

MARKET BULLETIN

REF: Y4874

Title	2016 Syndicate Business Forecast (SBF) process
Purpose	To update managing agents on the 2016 SBF business planning process, new data requirements and the 2016 timetable for all syndicates.
Type	Scheduled
From	Tom Bolt – Director of Performance Management
Date	13 March 2015
Deadline	Submission deadline for provisional 2016 SBF Returns (all syndicates): 2 July 2015 (1pm) <i>The deadline for non-aligned syndicates to resubmit an amended SBF plan reflecting initial Lloyds feedback provided on 24 July is 30 July 2015 (1pm).</i> Submission deadline for final 2016 SBF Returns (all syndicates): 15 September 2015 (1pm)
Related links	<p><u>Lloyd's Vision 2025</u> http://www.lloyds.com/lloyds/about-us/strategy/vision-2025</p> <p><u>LCM Guidance & Instructions 2015 document (ref EM115 v1.0)</u> https://reaction.lloyds.com/rs/emsddocuments/Exp%20Mgt/LCM%20Feb%202013/1_LCM_Guidance_%20and_Instructions_January%202014.pdf</p>

Timetable for prospective year (2016) SBF Returns

All syndicates, aligned and non-aligned, are required to submit a Syndicate Business Forecast (SBF) Return in July 2015 and in September 2015 for the 2016 prospective year of account.

The two deadlines for submission of the 2016 SBF Return are as follows:

- Provisional SBF submission: 2 July 2015 (by 1pm)
- Final SBF submission: 15 September 2015 (by 1pm)

All final 2016 SBF Returns must be approved by the managing agency board.

In order to assist managing agents' preparation, the 2016 SBF Return will be made available in the Core Market Returns system (CMR) on 13 April 2015.

The final 2016 SBF Return, including the final exchange rates, will be available on CMR on 1 August 2015. 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 2015 SBF re-submission and 2016 SBF deadlines" - Appendix 1 for more details.

Resubmission of the current year (2015) 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 SBF 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 Lloyd’s Catastrophe Model (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 2015 SBF Return on the CMR and archive the existing SBF plans, syndicates will not be able to submit any SBF Return during the period 1 April 2015 (after 1pm) to 10 April 2015.

As such all 2015 revised SBF plans must be approved on the CMR by 1 April 2015 1pm, before the archive process starts. Please note that whilst managing agents can technically resubmit a 2015 SBF plan using the 2015 SBF Return until 1 April 2015, it is strongly advised that enough time is given to Lloyd’s to review and approve the SBF plans on the CMR before this deadline.

Any 2015 SBF plan still outstanding on CMR after 1pm on 1 April 2015 will not be available any longer for review or approval. On 13 April 2015, when SBF Returns can once again be accepted on CMR, any revised 2015 SBF plan will need to be submitted on the revised layout.

SBF basis and guidance

There are a number of revisions to the 2016 SBF Return, which have been implemented to enable Lloyd’s to move to a gross premium basis for market oversight, 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.

In order to minimise the impact on syndicates, a new mechanism has been developed to ensure that 2016 SBF changes do not automatically apply to 2015 SBF re-submissions: therefore, the following SBF forms will collect different data depending on the relevant YoA submission:

2015 SBF re-submission	2016 SBF
SBF106 Premium Income development	SBF116 Premium Income development
SBF107 Loss Ratio composition	SBF117 Loss Ratio composition
SBF183 Premium Bridging Analysis	SBF183 Premium Bridging Analysis (Gross RARC)

The following key changes have been included in the 2016 SBF Return:

- The business planning process supports Lloyd's Vision 2025. In view of this, Dubai has been added to the distribution channel list. Additional distribution channels may also be considered in the next few months.
- A number of SBF forms have been enhanced to collect gross premium (i.e. SBF116, SBF 117 and SBF 183).
- Syndicates with special purpose syndicates (SPSs) are required to specifically provide SPSs capacity in form SBF420.
- Line sizes information can be provided at five currencies (GBP, USD, CAD, EUR, AUD).
 - In order to meet the regulatory reporting requirements, syndicates that are planning to write business in China are specifically required to provide the details of their line sizes. An additional column (Distribution channel) has been added to form SBF442 to capture this information.
 - Until further communication, all other line sizes can be reported under "London"
- Additional data validations are in place to ensure data consistency across the various SBF forms.
- A number of labels have been amended to read "Gross Written Premium".
- Conduct risk information will be required through the completion of a questionnaire. The data will be required only in July 2015 and should be submitted through SecureStore.
- 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 2016 SBF Instructions that will be published in the CMR by mid- March 2015.
- The 2016 SBF Return will be available for external testing (UAT) from 13 March 2015. Syndicates are recommended to familiarise with the changes.

2016 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).

As previously communicated to managing agents, Lloyd's is considering whether changes are required to the Marine scenario. This has been provisionally included in form SBF452 for July 2015 pending the outcome of the review and market consultation. Lloyd's will publish a Market Bulletin to confirm the outcome and the 2016 RDS reporting requirements. Form SBF452 will be revised as necessary for the final SBF submission in September 2015.

Secondly, managing agents should submit LCM forecast factors. These do not form part of the SBF submitted through CMR, but should be sent separately to the Lloyd's Exposure Management team on or before the submission date for the provisional SBF in July 2015. 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.

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 plan.

Exchange rates

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

Provisional rates: All SBF submissions between 13 April 2015 and 31 July 2015 should be based on Lloyd's provisional rates. This will be set as at end of March 2015 and communicated to managing agents in a Market bulletin on 1 April 2015.

Final rates: Final SBF submissions should be based on Lloyd's final exchange rates. These will be set as at end of June 2015 and will be communicated to managing agents in a Market Bulletin on 1 July 2015. The final exchange rates will be available on the CMR from 1 August 2015.

The provisional and final exchange rates used for 2016 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 SBF plans 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 2015, two Lloyd's Capital Return (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:

2 July 2015 (by 1pm)

- A draft 2016 LCR which should be accompanied by a full LCR document explaining the methodology used to calculate the SCRs.
- The 1pm deadline applies to all syndicates.
- July figure should be based on the provisional SBF plan that is to be submitted on 2 July 2015. Lloyd's expects that the annual review of parameters, dependencies etc. should be completed in advance of the July submission.

- The Economic Capital Assessment (ECA) process market bulletin will be re-issued in June 2015, until then please reference market bulletin Y4807.

15 September 2015 (by 1pm)

- A final 2016 LCR which should be accompanied by an analysis of change document covering any changes from the 2 July 2015 submission.
- The 1pm deadline applies to all syndicates.
- September figure should be based on the final SBF submission due on 15 September 2015.

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 2016 capital setting.

Further guidance and clarification on the format of the LCRs will be included within the 2016 SCR guidance, due to be available on www.Lloyds.com by the end of March 2015. In the meantime the 2015 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 2015 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 2015 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.

2016 SBF approval deadlines

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

- Initial feedback on the provisional 2016 SBF plan for non-aligned syndicates – 24 July 2015
- Approval of non-aligned syndicate final 2016 SBF plan - 23 October 2015
- Approval of aligned syndicate final 2016 SBF plan - 20 November 2015
- Coming Into Line – 25 November 2015

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 2015 SBF re-submission and 2016 SBF deadlines

