LLOYD'S

Lloyd's Line of Business Mapping Process

Frequently Asked Questions v1.0

LLOYD'S

Contents

1. Version Control

Version	Question	Date	Comments
1.0	All	July 2024	Initial Release

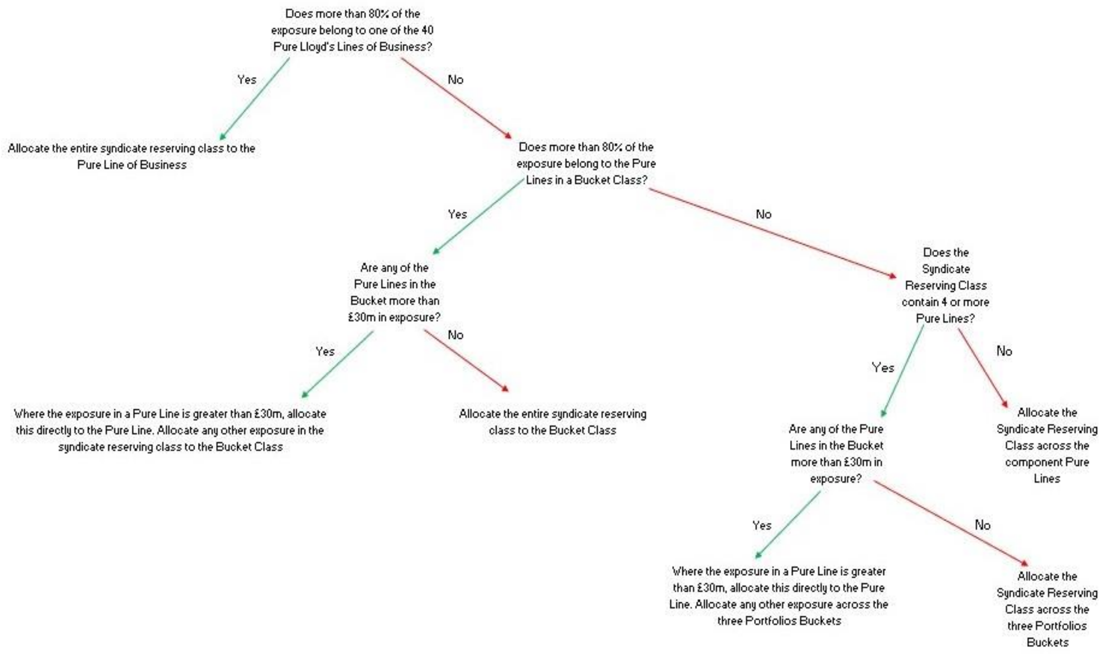
2. Mapping Process

The flowchart below illustrates the mapping process that this sheet performs.

Key points to note:

- Mapping is on a 'best efforts' basis, so we look for at least 80% of a Syndicate Reserving Class exposure to be mapped to a single place.
- 'Exposure' should be a suitable way of measuring the business mix – common choices would be premium or claims.
- The 'rules' in the flowchart below do not need to be applied strictly – you can make exceptions where you judge appropriate.

Commented [RW1]: Remove reference to sheet here i.e.'The 'rules' in the flowchart below do not need to be applied strictly - you can make exceptions where you judge appropriate'



3. Glossary of terms

Term	Definition
RRQ	Reserving Return Quarterly (replaces GQD, previously known as ROD-Q)
RRA	Reserving Return Annual (replaces TPD, previously known as ROD-A)
LOB	LOB – Lloyd's Line of Business (supersedes Lloyd's Generic Class of Business)
Pure Line / Pure LOB	LOBs that contain a single type of business
Buckets	LOBs that contain a mixture of types of business

4. Frequently Asked Questions

Q1. How should we map classes that are changing a lot over time?

Commented [RW2]: This has a lot of overlap with Q1 - potentially we can merge them? i.e. change the question to 'How should we handle classes that are changing a lot over time? Should we base the mapping entirely on the latest YOA?'

We expect reserving classes to be homogenous enough that they will not frequently be re-mapped. Fluctuations in the exact percentages of the class belonging to the chosen Lines of Business (LOB) lines are to be expected and we do not expect mappings to change because of this.

In particular, we don't want classes to move due to marginal breaches, as long as the breach does not indicate a longer-term trend. However, we recommend you consider the latest YOA in case there is a change in underwriting that you expect to continue. For example:

1. Reserving Class 1 had 88% D&O in 2021, 76% D&O in 2022, 81% D&O in 2023. You can keep this class in D&O consistently.
2. Reserving Class 2 had 88% D&O in 2021, 76% D&O in 2022, 60% D&O in 2023, and your underwriters have said the business mix will continue to be less D&O heavy in the future. That is a situation where you may need to reconsider the mapping i.e. is it now better suited to the Professional Liability Bucket?

If you have a Reserving Class that is constantly changing significantly in terms of business mix, it is may be better suited to a Bucket or a Portfolios Bucket. In the original template, we requested at least three YOA so that you could see the general trend of the class mix over time.

Q2. Do we have to use premium to determine Syndicate Reserving Class to Lines of Business mappings?

The exact data you want to use to determine mappings is not specified by Lloyd's - you can use any measure of exposure (premium, incurred claims etc) so long as it is reasonable and comprehensive. Some measures of exposure may provide a more stable view of class composition overtime, and therefore be more helpful for mapping.

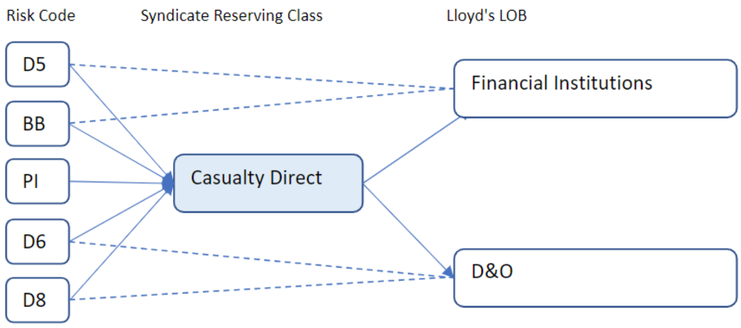
In particular, we would recommend using a measure other than premium for classes that are in run-off.

Q3. We have a Reserving Class that needs to be allocated. How do we determine what percentage of measures (i.e. premiums, reserves, incurred but not reported) should be assigned to each Line of Business? Should we use the same proportions for every measure?

If you need to allocate a Reserving Class across Lines of Business, the same Lines of Business should be reported in every form (i.e. you should not allocate the Reserving Class across 2 Lines of Business for premium, but 3 Lines of Business for incurred claims).

When allocating data measures (i.e. premiums, paid claims) you can do this by risk code since risk code is already being collected in these forms. A simple example of this, where a reserving class has risk codes from just two Lines of Business, is shown in Diagram 1.

Diagram 1



For Estimates, a Reserving Actuary should review and select a suitable allocation of the IBNR and Ultimates. We would recommend a single selection for all Years of Account, but there is the option to use a different allocation for specific Years of Account if needed.

Q4. What about if we have a Reserving Class that needs allocating, but it contains risk codes from Lines of Business we are not allocating across?

If you have small amounts of risk codes from Lines of Business you are not allocating across, you can choose any sensible place to put them.

You may wish to use different approaches for different Reserving Classes. Possible approaches could be:

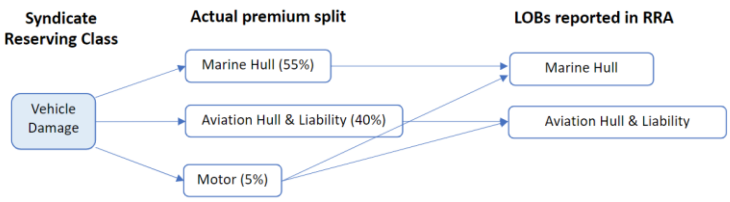
- Assigning these small risk codes to the largest Lines of Business you are allocating to
- Assigning these small risk codes to the most similar Lines of Business out of the Lines of Business you are allocating to
- Dividing these small risk codes equally across all Lines of Business you are allocating to
- Dividing these small risk codes proportionally across all Lines of Business you are allocating to

Q5. We need to allocate a Reserving Class, but different exposure measures indicate different allocations – which should we use?

You may find that an allocation that is appropriate for a Reserving Class when you look at Premiums is not appropriate if you consider another measure such as Incurred Claims. The Lines of Business you report for a Reserving Class should be the same in every form, so you must choose an allocation that works for every form, even if it means reporting extra rows.

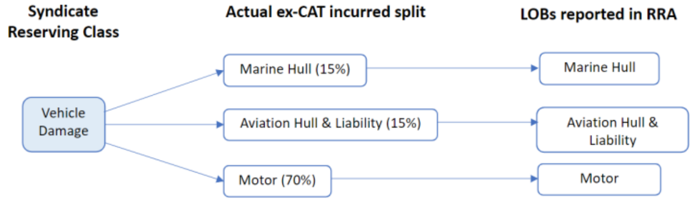
For example, suppose you have a Syndicate Reserving Class called 'Vehicle Damage' Diagram 1 shows the Premium split for Vehicle Damage – it is a mixture of Marine Hull, Aviation Hull & Liability, with a small amount of Motor Risk codes. Based on the premium split, it seems logical to allocate between Marine Hull and Aviation Hull only.

Diagram 2



In Diagram 2, we can see the majority of incurred claims for the same Vehicle Damage class belong to the Motor component. It is therefore important to report the Motor component as separate **in every form** including Premiums, even though it only makes up 5% of the premiums.

Diagram 3



Q6. How do the reserving class tag work?

Reserving Class tags are designed to collect metadata about Reserving Classes **without extra allocations or class splits.** It is useful for Lloyd’s to collect this information so that we can do detailed analysis of subgroups (i.e. looking at US property on its own), but we are aware that Reserving Classes are not always split by Region or Energy type.

This is why we have provided the option of ‘Worldwide’ instead of just ‘US’/’non-US’ and ‘Mixed’ instead of just ‘Onshore’/’Offshore’ – if your class is genuinely a mix, that is how you should tag it.

There are no strict rules about how to assign tags. The best way to determine a Reserving Class tag for a relevant class is to consider how the class is viewed internally. If you have a Property Class with a mixture of US and Canada property, do you think of it as fundamentally a US book of business? If so, tag it as US – otherwise, tag it as Worldwide.

Q7. How frequently do we need to review our class mapping?

You should review your class mappings every year before you submit the RRA (Reserving Return Annual).

We expect that the process will take longer in the first year and if you make a significant change to your reserving segmentation. If your segmentation has not changed, subsequent years you should be able to just quickly review that the class mappings are still appropriate.

The only exception to this is where there are allocations of IBNR/Ultimates – these should be reviewed every year by an Actuary to confirm the allocations are still appropriate.

Q8. Should we exclude CAT data when determining class mappings?

Yes, data used to determine class mappings should be ex-CAT.

We’ll be using Lloyd's Line of Business data and estimates to analyse ex-CAT experience, where ex-CAT data and estimates will be determined as the difference between the aggregate figures provided and CAT figures provided, at Lloyd's Line of Business Level. We therefore require the ex-CAT component of your reserving class to be assigned to a reasonable and appropriate Lloyd's Line of Business i.e. your reserving class should be mapped to a Lines of Business based on its ex-CAT profile/risk code composition.

The fact that this allocation may not suit the overall reserving class with CAT data included is not an issue because we’ll extract the CAT components and analyse them separately on a CAT-by-CAT basis (rather than by Lines of Business). We hope that excluding the CAT from the mapping determination should help reduce the difference in class composition between different years of account.