

Market Bulletin

Ref: Y5131

Title	2018 Market Returns to PMD Risk Aggregation
Purpose	To inform managing agents of the reporting deadlines for market returns to Lloyd's Risk Aggregation during 2018.
Type	Scheduled
From	David Clouston, Interim Head of Risk Aggregation Performance Management Directorate 020 7327 5719 David.Clouston@lloyds.com
Date	16 November 2017
Deadline	Please see individual returns below
Related links	Business Timetable on Lloyds.com

PURPOSE

This bulletin is to advise managing agents of the 2018 reporting dates for market returns that are the responsibility of the Lloyd's Risk Aggregation team.

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 Change)
- Realistic Disaster Scenarios
- Annual Solvency II return for Top 20 U/W Risks

2 Reinsurance

- Syndicate Reinsurance Structure (SRS) Return
- Quarterly Monitoring Report – Part A (QMA) Form 710u 'Reinsurance Recoverables'
- Annual Solvency Return (ASR) Form 290 'Reinsurance Recoverables'
- Annual Related Party Disclosures and Declaration – Outwards Reinsurance

3 International Regulatory, Market Development and Emerging Risks initiatives that may require supporting data-collections during 2018.

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 AEP 1-IN-30 AND RDS FRANCHISE GUIDELINES

As announced in [Market Bulletin Y5009](#), Lloyd's Franchise Guidelines for catastrophe risk are as follows:

For the '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 2018 SBF).

1.2 LLOYD'S CATASTROPHE MODEL QUARTERLY RETURNS

Lloyd's Risk Aggregation is currently in talks with the LMA EMWG sub-group regarding 2018 returns. Guidance around any changes will follow in due course.

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 2018 reporting dates are as follows:

Name	As-at date	Reporting date	Via
LCM 1/1	1st January 2018	Noon, Thursday 15 th February 2018	Secure Store
LCM 1/4	1st April 2018	Noon, Thursday 24 th May 2018	Secure Store
LCM 1/7	1st July 2018	Noon, Thursday 23 rd August 2018	Secure Store
LCM 1/10*	1st October 2018*	Noon, Thursday 22 nd November 2018*	Secure Store *

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

All LCM (and associated returns) should be submitted to the 'Lloyd's Catastrophe Model' Secure Store.

1.3 LLOYD'S CATASTROPHE MODEL FORECAST RETURN

Lloyd's Risk Aggregation is currently in talks with the LMA EMWG sub-group regarding 2018 returns. Guidance around any changes will follow in due course.

Lloyd's needs two LCM forecast returns in 2018.

One set provides an updated view of 2018 forecasts (submitted with the 1/1/2018 LCM); the other provides 2019 forecasts for the 2019 business-planning and capital-setting process.

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

1.4 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 2018 by 31st May 2018. Full instructions for the exercise, including the template for returning data, will be published closer to the time.

1.5 LCM/LCR ANALYSIS OF CHANGE

This return allows Lloyd's to understand any differences in syndicates' forecast 1-in-200 between the LCM Forecast and LCR Form 313 returns.

The 2018 reporting dates are as follows:

Name	Applied to	Reporting date	Via
Forecast Return (2018 update)		With LCM 1/1 Quarterly Return	Secure Store
Forecast Return (2019 CPG)		September SBF submission date	Secure Store
Catastrophe-Risk Sensitivity Tests	latest 2019 LCR	September LCR submission date	Secure Store
LCM/LCR Analysis of Change	latest 2019 LCR	September LCR submission date	Secure Store

1.6 REALISTIC DISASTER SCENARIOS

Realistic Disaster Scenarios are submitted to Lloyd's via CMR 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 2018	Noon, Thursday 29 th March 2018	CMR
RDL	1st July 2018	Noon, Thursday 30 th August 2018	CMR

The 'Supplementary Information' request should be submitted via 'Lloyd's Catastrophe Model' Secure Store (Not section 990 in CMR).

As 2018 is an even numbered year, Lloyd's will again request the War scenarios return, which is collected every two years as part of the RDL submission, with the last request being in 2016.

The 'War Scenarios return' should be submitted via 'Lloyd's Catastrophe Model' Secure Store (Not section 990 in CMR).

1.7 ANNUAL SOLVENCY II RETURN FOR TOP 20 U/W RISKS

As was the case last year and as part of Solvency II Pillar 3 reporting, Lloyd's is required to report the market's largest overall exposures to the Prudential Regulation Authority. This is the ASR251 return, with which you will be familiar from your own syndicate reporting. The requirement is to report the Society's top twenty net exposures by EIOPA high-level class of business.

Please note that this return is separate from – and additional to – the individual syndicate ASR251 returns.

Further guidance on the selected Unique Market References will follow and as before the completed template should be submitted via the Secure Store folder - "Lloyd's Catastrophe Model/ASR251 Form".

The deadline for completion is Thursday 29th March 2018.

This is the same as the deadline for the 'main' Pillar 3 returns to Lloyd's.

The primary contacts at Lloyd's for this return are as follows:

Paul Appleton (Paul.Appleton@lloyds.com)

Senior Manager, Accounting Policy

Lloyd's Market Finance

+44 (0)20 7327 6433

Eleanor Gibson (Eleanor.Gibson@lloyds.com)

Class of Business

Lloyd's Performance Management

+44 (0)20 7327 5593

1.8 CYBER

As communicated on 18th October 2017, there is a change to Lloyd's cyber-attack reporting for 2018.

For 2018 reporting, Lloyd's will remove scenario (2) and substitute the scenario developed in conjunction with Cyence, 'Cloud Service Provider Hack'. This follows consultation with the LMA Working Group.

All other reporting requirements remain unchanged. In particular:-

- as per 2017, Franchise Guidelines will not apply to Lloyd's cyber-attack scenarios for data-collection
- the requirement to report "syndicate's own 3" cyber-attack scenarios will remain (again with Franchise Guidelines not applying)
- the reporting frequency will continue to be half-yearly, aligned with the RDS and RDL returns

The current Realistic Disaster Scenario for Cyber will be unchanged for forecasting and in-force reporting. Franchise Guidelines will continue to apply.

If you have any questions about the scenario refresh, or any other cyber related queries, please contact Caroline Dunn (Caroline.Dunn@lloyds.com).

The Cyber return will be collected as part of the RDS and RDL supplementary information and via the 'Lloyd's Catastrophe Model' Secure Store.

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 is also 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, S.31.02).

For 2018 the SRS return is to be submitted to Lloyd's only twice, rather than the usual four times per annum.

Lloyd's recognises the need to create an optimal balance between achieving a robust risk based oversight framework and a cost efficient operating environment. To this end Lloyd's has decided to pilot moving to a bi-annual rather than quarterly reporting frequency for the SRS return. As a result we have chosen to suspend the requirements for a Q2 2018 and a Q4 2018 return.

Managing agents should however consider this to be a temporary suspension for 2018, as we will review the suspension annually and will move back to a quarterly reporting frequency if it is felt that the bi-annual reporting no longer enables adequate oversight.

The 2018 reporting dates are as follows:

Name	As-at date	Date return open in CMR	Reporting Deadline date	Via
SRS Q1	1 January 2018	1 January 2018	Noon, Thursday 22 February 2018	CMR
SRS Q2	1 April 2018	Not required for 2018	N/A	N/A
SRS Q3	1 July 2018	2 July 2018	Noon, Thursday 19 July 2018	CMR
SRS Q4	1 October 2018	Not required for 2018	N/A	N/A

SRS Q1 2018

The core data and reporting requirements for this return will follow that of the Q4 2017 return. However it is important to note that changes to some of the following are planned to be made to improve the quality of the information provided:

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

SRS instructions to support the Q1 2018 return will be issued in early December 2017.

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 2018. As a result the reporting requirements and guidance and instructions for the SRS will continue to 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 2017 and 2018 returns has been amended to strengthen the quality and consistency of the information reported. A separate Market Bulletin for the Q4 2017 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 directed 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 are 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 forms part of the wider Lloyd's ASR return.

The instructions for the 31st December 2017 ASR shall be issued by Lloyd's Market Finance in November 2017.

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.

2.4 ANNUAL RELATED PARTY DISCLOSURES AND DECLARATION – OUTWARDS REINSURANCE

As outlined in the Performance Management Consolidated Requirements and Guidance, Lloyd's requires managing agents to disclose Related Party and Other Transactions which may give rise to a conflict of interest, for each current year of account and those envisaged for the prospective year of account.

Contained within this return is a specific Outwards Reinsurance reporting requirement which is to be completed for each syndicate managed by a managing agent. This applies to live, run-off and special purpose arrangement syndicates.

All Related Party Disclosures and Declarations should be submitted to the 'Related Parties Disclosure' Secure Store.

The deadline for completion is Thursday 29th March 2018.

The instructions for the "2018 Related Party Disclosures and Declaration" submission will be issued by Lloyd's Performance Management Directorate in Q1 2018.

Any Outwards Reinsurance specific technical questions on this return should be directed to:

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

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.

Following discussions between Lloyd's International Regulatory Affairs, Lloyd's Risk Aggregation and OSFI, the 2018 return will state the percentage of business that is Canadian regulated, and will also include PTIVs for Canadian regulated business that is outside of Canada. Guidance on how these are to be calculated will be provided with the submission documentation.

This data will be collected as part of the RDS and should be submitted to 'Lloyd's Catastrophe Model' Secure Store.

3.2 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 1st March 2016.

As outlined in the War & NCBR 2018 SBF Guidance and Instructions (EM Ref 237), 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 2018.

This data will be collected as part of the RDS Supplementary Information and should be submitted to 'Lloyd's Catastrophe Model' Secure Store.

3.3 NEW ZEALAND EARTHQUAKE RETURN

The Reserve Bank of New Zealand (RBNZ) requires regulated entities in New Zealand 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.

This data will be collected as part of the RDS Supplementary Information and should be submitted to 'Lloyd's Catastrophe Model' Secure Store.

3.4 SOUTH AFRICAN ORSA

As part of Lloyd's ORSA reporting in South Africa, we are required to provide an indication of the market's exposure to earthquake risk in that region.

In July 2016 Lloyd's conducted an out of cycle data collection due to the timing of the ORSA submission. From 2018 this return will form part of the RDS Supplementary Information and should be submitted to 'Lloyd's Catastrophe Model' Secure Store.

Managing agents will be required to report static property exposures to South African earthquake, aggregated by CRESTA zone, as at 1st January 2018.

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 section 1.2 above are required to submit returns. Forecast material exposures for 2018 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 David Clouston or any member of the Risk Aggregation team.

David Clouston

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