

Market Bulletin

Ref: Y5176

Title 2019 Capital and Business Planning process

Purpose To update managing agents on the 2019 syndicate business planning process and timetable for all syndicates.

Type Scheduled

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The Capital and Planning Group (CPG) and Lloyd's Market Association (LMA) have worked together to gather feedback from the market on last year's CPG process to make improvements to the business planning process.

This bulletin will provide guidance on the following:

1. 2019 High Level Plan (HLP) data
2. 2019 Business Planning process:
 - 2.1 Syndicate Business Planning Forecast (SBF) return
 - 2.2 New business planning requirements for Lloyd's Insurance Company SA
 - 2.3 Lloyd's Catastrophe Risk Framework
3. Interaction with the capital setting process (SCRs)
4. Additional information and contacts
5. Guidance and deadlines for 2019 templates and returns

1. 2019 High Level Plan (HLP)

The 2019 HLP data collection is mainly unchanged (see appendix 1), and will include eight key metrics at a whole account level.

Specific data will be required from:

- Syndicates that are planning to underwrite via the Lloyd's Europe distribution channel: to provide 2019 estimated gross premium figures. More details about Lloyd's Europe distribution channel in section 2.2.
- Syndicates with members' capital: to provide 2019 estimated Investment return figures.

2. 2019 Business planning process

2.1 2019 Syndicate Business Forecast (SBF) return

As communicated in the Market bulletin Y5172, the SBF return is part of the first set of returns to migrate from the existing Core Market Returns (CMR) onto the new Market Data Collection (MDC) platform.

As part of this project, a number of improvements have been made for the initial release in July. We hope these amendments will simplify the process and reduce the time required to complete the SBF return:

- A number of enhancements have been delivered in the MDC:
 - A more dynamic interface based on excel (XLS) has been developed to simplify and make it easier to create, maintain and amend a new/existing business plan.
 - Supplementary Document (Form 990) is no longer required – the new document upload function within the MDC will allow documents to be attached to each return.
 - A number of validations have been added to the SBF return to improve the quality of the data and reduce the number of interactions/ changes required post submission.
- Complete removal of the below forms:
 - “Analysis of admin expenses” (SBF 130).
 - “Source of business” (SBF 163).
 - “Geographical split of business – location of risk” (SBF 169).
 - “Geographical split of business – domicile of insurer” (SBF 169a).
 - “Investment return” (SBF 171).
 - “Cashflow” (SBF 350).
- Reduction of data collection in specific forms:
 - 1:200 Gross and Net Ultimate Loss ratio (GULR and NULR) at class of business level data will not be required in the “Loss ratio composition” form (SBF 117).
 - “New capacity” information will not be required in the “Capacity Information” (SBF420).
- New requirements for Lloyd's Insurance Company SA have been included.

The 2019 SBF Return should be based on Lloyd's planning exchange rates. These will be set as at end of June 2018 and will be communicated to managing agents in a Market bulletin on 2 July 2018.

2.2 New business planning requirements for Lloyd's Insurance Company SA

In order to support and facilitate Lloyd's commitment to doing business with our European partners, the SBF return has been amended to collect the relevant European business plan data. Please see <https://www.lloyds.com/news-and-risk-insight/lloyds-subsiidiary-in-brussels/lloyds-to-open-subsiidiary-in-brussels> for more information.

A new distribution channel has been added to the SBF return, labelled 'Europe' and the following SBF forms will need to be completed under the new distribution channel:

- Risk Code Mapping of Classes of Business (SBF051).
- Forecast Technical Account - Europe (SBF100).
- Underwriting Performance Forecast – Europe (SBF105).
- Underwriting Controls (SBF443).

Data will be required for all direct business currently written in the 27 European Union and three European Economic Countries¹. This will enable Lloyd's Insurance Company SA to ensure it is adequately capitalised.

Data must be provided in the SBF at a Direct risk code level (SBF051) and all Marine Aviation and Transport (MAT) direct business is to be included.

As part of the final SBF submissions, syndicates will also be required to provide details of the Gross Written Premium (GWP) by their 'Class of Business' and 'Country – Location of Risk'.

A template will be available in the MDC platform to submit this data.

2.3 Lloyd's Catastrophe Risk Framework

There are two parts of the SBF process which relate specifically to catastrophe risk:

1. Projected catastrophe losses changes: Form SBF452 contains projected catastrophe losses on both a probabilistic and a deterministic basis (AEP 1-in-30 and Realistic Disaster Scenarios (RDS) respectively).

¹ The countries within the EU/EEA affected are as follows: Austria, Belgium, Bulgaria, Croatia, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Italy, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, and Sweden. In addition the risk locator tool on Crystal provides guidance on EEA business (Europe (Lloyd's Insurance Company SA)).

2. Lloyds' Catastrophe Modelling (LCM) forecast returns: LCM forecast returns do not form part of the SBF Return submitted in the MDC, but should be provided separately to Lloyd's Risk Aggregation. LCM forecast returns are an integral part of Lloyd's planning process. Therefore, material changes of planned catastrophe risk at any time may require LCM forecast returns to be re-submitted along with a revised SBF.

3. Interaction with the capital setting process and Solvency Capital Requirements (SCRs)

Syndicates are only required to submit one Lloyd's Capital Return (LCR) in September via the MDC.

Each submission should contain an SCR on a one-year and ultimate basis. Validation reports are also required for the capital review process.

4. Additional information and contacts

Should any unforeseen changes be required, the market will be kept informed through the LMA to ensure that appropriate actions can be taken within business planning timeframes.

Further detailed information on the capital setting process and requirements will be available via Market bulletins that are to be released in due course.

Any queries relating to this Market bulletin should be discussed with the relevant team or sent to the business plan mailbox: Lloyds-businessplans@lloyds.com or to the CPG secretariat: CPG@lloyds.com.

5. Guidance and deadlines for 2019 templates and returns

Data/Return	Template/Returns Availability	Deadlines (as relevant)		System
HLP data	HLP template and guidance available from end of May 2018		5 July 2018	Secure Store
Final SBF and LCR returns Validation report	Final SBF and LCR returns available from 16 July 2018	- Syndicates with spread member capital and Managing Agents with Special Purpose Arrangements (SPA) - Syndicates with member consolidation requirements	SBF - 6 September 2018 (by 1pm) LCR - 13 September 2018 (by 1pm) Validation report – 20 September 2018 (by 1pm)	MDC Validation report: SCRReturns@lloyds.com
		- Managing Agents with multiple syndicates if at least one is required to submit on 6 September - Syndicates with members who have Letter(s) of Credit (LoC) - Syndicates with dedicated single member corporate capital	SBF - 4 October 2018 (by 1pm) LCR - 4 October 2018 (by 1pm) Validation report – 11 October 2018 (by 1pm)	
New business planning requirements for Lloyd's Insurance Company SA	COB/Countries template available from 16 July 2018		Same as SBF	MDC
Lloyds' Catastrophe Modelling (LCM) forecast returns			Before/or at the same time of the SBF return	LCM Secure Store
2019 SBF instructions	Available from 16 July 2018			MDC
2019 SBF/ LCR exchange rates	Available from 16 July 2018			MDC
2019 CPG approval deadline		Non-aligned syndicate	16 October 2018	CPG approval letters
		Aligned syndicate	22 November 2018	
		Coming Into Line	30 November 2018	

Appendix 1

High level Plan data - 2019 business plan

July submission

Managing Agent: *[drop down list]*

Syndicate number: *[drop down list]*

	2019	Format
Gross Written Premium (GWP) £'000		(£'000)
Gross Ultimate Loss Ratio %		(%)
Reinsurance spend as a percentage of GWP %		(%)
Net ultimate loss ratio %		(%)
Admin expenses as a percentage of GWP %		(%)
Acquisition Costs as a percentage of GWP %		(%)
Net Underwriting results (Profit before investment) £'000		(£'000)
Combined Ratio %		(%)
Investment return*		(£'000)
Gross Written Premium (GWP) for Lloyd's Insurance Company SA £'000**		(£'000)

**Only required for syndicates with member consolidation requirements*

***Only required for syndicates that are planning to underwrite via the Lloyd's Europe distribution channel*