

MARKET BULLETIN

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| Title | Line size definitions for SBF reporting |
| Purpose | To provide details of standard line size definitions to be used in syndicate SBFs |
| Type | Event |
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| Related links | |

This bulletin gives details of a number of standard definitions to be used for reporting line sizes in Syndicate Business Forecasts (SBF).

The definitions are to be adopted by all syndicates for the 2017 year of account for use in the business planning process.

Line sizes – standard definitions

Until now the SBF instructions have allowed for a wide range of suggested class definitions and syndicates have been free to adopt a definition which best suits their approach to business. It has become evident that, with an increasing number of requests for dispensations from the Franchise Guidelines for larger lines, there has been considerable disparity in the way these lines are reported.

In order to treat these requests on a more equitable and consistent basis, Lloyd's is introducing a greater degree of standardisation in the descriptions. These definitions (set out in Appendix 1) mainly addresses those classes where most dispensations have been requested and are to be used by managing agents when preparing syndicate SBFs for the 2017 year of account.

The proposal to standardise reporting definitions was notified to managing agents in a letter to Directors of Underwriting and Active Underwriters sent on 10 March 2016. The definitions have since been discussed with the relevant business panels at the LMA; they aim to provide the best fit definition for the majority of syndicates and reflect the specific requirements of each individual class.

For the avoidance of doubt, it should be noted that the general principle of these guidelines is to address the reporting of maximum underwriting limits for a single risk or insured and not aggregations of risk nor Realistic Disaster Scenarios (see additional notes below).

For those classes not covered by this bulletin, managing agents may continue to report their maximum line size definitions as before.

Appendix 1 provides managing agents with the new definitions and additional guidance on how to apply the definitions.

Further Information:

Should you have any further questions or require any additional information please contact:

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Appendix 1

| Class of Business | Max line definition | Explanatory notes/Guidance |
|--------------------------|--|--|
| Property Catastrophe | Maximum loss occurrence any one programme | A programme is an excess of loss reinsurance contract or combination of contracts covering the same reinsured, exposure and peril. Associated reinstatement premium protections would be considered as part of the same programme. Back-up programmes can be considered as separate if they do not accumulate in the same loss occurrence. |
| Property D&F | Maximum sum insured or sum of limits (whichever the lower) for all coverages in respect of a single insured | Where applicable this definition refers to the target risk in a schedule, which is the largest risk by which the limit is set. While this definition is not 'per location', syndicates are still expected to follow accumulations by location, and for known accumulations at a location they should scale their lines appropriately. |
| Property Binder | Maximum sum insured or sum of limits (whichever the lower) for all coverages in respect of a single insured | The maximum sum insured or limit in a binding authority is the largest combined limit for all coverages (BI, PD etc.) that can be issued in respect of an insured. |
| Power Generation | Maximum sum insured or sum of limits (whichever the lower) for all coverages in respect of a single insured , any one loss | A single insured is understood to refer to a single location, for example a facility or plant, and should include T&D extensions where applicable. |
| Engineering | PML to total contract value | The Maximum Value at Risk limit of the contract value should not exceed four times the maximum PML limit. |
| Terrorism | Maximum sum insured or sum of limits (whichever the lower) for all coverages in respect of a single location | A single location is a building or structure, or group of the same, on one site. |
| Aviation (including GA) | Maximum loss any one original insured aircraft, any one loss occurrence, all interests combined. | Maximum loss to combine limits on interests in all policy sections that could potentially aggregate (e.g. aircraft hull and liability limit combined). |
| Energy Onshore | Maximum sum insured or sum of limits (whichever the lower) for all coverages in respect of a single insured, any one loss. | Where applicable this definition refers to the target risk in a schedule. While this definition addresses a single insured, it is expected that where there are known accumulations (e.g. multiple interests/insureds from joint ventures) these should be managed appropriately. |
| Energy Offshore | Maximum loss any one risk | A risk is a facility, complex, plant or mobile unit and coverage may include OEE, LOPI/BI, ROW and TPL where applicable. |
| Energy Construction | Maximum loss any one risk | A risk is a facility, plant or mobile unit and coverage may include OEE, DSU and TPL where applicable. |
| Marine Hull | Maximum loss first party physical damage any one vessel | Physical damage relates to Hull, Machinery and Increased Value. Ancillary coverages are not included (e.g. collision damage, sue and labour). |
| Marine Liability | Maximum loss any one risk, per insured | A risk is the total exposure for a single insured across all layers of a programme. (for P&I the limit is applied per vessel). |

| Class of Business | Max line definition | Explanatory notes/Guidance |
|-------------------------|---|---|
| Marine War | Maximum loss first party physical damage any one vessel or P&I, whichever the greater | Physical damage relates to Hull, Machinery and Increased Value. P&I relates to War coverage. The larger limit, physical damage or P&I, should apply. |
| Marine Cargo | Maximum indemnity any one risk, per assured | A risk is a vessel, aircraft, postal sending, conveyance, pipeline or location. |
| Fine Art and Specie | Maximum indemnity per assured, per location, per occurrence, all heads of cover | While this definition is not 'per location', syndicates are still expected to follow accumulations by location and for known accumulations at a location they should scale their lines appropriately. |
| Political Risk (PR, CF) | Maximum loss any one risk | A risk is an asset, or a group of assets. |
| Trade Credit (CR) | Maximum loss any one obligor | Multiple contracts may be issued to one obligor. |
| GL (Non US) | Maximum loss any one risk | A risk is an insurance contract or combination of contracts covering the same insured. |
| Cyber (CY) | Maximum loss any one risk | A risk is an insurance contract or combination of contracts covering the same insured. |

Notes:

For the avoidance of doubt, these definitions are designed to be used solely for the purposes of Lloyd's Syndicate Business Forecasts (SBF) reporting.

The purpose of these definitions is to arrive at single risk or insured exposures, not per event, RDS or catastrophe exposures. With the exception of **Property Catastrophe**, where the term 'occurrence' is used it is in the per risk, not per event, meaning of the word.

While in certain classes, these definitions do not accommodate all heads of cover, with the exception of **Engineering**, the intention is not to accommodate 'PML' limits.

Under **Marine Hull**, syndicates are not expected to aggregate ancillary coverages and will report their maximum loss for first party physical damage any one vessel.

Under **Marine Liability**, note that 'per vessel' sits alongside 'maximum loss any one risk'. This means the limit will not apply to loss events involving multiple vessels.

Definitions:

Maximum Sum Insured: Is defined as the sum of all insured exposures (including uplifts and additional extensions) under a single policy. It does not provide any allowance for PML adjustments.

Sum of Limits: Is defined as the sum of maximum single risk loss limits

Energy Offshore: The term 'complex' is defined as connected platforms