

Market Bulletin

Ref: Y5272

Title	2020 Market Returns to PMD Risk Aggregation
Purpose	To inform managing agents of the reporting deadlines for market returns to Lloyd's Risk Aggregation during 2020.
Type	Scheduled
From	Kirsten Mitchell-Wallace, Head of Risk Aggregation Performance Management Directorate
Date	17 December 2019
Deadline	Please see individual returns below
Related links	www.lloyds.com/businessst timetable

This bulletin is to advise managing agents of the 2020 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
Syndicates will be asked to confirm their in-force LCM 5, 1 in 200, FNL figure within the summary statistics spreadsheet.
- LCM Forecast Returns (including Cat Risk Sensitivity Tests and LCM/LCR Analysis of Change)
Syndicates are required to provide updated LCM 5 forecast simulations and Rest of World summary return period metrics with any change of planned catastrophe risk.

- **Realistic Disaster Scenarios**

New Cyber and Liability scenarios are in development and will be communicated as part of the 01/07/2020 RDL data collection.

For the 01/01/2020 RDS return, the supplementary information will include a new California Wildfire exposure data collection at County level.

For the 01/07/2020 RDL return, a new NCBR data collection will be required as well as Lloyd's Brussels EU CRESTA Aggregates for Flood and Earthquake.

Following discussions with the LMA, the Nigeria Political Risk Scenario has been discontinued due to heavy overlap with the Oil Price Collapse Scenario that was introduced in 2019, as well as the continued reduction in Nigerian exposures since this RDS was originally introduced.

- **Annual Solvency II Return form - Top 20 U/W Risks**

Amended deadline of 10 March 2020. Return for 2020 will specifically include risks written through Lloyd's Brussels.

- **Treatment of Outwards Reinsurance recoveries for RDS and LCM reporting**

Where a Syndicate has suffered prior losses which have eroded the outwards reinsurance programme(s), please ensure this is reflected in in-force reporting. If replacement cover ("back-ups") has been purchased with policy dates that include the in-force reporting date, then these should be included; if replacement cover is yet to be placed but is intended to cover the in-force reporting date, then this should be reported separately from the main return (i.e. via email)

2 Reinsurance

- **Syndicate Reinsurance Structure (SRS) Return**

No material changes other than H1 2020 submission date.

- **Quarterly Monitoring Report – Part A (QMA) Forms 710u and 800u**

No material changes to the Outwards Reinsurance elements.

- **Quarterly Monitoring Report – Part B (QMB) Forms 100, 100s and 105s**

No material changes to the Outwards Reinsurance elements.

- **Annual Related Party Disclosures and Declaration**

Changes will be being made to the data requirements and guidance notes.

3 Other

International Regulatory and Market Development initiatives that require supporting data collections during 2020.

- OSFI Earthquake Exposure Data Form
No changes.
- War & NCBR
No changes.
- New Zealand Earthquake Return
No changes.
- South Africa ORSA
No changes.
- Lloyd's Brussels
No changes to the Standard Formula Return.
- Credit Risk
No changes.

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

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 1 October submission is subject to a 'materiality of change' threshold.

The reporting day is always the penultimate Thursday of the month. In future, this may be extended by an extra week, once all LCM returns are free from validation errors and require no manipulation by Lloyd's.

The 2020 reporting dates are as follows:

Name	As-at date	Reporting date	Via
LCM 1/1	1 January 2020	Noon, Thursday 20 February 2020	Secure Store
LCM 1/4	1 April 2020	Noon, Thursday 21 May 2020	Secure Store
LCM 1/7	1 July 2020	Noon, Thursday 20 August 2020	Secure Store
LCM 1/10*	1 October 2020*	Noon, Thursday 19 November 2020*	Secure Store *

* The 1 October submission is only required if movement in estimated losses since 1 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 will require two LCM forecast returns in 2020.

- One set provides an updated view of 2020 forecasts (submitted only if there is a change in planned catastrophe risk)
- The other provides 2021 forecasts for the 2021 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 and is 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 return and LCR Form 313.

The 2020 reporting dates are as follows:

Name	Applied to	Reporting date	Via
Forecast Return (2020 update)		With resubmission of 2020 SBF	Secure Store
Forecast Return (2021 CPG)		2021 SBF submission date	Secure Store
Catastrophe-Risk Sensitivity Tests	latest 2021 LCR	2021 LCR submission date	Secure Store
LCM/LCR Analysis of Change	latest 2021 LCR	2021 LCR submission date	Secure Store

1.6 Realistic Disaster Scenarios

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

Development work in respect of both Cyber and Liability exposure management, may lead to revised scenarios for the 01/07 reporting.

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	1 January 2020	Noon, Thursday 26 March 2020	CMR
RDL	1 July 2020	Noon, Thursday 27 August 2020	CMR

1.6.1 Supplementary Information

From 01/01/2020 the supplementary information template will include a section for California Wildfire exposures (exposed limits / aggregates), at county-level resolution.

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

From 01/07/2020 the intention is to implement a new NCBR data collection and the requirements will be outlined in due course.

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 similar to 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.

As in 2019, to satisfy OSFI regulatory requirements, this return includes a tab for Canadian specific risks.

For 2020, as part of Solvency II Pillar 3 reporting, this return will specifically include Lloyd's Brussels 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 Tuesday 10 March 2020.

1.8 Cyber

For 01/01/2020 reporting, all current requirements remain unchanged. In particular: -

- Franchise Guidelines do 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 and contained within the Supplementary Information

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

Revised Cyber scenarios will be introduced with effect from 01/07/2020 reporting.

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 2020 the SRS return is to be submitted to Lloyd's twice.

Please note that the reporting deadline for the SRS Q1 has been brought forward by one week to the third week in February. This change is needed so that we can continue to meet the PRA reporting deadlines which have been brought forward over the last two years.

Important note: Whilst the reporting deadline for the SRS Q1 is 20 February 2020, we would ask that managing agents where possible submit on the 13 February 2020. This is to allow us more time to validate the submissions received and allow more time for any potential resubmissions in advance of the PRA reporting deadline.

The 2020 reporting dates are as follows:

Name	As-at date	Date return open in CMR	Reporting Deadline date	Via
SRS Q1	1 January 2020	2 January 2020	Noon, Thursday 20 February 2020	CMR
SRS Q3	1 July 2020	1 July 2020	Noon, Thursday 23 July 2020	CMR

SRS Q1 2020

The core data and reporting requirements for this return will largely follow that of the Q3 2019 return. Some changes to the guidance notes are being made.

SRS instructions to support the Q1 2020 return will be issued in December 2019.

Future Changes to SRS

It is possible that the PRA may make further changes to the Solvency II Pillar 3 reporting requirements and guidance notes during 2020. 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 2020 will be issued separately by Lloyd's Market Finance.

Whilst the overall QMA return is not managed by Risk Aggregation any technical Outwards 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.

Whilst the overall QMB return is not managed by Risk Aggregation any technical Outwards Reinsurance questions on the QMB should be directed to Chris Wallings.

2.4 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 26 March 2020.

The instructions for the "2020 Related Party Disclosures and Declaration" submission will be issued by Lloyd's Performance Management Directorate in Q1 2020.

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 2020 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 1 March 2016.

As outlined in the War & NCBR 2020 SBF Guidance and Instructions (EM Ref 289), 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 1 January 2020.

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 30 June and 31 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 1 January 2020.

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 again be required for 2021 business planning and should be submitted in August 2020, via Secure Store.

The purpose of this return is to collect data which will allow Lloyd's Brussels to complete a Standard Formula solvency capital calculation for 2021.

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 2021.

Likewise, a year-end 2020 Standard Formula Return will be required in November 2020. The purpose of this return is to collect data for year-end reporting.

3.5.2 Exposure Management Reporting

Requirements for 2020 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 1 million or more in risk codes CR, CF, FG and FM combined should submit the template.

Exposures to be reported are as at 1 January and 1 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

Lloyd's requires that returns are correctly completed and submitted on time. Where returns are submitted late, are inaccurate or incomplete then this can put at risk the ability of Lloyd's teams to meet business timetable service levels, prepare aggregate market level data or meet reporting deadlines for the submission of data to UK or overseas regulators.

An updated Lloyd's policy has been issued under [Market Bulletin Y5265](#) and this sets out the approach to the imposition of fines for late, inaccurate or incomplete returns to Lloyd's.

This Market Bulletin includes but is not limited to the Lloyd's SRS, RDS and RDL returns.

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 and RITC syndicates with in-force outwards reinsurance &/or balance sheet reinsurance recoverables and open years of account 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:

Outwards Reinsurance questions should be directed to:

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