide the Net Admin Expenses at class of business level [form SBF105]

- The business planning process does support Lloyd's Vision 2025. In view of this, syndicates are required to provide additional commentary about their strategy to grow in any of the following 10 "target" territories:

- China, India, Russia, Brazil, Mexico, Indonesia, Turkey, Poland, Argentina, Saudi Arabia.

The relevant commentary, including details of the potential classes written, should be attached in form SBF990 under the "Supplementary information" section.

- Full guidance will be available in the 2015 SBF Instructions that will be published in the CMR by end of March 2014.

### **2015 Lloyd's Exposure Management Framework**

As before, there are two parts of the SBF process which relate specifically to catastrophe risk. Form SBF452 contains projected catastrophe losses on both a probabilistic and a deterministic basis (AEP 1-in-30 and Realistic Disaster Scenarios (RDS) respectively).

Lloyd's is currently considering whether changes are required to the Scenarios, including potential replacement for Satellite and a new Cyber scenario. Both those scenarios have been included in form SBF452 pending the outcome of a review of the RDS which is scheduled to complete at the end of April.

Lloyd's will publish a Market Bulletin in May to confirm the outcome of this review and final RDS reporting requirements.

Form SBF452 will be revised accordingly for the final SBF submission in September.

Secondly, as before managing agents should submit Lloyd's Catastrophe Model [LCM] forecast factors. These do not form part of the SBF submitted through CMR, but should be sent separately to EM on or before the submission date for the provisional SBF in July. Section 5 of the LCM Guidance & Instructions 2014 document (ref EM115 v1.0) contains the definition and purpose of LCM forecast factors, and instructions for their calculation (see above link).

LCM forecast factors are an integral part of Lloyd's planning process. Therefore, material changes of planned catastrophe risk at any time may require LCM forecast factors to be re-submitted along with a revised SBF.

Please note that there is no requirement to re-submit LCM forecast factors with the September SBF unless there has been a material change of planned catastrophe risk since July.

### **Exchange rates**

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

*Provisional rates:* All SBF submissions between 14 April and 4 August 2014 should be based on Lloyd's provisional rates. This will be set as at end of March 2014 and communicated to managing agents in a Market bulletin on 1 April 2014.

*Final rates:* Final SBF submissions should be based on Lloyd's final exchange rates. These will be set as at end of June 2014 and will be communicated to managing agents in a Market Bulletin on 1 July 2014. The final exchange rates will be available on the CMR from 4 August 2014.

The provisional and final exchange rates used for 2015 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 by the Capital and Planning Group (CPG). 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 2014, 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.

The LCR submission dates are:

3 July 2014

- A draft 2015 LCR which should be accompanied by a full LCR document explaining the methodology used to calculate the SCRs.
- The deadline applies to all syndicates.
- The basis for the July figure is the provisional SBF plan that is to be submitted on 3 July. Lloyd's expects that the annual review of parameters, dependencies etc. should be completed in advance of the July submission.
- The Economic Capital Assessment Process Market Bulletin will be re-issued in June 2014, until then please reference market bulletin Y4708.

16 September 2014

- A final 2015 LCR which should be accompanied by an analysis of change document covering any changes from the 3 July submission.
- The deadline applies to all syndicates.
- The basis for the September figure is the final SBF submission due on 16 September.

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 2015 capital setting.

Further guidance and clarification on the format of the LCRs will be included within the 2015 SCR guidance, due to be available on Lloyds.com by the end of March 2014. In the meantime the 2014 guidance notes are available 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 2014 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.

### **2015 SBF approval deadlines**

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

- Initial feedback on the provisional 2015 SBF plan for non-aligned syndicates – 18 July 2014
- Approval of non-aligned syndicate final 2015 SBF plan - 24 October 2014
- Approval of aligned syndicate final 2015 SBF plan - 21 November 2014
- Coming Into Line – 26 November 2014

### **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:

Key 2014 SBF re-submission and 2015 SBF deadlines

CAPITAL AND PLANNING - KEY DATES FOR 2015									
MARCH	APRIL	MAY	JUNE	JULY	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER
<p><b>CMR system unavailable</b> 31 March (after 1pm) - 11 April</p>			<p>Final SBF exchange rates set: <b>End of June</b></p>	<p>Final Exchange rates communicated to MAs: <b>1 July</b></p>	<p>Final exchange rates in CMR: <b>4 August</b></p>	<p>Final 2015 SBF submission deadline: <b>16 September (by 1pm)</b></p>	<p>Final Non-Aligned 2015 capital and business plans approval deadline: <b>24 October</b></p>	<p>Final 2015 Aligned capital and business plans approval deadline: <b>21 November</b></p>	
<p>2014 SBF approval in CMR in the 2014 format: Recommended final date to re-submit 2014 SBF in the current format: <b>21 March</b> Deadline to approve: <b>31 March (by 1pm)</b></p>	<p>Provisional Exchange rates communicated to MAs: <b>1 April</b></p>			<p>Provisional 2015 SBF submission (all syndicates) deadline: <b>3 July (by 1pm)</b></p>	<p>Final 2015 SBF in CMR: <b>4 August</b></p>	<p>Final 2015 LCR: <b>16 September (by 1pm)</b></p>			
<p>LCR re-submissions: <b>6 March (by 1pm)</b></p>	<p>2015 SBF available in CMR: <b>14 April</b></p>			<p>Draft 2015 LCR (all syndicates) deadline: <b>3 July (by 1pm)</b></p>				<p>24 Oct - 11 Nov No resubmissions allowed (Non-aligned syndicates)</p>	
<p>Capital re-assessment basis of Mid-year CiL exercise): <b>End of March</b></p>	<p>2014 SBF re-submission based on 2015 SBF layout &amp; new data requirements: <b>14 April</b></p>			<p>Provisional Non-Aligned 2015 SBF feedback: <b>18 July</b></p>				<p>Coming into Line: <b>26 November</b></p>	
<p>Provisional SBF exchange rates set: <b>End of March</b></p>	<p>2014 SBF archive process in CMR: <b>1 April</b></p>			<p>Non-Aligned 2015 SBF re-submission based on 18 July feedback: <b>24 July (by 1pm)</b></p>					
<p>SCR Guidance issued: <b>End of March</b></p>				<p>Lloyd's Catastrophe Model (LCM) forecast factors: <b>3 July</b></p>					