

MARKET BULLETIN

REF: Y4966

Title	Consideration of reinsurance contract boundary change for June 2016 CIL
Purpose	To inform agents of the treatment of the impact of the reinsurance contract boundary change in the capital calculation for June 2016 CIL
Type	Instructions and notification of required action
From	Henry Johnson, Lloyd's Actuary +44 (0)20 7327 5235, Henry.Johnson@lloyds.com
Date	28 January 2016
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

As outlined in [Market Bulletin Y4920](#), for November 2015 CIL templates were collected from agents to allow Lloyd's to remove the impact of a change to technical provisions guidance (relating to reinsurance contract boundaries). A similar [template](#) has been made available on the [internal model SCR page of Lloyds.com](#) and is required to be submitted by agents in March 2016, in order to make the same adjustment for June 2016 CIL.

Requirements for agents

Submissions of the [template](#) should be made to SCRReturns@lloyds.com by Friday 4 March 2016.

All syndicates must submit the template including the impact of the reinsurance contract boundaries change on the 2015Q4 QMC. This is the first input on the template.

For syndicates that are both:

- Resubmitting a SCR in March 2016
- Including the contract boundaries change in their model

The template must also include the impact of the reinsurance contract boundaries change on the 2015Q4 technical provisions underlying the SCR, even if this is the same as the 2015Q4 QMC impact. This is the second input on the template.

Lloyd's approach

The templates collected will be used to adjust the ultimate SCR positions for June CIL in order to remove the impact of the reinsurance contract boundary change. The adjustment made will be as for November CIL and will be in addition to other mid-year CIL adjustments for exchange rate movements and risk margin.

For agents that only need to supply the 2015Q4 QMC impact the adjustment will be a reduction in the total capital stack of the increase caused by the change. For agents also providing the ultimate SCR impact any difference between the model reduction and 2015Q4 QMC technical provision increase will be adjusted for. In both cases the economic capital uplift of 35% will be factored in to the adjustment as appropriate.

Contact details

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

Henry Johnson, Lloyd's Actuary
(+44 (0)20 7327 5235, Henry.Johnson@lloyds.com); or

Catherine Scullion, Market Reserving & Capital (+44 (0)20 7327 5567,
Catherine.Scullion@lloyds.com);