

MARKET BULLETIN

REF: Y5037

Title	2017 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 2017.
Type	Scheduled
From	Trevor Maynard, Head of Exposure Management and Reinsurance Performance Management Directorate +44 (0)20 7327 6141 Trevor.Maynard@lloyds.com
Date	16 November 2016
Deadline	Please see individual returns below
Related links	Business Timetable on Lloyds.com

PURPOSE

This bulletin is to advise managing agents of the 2017 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 [LCM] Quarterly Returns
 - LCM Forecast Returns (including Catastrophe-Risk Sensitivity Tests and LCM/LCR Analysis of Difference)
 - Realistic Disaster Scenarios
- 2) Reinsurance
 - Syndicate Reinsurance Structure Return
 - Quarterly Monitoring Report – Part A (QMA) Form 710u Reinsurance Recoverables
 - Annual Solvency Return (ASR) Form 290 'Reinsurance Recoverables'
- 3) International Regulatory, Market Development and Emerging Risks initiatives that may require supporting data-collections during 2017.

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

For information about Secure Store, please visit [this link](#) on Lloyds.com or contact securestore@lloyds.com.

1 EXPOSURE MANAGEMENT

1.1 FRANCHISE GUIDELINES

All scenarios removed from the Syndicate Business Forecast [SBF] for 2017 will remain for RDS and (where applicable) RDL in-force reporting, though not subject to Franchise Guidelines or comparison against plan.

As announced in [Market Bulletin Y5009](#), Lloyd's Franchise Guidelines for catastrophe risk have been updated.

For the new 'AEP 1-in- 30 Whole World' metric, projected and in-force loss-estimates shall not exceed:

- 110% of ECA-plus-Profit for Gross Losses; and
- 45% of ECA-plus-Profit for Final Net Losses.

For all other cat risk metrics, projected and in-force loss-estimates shall not exceed:

- 80% of ECA-plus-Profit for Gross Losses; and
- 30% of ECA-plus-Profit for Final Net Losses

'Profit' for this purpose shall be defined as 'Profit/Loss for the period' on an Ultimate basis in the SBF (item 16 of Form 100s in the 2017 SBF).

1.2 LLOYD'S CATASTROPHE MODEL QUARTERLY RETURNS

There are no changes for 2017.

The Lloyd's Catastrophe Model [LCM] Quarterly Return is submitted directly to Exposure Management via Secure Store.

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

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

The 2017 reporting dates are as follows:

Name	As-at date	Reporting date	Via
LCM 1/1	1st January 2017	Noon, Thursday 16 th February 2017	Secure Store
LCM 1/4	1st April 2017	Noon, Thursday 18 th May 2017	Secure Store
LCM 1/7	1st July 2017	Noon, Thursday 24 th August 2017	Secure Store
LCM 1/10*	1st October 2017*	Noon, Thursday 23 rd November 2017*	Secure Store *

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

1.3 LLOYD'S CATASTROPHE MODEL FORECAST RETURN

There are no changes for 2017.

Lloyd's needs two sets of LCM forecast-factors during 2017.

One set derives from the requirements of the Lloyd's Internal Model [LIM]. The other forms part of the 2018 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.

1.3.1 LLOYD'S INTERNAL MODEL PROCESS

Managing agents are required to submit forecast-factors that, applied to their 1st January 2017 LCM returns, give a best-estimate projected 'whole year' view for 2017.

1.3.2 2018 BUSINESS-PLANNING & CAPITAL-SETTING

The 2018 business-planning and capital-setting process is currently under consideration with Lloyd's Franchise Board and Executive Team. Further advice will follow in a separate Lloyd's market communication.

1.4 CATASTROPHE-RISK SENSITIVITY TESTS

The Catastrophe-Risk Sensitivity Test forms a regular part of the forecasting 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.

1.4.1 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 2017 by 31st May 2017. Full instructions for the exercise, including the template for returning data, will be published closer to the time.

The 2017 reporting date is as follows:

Name	Applied to	Reporting date	Via
Catastrophe-Risk Sensitivity Tests	latest 2018 LCR	September LCR submission date	Secure Store

Catastrophe-Risk Sensitivity Test returns should be submitted via Secure Store.

1.5 REALISTIC DISASTER SCENARIOS

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

There are two changes for 2017. Firstly, some RDS Industry Losses will be refreshed for the 2017 Scenario Specifications published on 1st January 2017. Secondly, the Supplementary Information template should be uploaded to Secure Store, and not via Form 990.

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 2017	Noon, Thursday 30 th March 2017	CMR
RDL	1st July 2017	Noon, Thursday 31 st August 2017	CMR

1.6 CYBER

Lloyd's will continue to request data relating to Cyber risk during 2017. Further guidance, including reporting frequency, will be communicated after consideration by Lloyd's Franchise Board and Executive Team.

2 REINSURANCE

2.1 SYNDICATE REINSURANCE STRUCTURE (SRS)

The SRS return is the core submission for the reporting of in-force reinsurance contracts to Lloyd's. The information provided is 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, S31.02).

The SRS return is to be submitted to Lloyd's four times per annum. The 2017 reporting dates are as follows:

Name	As-at date	Date return open in CMR	Reporting Deadline date	Via
SRS Q1	1 January 2017	16 ^h January 2017	Noon, Thursday 23 February 2017	CMR
SRS Q2	1 April 2017	3 April 2017	Noon, Thursday 20 April 2017	CMR
SRS Q3	1 July 2017	3 July 2017	Noon, Thursday 20 July 2017	CMR
SRS Q4	1 October 2017	2 October 2017	Noon, Thursday 19 October 2017	CMR

SRS Q1 2017

The core data and reporting requirements for this return will follow that of the Q4 2016 return (version 7); however it is important to note that changes to some of the following are planned to be made to reflect both changes required to meet Solvency II requirements, and to improve the quality of the information provided:

- Reference Data Tables
- Technical guidance / completion notes
- CMR submission validation criteria
- CMR submission warning messages

Version 8 of the SRS instructions to support the Q1 2017 return will be issued at the end of December 2016.

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 2017. 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:

Chris Wallings – Senior Manager, Outwards Reinsurance
020 7327 5048
chris.wallings@lloyds.com

2.2 QUARTERLY MONITORING REPORT – PART A (QMA) - 710U REINSURANCE RECOVERABLES

The QMA 710u 'Reinsurance recoverables' is the core submission for the reporting of UK GAAP based balance sheet reinsurance recoverables, by reinsurer, to Lloyd's. The information provided is used to satisfy Lloyd's reporting and oversight requirements.

Whilst the core data is largely unchanged the reporting instructions for the Q4 2016 and future 2017 returns has been amended to strengthen the quality and consistency of the information reported. A separate Market Bulletin for the Q4 2016 QMR returns will be issued separately by Lloyd's Market Finance.

The QMA continues to be managed by Lloyd's Market Finance team, but any technical questions on the QMA 710u form should be direct to:

Chris Wallings – Senior Manager, Outwards Reinsurance

020 7327 5048

chris.wallings@lloyds.com

2.3 ANNUAL SOLVENCY RETURN (ASR) FORM 290 - REINSURANCE RECOVERABLES

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.31.01. The reporting of this information will form part of the wider Lloyd's ASR return. Full details of current the reporting requirements can be found within the ASR290: Share of reinsurers' section of the 'Pillar 3 annual reporting: Instructions for ASR, ASB, and NSTs'. Link below to [Lloyds.com](https://www.lloyds.com) page below:

[Solvency II Reporting and Disclosure](#)

Technical questions for the ASR should be directed to the Lloyd's Market Finance team. Details of the key contacts can be found in the latest instructions document.

3 OTHER

3.1 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 makes a single submission on behalf of the market, based on syndicate data submitted as part of the RDS return.

3.2 TRIA

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

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

3.3 NEW ZEALAND

The Reserve Bank of New Zealand (RBNZ) has introduced a new regulatory reporting requirement for catastrophe risk. Regulated entities in New Zealand are required to report in-force aggregate exposures by high-level class of business.

For Lloyd's, this involves reporting as-at 30th June and 31st December. Lloyd's as the licensed entity will make a single submission on behalf of the market, based on syndicate data submitted with the RDS and RDL returns. (The first such data-collection was part of the 2016 RDL.)

3.4 WAR & NCBR

Lloyd's requires syndicates to understand and report potential accumulation risk arising from War and NCBR exposures. Please refer to [Market Bulletin Y4972](#) published on 1 March 2016.

As outlined in the War & NCBR 2017 SBF Guidance and Instructions (EM Ref 176), syndicates underwriting policies that cover War and/or NCBR (including incidentally) are required to report in-force aggregate exposures by defined region as part of the RDS return as at 1st January 2017.

4 ADMINISTRATIVE

4.1 FINING

A fining regime is in effect for late return of the SRS, 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 25th 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 syndicates and special-purpose arrangement (SPA) – 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 1.4 above are required to submit returns. Forecast material exposures for 2017 are subject to the reporting requirements in section 1.3.

Run-off syndicates with in-force reinsurance &/or balance sheet reinsurance recoverables 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.

Trevor Maynard

Head of Exposure Management & Reinsurance

Performance Management Directorate

020 7327 6141

trevor.maynard@lloyds.com