

MARKET BULLETIN

REF: Y4920

Title	Allowance for changes to the Solvency II Technical Provisions in 2016 year of account September SCR submission
Purpose	To inform agents of the options and specification for the treatment of reinsurance contract boundaries in the SCR and underlying technical provisions
Type	Notification of publications and required actions
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Date	10 August 2015
Deadline	For immediate attention
Related links	http://www.lloyds.com/the-market/operating-at-lloyds/solvency-ii/information-for-managing-agents/guidance-and-workshops/internal-model-scr

Background

The latest guidance for the calculation of Solvency II Technical Provisions (TPs) was published on [Lloyds.com in July 2015](#). This guidance is to be followed for submission of TP calculations from 2015Q2 onwards, whichever of the options below is taken.

When implemented, the change to reinsurance (RI) contract boundaries included in the guidance is expected to have an impact on the ultimate SCR. In relation to this change Lloyd's has published the following on the Internal Model SCR section of Lloyds.com:

- [Worked examples outlining the expected nature of the change](#)
- [A template for completion by agents - 2016 SCR CBChange SYND.xlsx](#)

Options for agents

Given the timing of the publication of the TP guidance we are not requiring agents to make the contract boundaries change to the projected 2015Q4 Technical Provisions underlying the 2016 year of account SCR to be submitted in September. Agents have two options for the timing of making the change to the projected TPs and completing the template:

- 1 Do not include the change in the projected 2015Q4 TPs and make no allowance for it in the SCR for the September submission. Under this option agents must complete and

submit the template 2016_SCR_CBChange_SYND.xlsx to the Solvency II mailbox Solvency2@lloyds.com by the 30 October, including consideration of the impact on projected 2015Q4 TPs.

- 2 Include the contract boundaries change in the projected 2015Q4 TPs and the SCR for the September submission. The change must be included consistently in the opening TPs and SCR. The template 2016_SCR_CBChange_SYND.xlsx must be returned to Lloyd's with the September LCR on Core Market Returns through form 990 and the impact of the change on the ultimate SCR should be reported as a specific item in the significant movements column of the analysis of change template. We expect the level of the change to be consistent between the TP impact entered on the template and the modelled ultimate SCR. The change must also be submitted as a model change if it meets the criteria of the Model Change Policy. The template will be used in Lloyd's process of assessing the model change.

Lloyd's approach

The principle Lloyd's will operate is that the contract boundaries change should cause no material movement to the funds available to pay policyholders, as it does not represent a change to underlying exposures. A decision will be taken on whether any adjustment for the change is necessary, after submissions have been made. Any adjustment made for this purpose will not be recorded as a loading.

Contact details

Where Managing Agents and Syndicate Actuaries require clarification they should approach either:

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