

# MARKET BULLETIN

REF: Y4941

Title	2016 Market Returns to PMD Exposure Management & Reinsurance
Purpose	To inform managing agents of the reporting deadlines for market returns to Lloyd's Exposure Management & Reinsurance during 2016.
Type	Scheduled
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Date	18 November 2015
Deadline	Please see individual returns below
Related links	<a href="#">Business Timetable on Lloyds.com</a>

## PURPOSE

This bulletin is to advise managing agents of the 2016 reporting dates for market returns that are the responsibility of the Lloyd's Exposure Management & Reinsurance.

The returns referenced in this Bulletin are:

- 1) Exposure Management
  - Lloyd's Catastrophe Model Quarterly Returns
  - Lloyd's Catastrophe Model Forecast-Factor Returns
  - Catastrophe-Risk Sensitivity Tests
  - Realistic Disaster Scenarios
- 2) Reinsurance
  - Syndicate Reinsurance Programme
  - Syndicate Reinsurance Structure Return

Section 3 gives information about International Regulatory, Market Development and Emerging Risks initiatives that may require supporting data-collections during 2016.

Managing agents should note that regulatory or market obligations may sometimes require additional reporting that could not have been scheduled in advance.

## 1 EXPOSURE MANAGEMENT

### 1.1 LLOYD'S CATASTROPHE MODEL – QUARTERLY RETURNS

**There are no changes for 2016.**

The Lloyd's Catastrophe Model [LCM] Quarterly Return is submitted directly to Exposure Management via Secure Store. For information about Secure Store, please visit [this link](#) on Lloyds.com or contact [securestore@lloyds.com](mailto:securestore@lloyds.com).

As before, the 1<sup>st</sup> October submission is subject to a materiality-of-change threshold.

The reporting day is always the penultimate Thursday of the month.

The 2016 reporting dates are as follows:

Name	As-at date	Reporting date	Via
LCM 1/1	1st January 2016	Noon, Thursday 18 <sup>th</sup> February 2016	Secure Store
LCM 1/4	1st April 2016	Noon, Thursday 19 <sup>th</sup> May 2016	Secure Store
LCM 1/7	1st July 2016	Noon, Thursday 18 <sup>th</sup> August 2016	Secure Store
LCM 1/10*	1st October 2016*	Noon, Thursday 17 <sup>th</sup> November 2016*	Secure Store *

\* The 1<sup>st</sup> October submission is only required if movement in estimated losses since 1<sup>st</sup> July exceeds defined thresholds.

### 1.2 LLOYD'S CATASTROPHE MODEL – FORECAST-FACTOR RETURN

**There are no changes for 2016.**

Lloyd's needs two sets of LCM forecast-factors during 2016.

One set derives from the requirements of the Lloyd's Internal Model [LIM]. The other forms part of the 2017 business-planning and capital-setting process.

All forecast-factor projections of syndicate estimated losses into the prospective calendar year should be consistent with the equivalent Lloyd's Capital Return [LCR] and the Internal Model.

#### 1.2.1 LLOYD'S INTERNAL MODEL PROCESS

Managing agents are required to submit forecast-factors that, applied to their 1st January 2016 LCM returns, give a best-estimate projected 'whole year' view for 2016.

#### 1.2.2 2017 BUSINESS-PLANNING & CAPITAL-SETTING

As part of 2017 business-planning and capital-setting, managing agents are required to submit forecast-factors that, applied to their 1st April 2016 quarterly LCM returns, give a best-estimate projected 'whole year' view of planned catastrophe-risk for 2017.

Forecast-factors should be submitted directly to Exposure Management via Secure Store.

Where there is a material change of planned catastrophe-risk at any time after the July submission, managing agents should always submit revised forecast-factors.

The 2016 reporting dates are as follows:

Name	Purpose	Applied to	Reporting date	Via
1/1 forecast factors	LIM 'attestation' for 2016	01/01/16 LCM	Noon, Thursday 18 <sup>th</sup> February 2016	Secure Store
1/4 forecast factors v1	2017 business-planning	01/04/16 LCM	same day as July SBF ( <i>compulsory</i> )	Secure Store
1/4 forecast factors v2*		01/04/16 LCM*	after material change of planned cat risk for 2017 ( <i>de minimis</i> )	Secure Store

\* v2 and subsequent are only required if there is a material change of planned catastrophe-risk from the previous submitted version

### 1.3 CATASTROPHE-RISK SENSITIVITY TESTS

In June 2015 this requirement was introduced for 2016 business-planning, following discussion with the external validator of Lloyd's Internal Model and Regulatory consultation.

The Catastrophe-Risk Sensitivity Tests will form a regular part of the reporting requirement for catastrophe risk. The tests are designed to replicate examples of potential parameter error in syndicates' representations of catastrophe risk. The results inform Lloyd's as to the scale of additional reinsurance recoveries, and the extent and effects of diversification within syndicates' own Internal Models.

#### 1.3.1 UPLIFTING CATASTROPHE LOSSES

The sensitivity tests are conducted by increasing forecast catastrophe losses relative to those used in the Internal Model run that generates the LCR – the 'base run'. All other assumptions in the base run are maintained, thus isolating the effect of larger-than-expected natural catastrophe losses.

Lloyd's will advise the uplift percentages for 2016 by 31<sup>st</sup> May 2016<sup>1</sup>. Full instructions for the exercise, including the template for returning data, will be published closer to the time.

The 2016 reporting date is as follows:

Name	Applied to	Reporting date	Via
Catastrophe-Risk Sensitivity Tests	latest 2017 LCR	September SBF submission date	Secure Store

Catastrophe-Risk Sensitivity Test returns should be submitted directly to Exposure Management via Secure Store.

### 1.4 REALISTIC DISASTER SCENARIOS

Realistic Disaster Scenarios are submitted to Lloyd's twice *per annum*.

The reporting day is the final Thursday of the relevant month. The RDS and RDL return dates are as follows:

Name	As-at date	Reporting date	Via
RDS	1st January 2016	Noon, Thursday 24 <sup>th</sup> March 2016	CMR
RDL	1st July 2016	Noon, Thursday 25 <sup>th</sup> August 2016	CMR

<sup>1</sup> Lloyd's expects the methodology to be broadly consistent with the previous tests, which have required a variety of uplifts:-

- uniform increase of all natural catastrophe losses by percentages ranging from 5% to 15%
- uniform increase of US Windstorm losses only by percentages ranging from 5% to 25%

**There are three confirmed changes to RDS reporting for 2016.**

Firstly, the Cyber scenario has been added as a formal *de minimis* Realistic Disaster Scenario (i/d 76) as from 1<sup>st</sup> January 2016. As with all RDSs, Franchise Guidelines will apply.

Secondly, the revised Marine scenarios (i/ds 15 and 16) are “live” as from 1<sup>st</sup> January 2016. As before, these are compulsory scenarios.

Finally, the OSFI Earthquake Exposure Data Form will become part of the RDS return (see section 3.1.1).

**Lloyd's expects to make the following additional changes to RDS reporting for 2016.**

Terrorism reporting is likely to be augmented.

In addition to the two scenarios (i/ds 43 and 44), syndicates will be required to report their ‘next top 3’ terrorism exposures worldwide, based on a blast-zone radius to be defined. Full instructions, including the template for returning data, will be published closer to the time.

Lloyd's expects to change the location of scenario 44 from Exchange Place to One World Trade Centre during 2016. There may be a data-collection exercise as at 1<sup>st</sup> January for an explosion at One World Trade Centre.

## 2 REINSURANCE

### 2.1 SYNDICATE REINSURANCE PROGRAMME (SRP)

The Syndicate Reinsurance Programme (SRP) return has been replaced by the Syndicate Reinsurance Structure (SRS) return, with effect from 01/01/2016.

### 2.2 SYNDICATE REINSURANCE STRUCTURE (SRS) AND SOLVENCY II PILLAR 3

With effect from 01/01/2016 the SRS return will be the core submission for the reporting of in-force reinsurance contracts to Lloyd's. The information provided will be used to satisfy Lloyd's reporting and oversight requirements, and will be the source for Lloyd's Solvency II Pillar 3 reporting to the PRA in respect of Treaty and Facultative arrangements (EIOPA Pillar 3 form ref: S.30.01, S.30.02, S.30.03, S.30.04).

The SRS return is to be submitted to Lloyd's four times per annum. The 2016 reporting dates are as follows:

Name	As-at date	Reporting date	Via
SRS Q1	1st January 2016	Noon, Thursday 25 <sup>th</sup> February 2016	CMR
SRS Q2	1st April 2016	Noon, Thursday 21 <sup>st</sup> April 2016	CMR
SRS Q3	1st July 2016	Noon, Thursday 21 <sup>st</sup> July 2016	CMR
SRS Q4	1st October 2016	Noon, Thursday 20 <sup>th</sup> October 2016	CMR

#### SRS Q1 2016

The reporting requirements and guidance for this return will follow that of the 2<sup>nd</sup> 2015 SRS Dry Run (V2) (September 2015), however all fields will now be mandatory.

#### SRS Q2 2016

Existing SRS forms: the reporting requirements and guidance for the existing SRS forms will be amended slightly to cater for the changes to the Pillar 3 reporting requirements made by EIOPA, in July and December 2015.

New SRS forms: EIOPA Pillar 3 form S.31.02 in respect of Special Purpose Vehicles is currently under review and will result in additional form(s) being added to the SRS either as at 01/04/16 or as at 01/07/16. Further information will be provided once the specifications have been finalised.

#### Future Changes to SRS

It is possible that either EIOPA and/or the PRA may make further changes to the Solvency II Pillar 3 reporting requirements and guidance notes during 2016. As a result the reporting requirements and guidance and instructions for the SRS will be subject to continuous review by Lloyd's. If changes are required managing agents will be notified in advance.

Any questions on the SRS return should be directed to:

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020 7327 5053  
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020 7327 5048  
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### **2.3 FURTHER REINSURANCE REPORTING FOR SOLVENCY II**

Managing agents should note that Lloyd's will also be required to report syndicate-level Reinsurance Recoverables on a Solvency II Balance Sheet basis to the PRA. EIOPA's requirements are outlined in Pillar 3 form S.30.01. The reporting requirements will be reviewed by Lloyd's during Q1 2016, and will result in either the creation of an additional form, or the expansion of an existing form, within one of the following existing Lloyd's returns:

- a) Annual Solvency Return (ASR)
- b) Quarterly Solvency Return (QSR)
- c) Quarterly Monitoring Return - Part A (QMA)

Further information will be provided by the Lloyd's Market Finance and Outwards Reinsurance teams as soon as available, including details of any potential dry run exercises.

## 3 OTHER

### 3.1 INTERNATIONAL REGULATORY AND MARKET DEVELOPMENT

#### 3.1.1 OSFI EARTHQUAKE EXPOSURE DATA FORM

The Canadian regulator, the Office of the Superintendent of Financial Institutions [OSFI] requires Lloyd's to submit an annual Earthquake Exposure Data Form. Full details of the requirement, and examples of the Form, can be found [here on OSFI's website](#).

As with the ERRO return, Lloyd's as the licensed entity will make a single submission on behalf of the market.

Following the pilot data-collections during 2015, and further consultation with OSFI, Lloyd's has finalised the reporting-requirement for syndicates. As from 1<sup>st</sup> January 2016, this will form part of regular reporting in the RDS return.

#### 3.1.2 TRIA

The Federal Insurance Office of the United States Department of the Treasury is holding discussions with interested parties, including Lloyd's, about the Terrorism Risk Insurance Program.

It is possible that Lloyd's may need to collect data from syndicates to facilitate our part in these discussions.

#### 3.1.3 SOUTH AFRICA

Lloyd's is in discussion with the Financial Services Board [FSB] of South Africa about, *inter alia*, regulatory reporting of the Society's catastrophe risk in that country.

As part of this process, Lloyd's collected syndicate aggregate exposures to South African Flood split by CRESTA Zone with the 2015 RDL return.

There may be a requirement to produce this, or related information, on a regular basis in future.

### 3.2 EMERGING RISKS

Lloyd's Emerging Risks has a number of initiatives in progress that may require some form of data-collection during 2016, including NCBR and Cyber-Attack.

## **4 ADMINISTRATIVE**

### **4.1 FINING**

A fining regime is in effect for late return of the SRP, RDS & RDL. This is in line with other key market submissions, including the QMA/B and PMD returns, and has been approved by the Market Supervision and Review Committee (MSARC).

See Market Bulletin 'Consolidated Fining Policy for Lloyd's Returns' ref Y4527 dated 25<sup>th</sup> October 2011.

The LCM return does not yet fall within the fining regime. However, the LCM deadlines must be met to allow Lloyd's to fulfil its own regulatory obligations.

### **4.2 SYNDICATE LEVEL REPORTING**

For the avoidance of doubt and to ensure consistency with other reported data, managing agents are required to complete a separate return for each managed syndicate – including parallel and special-purpose syndicates – rather than reporting consolidated figures.

### **4.3 SYNDICATES IN RUN-OFF**

Run-off syndicates with material, relevant exposures as at the dates shown in sections 1 and 1.3 above are required to submit returns. Forecast material exposures for 2016 are subject to the reporting requirements in section 1.2.

Run-off syndicates with in-force reinsurance as at the dates shown in section 2 above are required to submit returns.

### **4.4 EXCHANGE RATES**

Exchange rates are updated quarterly and will be advised via market bulletins.

### **4.5 FURTHER INFORMATION**

Should you have questions or require additional information please contact me, David Clouston or any member of the Exposure Management & Reinsurance team.

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