

Market Bulletin

Ref: Y5219

Title	2019 Market Returns to PMD Risk Aggregation
Purpose	To inform managing agents of the reporting deadlines for market returns to Lloyd's Risk Aggregation during 2019.
Type	Scheduled
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Date	10 December 2018
Deadline	Please see individual returns below
Related links	Business Timetable on Lloyds.com

PURPOSE

This bulletin is to advise managing agents of the 2019 reporting dates for market returns that are the responsibility of the Lloyd's Risk Aggregation team.

The returns in this Bulletin, along with any confirmed or likely future changes are:

1 Exposure Management

- Lloyd's Catastrophe Model [LCM] Quarterly Returns
No changes
- LCM Forecast Returns (including Cat Risk Sensitivity Tests and LCM/LCR AoC)
With syndicates now submitting forecast simulations instead of forecast factors, there is no longer a requirement to submit forecast factors with 1st January LCM returns. Instead syndicates should provide updated LCM 5 forecast simulations and Rest of World summary return period points with any change of planned catastrophe risk.
- Realistic Disaster Scenarios
The LMA has worked with the underwriting community to develop a new scenario for Political Risks, which is detailed in the Scenario Specifications document. Work has also commenced with respect to Liability exposure management, and this may lead to revised scenarios in future.

Political Risk Country Aggregate by Risk Code has been removed from the RDS Supplementary information template. Instead, Lloyd's Class of Business will be collecting a Credit Risk Return.

Further to recent events and the 2018 model completeness return, Risk Aggregation wishes to explicitly monitor US Flood risk. This has therefore been added to the Rest of World monitoring tab of the supplementary information template.

Also, the syndicate next top 5 region/perils will no longer have exclusions applied. I.e. the instruction to exclude territories already covered by the LCM, RDS or Lloyd's 'prescribed' region/perils will no longer apply.

To enhance Risk Aggregation's understanding of syndicates' own Cyber-Attack scenarios a free text field has been added for syndicates to provide a brief description.

- Annual Solvency II Return for Top 20 U/W Risks
Starting in 2019, to satisfy regulatory requirements, it is likely this return will be expanded to include a tab for Canadian specific risks.
- Cyber
No changes

2 Reinsurance

Instructions for the returns below have been updated, however the data collected remains unchanged.

- Syndicate Reinsurance Structure (SRS) Return
- Quarterly Monitoring Report – Part A (QMA) Forms 710u and 800u
- Quarterly Monitoring Report – Part B (QMB) Forms 100, 100s and 105s
- Annual Solvency Return (ASR) Form 290
- Annual Related Party Disclosures and Declaration – Outwards Reinsurance

3 Other

International Regulatory, Market Development and Emerging Risks initiatives that require supporting data collections during 2019.

- OSFI Earthquake Exposure Data Form
The 2019 return will continue to state the percentage of business that is Canadian regulated and will also include PTIVs for Canadian regulated business that is outside of Canada.
- War & NCBR
No changes
- New Zealand Earthquake Return
No changes
- South Africa ORSA
No changes
- Lloyd's Brussels
A Standard Formula Return for Lloyd's Insurance Company S.A. in Brussels will likely be required for 2020 business planning. Requirements for 2019 Lloyd's Brussels Exposure Management reporting are currently under review. Any additional data collection necessary will be discussed and issued to managing agents in due course.
- Credit Risk
New return (See section 3.6)

Managing agents should note that regulatory or market obligations may sometimes require additional reporting that could not have been scheduled in advance. For example, Risk Aggregation may need to collect further data from the market to complete the 2019 General Insurance Stress Test (GIST). We will try to let you know as far in advance as is possible.

For information about Secure Store, please visit [this link](#) on Lloyds.com.

1 EXPOSURE MANAGEMENT

1.1 AEP 1-IN-30 AND RDS FRANCHISE GUIDELINES

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 2019 SBF).

1.2 LLOYD'S CATASTROPHE MODEL QUARTERLY RETURNS

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 intention is to allow an extra week in the future, once all LCM returns are free from validation errors and require no manipulation by Lloyd's.

The 2019 reporting dates are as follows:

Name	As-at date	Reporting date	Via
LCM 1/1	1st January 2019	Noon, Thursday 21st February 2019	Secure Store
LCM 1/4	1st April 2019	Noon, Thursday 23rd May 2019	Secure Store
LCM 1/7	1st July 2019	Noon, Thursday 22nd August 2019	Secure Store
LCM 1/10*	1st October 2019*	Noon, Thursday 21st November 2019*	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 needs two LCM forecast returns in 2019.

- One set provides an updated view of 2019 forecasts (submitted if there is a change in planned catastrophe risk)
- The other provides 2020 forecasts for the 2020 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.

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 2019 reporting dates are as follows:

Name	Applied to	Reporting date	Via
Forecast Return (2019 update)		With resubmission of 2019 SBF	Secure Store
Forecast Return (2020 CPG)		2020 SBF submission date	Secure Store
Catastrophe-Risk Sensitivity Tests	latest 2020 LCR	2020 LCR submission date	Secure Store
LCM/LCR Analysis of Change	latest 2020 LCR	2020 LCR submission date	Secure Store

1.6 REALISTIC DISASTER SCENARIOS

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

The LMA has worked with the underwriting community to develop a new scenario for Political Risks, which is detailed in the Scenario Specifications document. Work has also commenced with respect to Liability exposure management, and this may lead to revised scenarios in future.

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 2019	Noon, Thursday 28 th March 2019	CMR
RDL	1st July 2019	Noon, Thursday 29 th August 2019	CMR

1.6.1 SUPPLEMENTARY INFORMATION

'Rest of World exposure monitoring' has been updated to include US Flood and the syndicate next top 5 region/perils will no longer have exclusions applied. I.e. the instruction to exclude territories already covered by the LCM, RDS or Lloyd's 'prescribed' region/perils will no longer apply.

'Cyber – syndicate scenarios' now includes a free text field for syndicates to provide a description of their scenarios.

Political Risk Country Aggregate by Risk Code has been removed.

The 'Supplementary Information' request 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.

Starting in 2019, to satisfy OSFI regulatory requirements, it is likely this return will be expanded to include a tab for Canadian specific risks.

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 Monday 18th March 2019.

1.8 CYBER

All reporting requirements remain unchanged. In particular: -

- as per 2018, 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.

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.

For 2019 the SRS return is to be submitted to Lloyd's twice.

The 2019 reporting dates are as follows:

Name	As-at date	Date return open in CMR	Reporting Deadline date	Via
SRS H1	1 January 2019	1 January 2019	Noon, Thursday 28 February 2019	CMR
SRS H2	1 July 2019	1 July 2019	Noon, Thursday 18 July 2019	CMR

SRS H1 2019

The core data and reporting requirements for this return will follow that of the Q3 2018 return.

SRS instructions to support the H1 2019 return will be issued in early December 2018.

Future Changes to SRS

It is possible that either the PRA or EIOPA may make further changes to the Solvency II Pillar 3 reporting requirements and guidance notes during 2019. 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.

2.2 QUARTERLY MONITORING REPORT – PART A (QMA) – FORMS 710U REINSURANCE RECOVERABLES AND FORM 800 MAJOR LOSSES

QMA Form 710u 'Reinsurance Recoverables' is the core Lloyd's submission for the reporting of UK GAAP based balance sheet reinsurance recoverables, by reinsurer.

QMA Form 800u 'Major Losses' is the core Lloyd's submission for the reporting of the estimated / actual level of reinsurance recoveries receivable for major losses.

The information provided is used to satisfy Lloyd's reporting and oversight requirements.

A separate Market Bulletin for the QMA returns to be submitted during 2019 will be issued separately by Lloyd's Market Finance.

The QMA is managed by Lloyd's Market Finance team, but any technical reinsurance questions on the QMA 710u or 800u forms should be directed to Chris Wallings.

2.3 QUARTERLY MONITORING REPORT – PART B (QMB)

QMB Forms 100, 100s and 105s are the core Lloyd's submissions for the reporting of Year of Account estimates / actual outwards reinsurance premiums, commission and recoveries.

The information provided is used to satisfy Lloyd's reporting and oversight requirements.

The QMB is managed by Lloyd's Market Finance and Operations team, but any technical reinsurance questions on the QMB should be directed to Chris Wallings.

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

Lloyd's are required to report syndicate-level Reinsurance Recoverables on a Solvency II Balance Sheet basis to the PRA. The reporting of this information forms part of the wider Lloyd's ASR return.

The instructions for the 31st December 2018 ASR shall be issued by Lloyd's Market Finance in November 2018.

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.

2.5 ANNUAL RELATED PARTY DISCLOSURES AND DECLARATION – OUTWARDS REINSURANCE

As outlined in the [Performance Management Supplemental 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 28th March 2019.

The instructions for the "2019 Related Party Disclosures and Declaration" submission will be issued by Lloyd's Performance Management Directorate in Q1 2019.

Any Outwards Reinsurance specific technical questions on this return should be directed to Chris Wallings.

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.

The 2019 return will continue to 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 2019 SBF Guidance and Instructions (EM Ref 247), 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 2019.

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.

Since 2018 this return has formed 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 2019.

3.5 LLOYD'S BRUSSELS

3.5.1 STANDARD FORMULA RETURN

A Standard Formula Return for Lloyd's Insurance Company S.A. in Brussels will likely be required for 2020 business planning and should be submitted in September 2019, via Secure Store.

This return was first collected from the market in September 2018.

The purpose of this return is to collect data which will allow Lloyd's Brussels to complete a Standard Formula solvency capital calculation for 2020.

The return is compulsory for all syndicates except Special Purpose Arrangements, which are exempt.

Managing agents must submit nil returns in respect of any syndicates (other than SPAs) that do not intend to underwrite through Lloyd's Brussels in 2020.

3.5.2 EXPOSURE MANAGEMENT REPORTING

Requirements for 2019 Lloyd's Brussels Exposure Management reporting are currently under review. Any additional data collection necessary will be discussed and issued to managing agents in due course.

3.6 CREDIT RISK

Lloyd's requires syndicates to understand and monitor potential accumulation risk arising from Credit Risk exposures. This collection is on behalf of the Class of Business team at Lloyd's; please direct any questions to ClassofBusinessReview@lloyds.com.

Only syndicates writing or planning to write GWP of GBP 10 million or more in risk codes CR, CF, FG and FM combined should submit the template.

Exposures to be reported are as at 1st January and 1st July and will therefore be collected at the same time as the RDS returns via Secure Store. Likewise, the template and guidance will be issued at the same time as the RDS.

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 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 the following:

Any Outwards Reinsurance questions should be directed to:

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

Any Exposure Management questions should be directed to:

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Any Lloyd's Catastrophe Model questions should be directed to:

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