LLOYD'S

Market Bulletin

Ref: Y5111

Title	Reporting guidelines for Lloyd's returns following Ogden discount rate change
Purpose	To provide the Market with further guidance on the reporting requirements for Lloyd's returns following the Ogden discount rate change
Type	Event
From	Jon Hancock, Director Performance Management
Date	31 July 2017
Deadline	
Related links	

This bulletin sets out guidelines for the completion of Lloyd's returns following the announcement from the Lord Chancellor on 27 February 2017 reducing the Ogden rate of discount from 2.50% to -0.75%. This change impacts classes of business with exposure to UK bodily injury claims.

In this bulletin mention is made of policies incepting before and after the announcement of the discount rate change. Lloyd's understands that there will not always be a specific date that the pricing change to reflect the discount rate change is effective as there are a range of lead times for quote activity in the market. As long as rating and model changes have been made in a timely manner (for example on or before 1 May) then it is acceptable to substitute the effective date of the change for a date that it is reflected in the syndicate's pricing.

2016 PMDR:

An update of the 2016 PMDR data is due on 31 July 2017.

- Policies that have incepted before the Ogden announcement on 27 February 2017 and the data in the PMDR submissions for those policies should not be adjusted to take account of the change of discount rate.
- Renewals of policies that attach to 2016 that have inception dates post 27 February 2017 (e.g. risks written via service companies or declarations written through binders) should be updated to reflect Ogden discount rate change.

2017 PMDR:

<u>Policies Incepting on or before 27 February 2017</u>

- These policies should not be updated to reflect the Ogden discount rate change.

<u>Policies Incepting after 27 February 2017</u>

- Policies should be adjusted to reflect the increased cost of claims.
  - The increased premium needed to cover the higher cost of claims should be recorded in PMDR field 200 'Change in Expiring 100% Gross Written Premium Due to Other Factors'. Lloyd's considers this as a one-off claims inflation adjustment. Exposure, measured by the number or value of insured items (e.g. people, cars, wage roll), is not increasing however the average expected cost of claims for these insured items has undergone a one-off increase.
  - The effect on PMDR field 210 'Change in 100% Gross Written Premium due to Pure Rate Change' would depend on the pricing decisions taken by the syndicate. If prices were not adjusted to reflect the increased premium required to cover the cost of claims (field 200), there would be a negative impact on risk adjusted rate change. If however the premium was increased in proportion to the expected percentage change in claims, there would be no effect on risk adjusted rate change.

2018 PMDR:

- Policies that incepted before 27 February 2017 and renewed between 1 January 2018 and 27 February 2018 should be updated to reflect the effect of Ogden.
- Annual policies incepting on or after 28 February 2018 would not need to be adjusted as the effect of Ogden would have already been recognised in the 2017 PMDR submission.

Reserves and Loss Ratios in TPD, QMA, QMB, GQD etc.

- These returns should reflect the new discount rate in both case reserves and IBNR.

Syndicate Business Forecasts (SBF)

- For 2018 business planning we would expect the claims inflation field to reflect any Ogden pricing adjustment required for business that will renew in the 2018 YOA. This might be due to renewals written through binders and service companies as well as open market business renewals in January and February 2018 prior to any rating action taken in 2017.
- Re-submissions of 2017 business plans should be discussed with your Syndicate Business Performance executive and will follow the same process and materiality thresholds as other plan re-submissions.

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

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