

Market Bulletin

Ref: Y5389

Title	2023 Market Returns to Exposure Management and Outwards Reinsurance
Purpose	To inform managing agents of the reporting deadlines for market returns to Lloyd's Exposure Management and Outwards Reinsurance during 2023.
Type	Scheduled
From	Kirsten Mitchell-Wallace, Director of Portfolio Risk Management, Markets
Date	13 December 2022
Deadline	Please see individual returns below
Related links	www.lloyds.com/business timetable

Introduction

This bulletin is to advise managing agents of the 2023 reporting dates and outline technical content updates for market returns and/or individual forms that are the responsibility of either the Lloyd's Exposure Management and/or Outwards Reinsurance teams.

Reporting deadlines for Exposure Management and Outwards Reinsurance will also be available via the Lloyd's Business Timetable under the category 'Portfolio Risk Management'.

The returns in this bulletin, along with any confirmed or likely future changes (*in italics*) are:

1 Exposure Management

- Lloyd's Catastrophe Model [LCM] Quarterly Returns - As before, syndicates will be asked to confirm their in-force LCM5, 1 in 200 AEP, FNL figure within the summary statistics spreadsheet. For the 1 October LCM return, each syndicate should submit a Nil return declaration in the event that loss movements do not exceed 'materiality of change' thresholds. *The Caribbean, Mexico and Canada should now be fully represented within Atlantic Basin Tropical Cyclone for all LCM reporting. Where syndicates represent elements of natural catastrophe risk within their Internal Models but not currently within the LCM (for example, loss contributions classified as 'attritional' or 'single large loss') Lloyd's expects that syndicates will make every effort to include these within the LCM submissions for both LCM5 region perils, and Rest of World, within a reasonable timeframe. Syndicates are reminded to notify their Exposure Management Manager if the in-force LCM5 1:200 FNL is anticipated to exceed their forecast prior to submission.*
- LCM Forecast Returns (including Cat Risk Sensitivity Tests and LCM/LCR Analysis of Change) - As before, syndicates are required to provide updated LCM5 forecast simulations and Rest of World summary return period metrics with any change in planned catastrophe risk. *Syndicates must ensure that LCM5 forecast simulations are consistent with the LCM5 1:200 AEP FNL figure provided for purposes of calculating the Catastrophe Risk Appetite (CRA).*
- Realistic Disaster Scenarios

Political Risk Scenarios

Lloyd's and the LMA Political Risk & Credit panel have reviewed the guidance and various updates have been made to the 2023 version.

The Russian Federation scenario has been discontinued and a new China/Taiwan scenario has been added.

All changes will be outlined in more detail in the guidance document to follow.

Cyber Scenarios

All Lloyd's Cyber scenarios are now compulsory, including the Major Data Security Breach scenario.

In line with the updated 2022 RDL Guidance & Instructions, syndicates may supply the results of their own Major Data Security Breach scenario as an alternative to using the calculation methodology prescribed by Lloyd's. Where this option is taken up, additional narrative relating to scenario parameters should be provided.

Liability Scenarios

All six Lloyd's Liability Scenarios will be reported within Supplementary Information alongside the RDS and RDL returns in 2022. Reporting will continue to include both underwriting losses and earned reserve impact estimates.

- Annual Solvency II Return – Top 20 U/W Risks
Deadline of 10 March 2023. As before, the return for 2023 will specifically include risks written through Lloyd's Europe.

2 Reinsurance

- Syndicate Reinsurance Structure (SRS) Return
No changes to data requirements; very minor updates in instructions & guidance.
- Quarterly Monitoring Report – Part A (QMA) Form 710u
No changes are expected to data requirements and guidance notes; further details will be issued prior to the next submission.
- Quarterly Monitoring Report – Part A (QMA) Form 800u
No changes are expected to data requirements and guidance notes; further details will be issued prior to the next submission.
- Quarterly Monitoring Report – Part B (QMB) Forms 100, 100s and 105s
No changes to the Outwards Reinsurance data requirements.
- Annual Related Party Disclosures and Declaration – Outwards Reinsurance Forms
Changes may be made to the data requirements and guidance notes; further details will be issued in February 2023.

3 Other

International Regulatory and Market Development initiatives that require supporting data collections during 2023.

- *Nuclear Liability Written at Lloyd's - Exposure Data Collection*
For syndicates that wish to write nuclear liability risks in the 30 year NV risk code, there will be additional reporting requirements in 2023 in line with Market Bulletin [Y5377](#) issued by Tony Chaudhry on 21 July 2022. In-force exposure reporting will be required alongside the RDS and RDL returns within the Supplementary Information template. Instructions for this reporting will be provided with the RDS documentation in January 2023. [https://assets.lloyds.com/media/35215e07-5a08-42a3-bb77-d0550f3cbd2a/Y5377 - Nuclear Liability Written at Lloyd's .pdf](https://assets.lloyds.com/media/35215e07-5a08-42a3-bb77-d0550f3cbd2a/Y5377-Nuclear%20Liability%20Written%20at%20Lloyd's.pdf)
- OSFI Earthquake Exposure Data Form
No changes.

- War & NCBR
No changes.
- New Zealand Earthquake Return
No changes.
- South Africa ORSA
No changes.
- Lloyd's Europe
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.

1 EXPOSURE MANAGEMENT

1.1 RDS Franchise Guidelines

Lloyd's Franchise Guidelines are as follows:

Projected and in-force loss estimates for Realistic Disaster Scenarios (except Alternative A&B scenarios) 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 in-force returns

The Lloyd's Catastrophe Model [LCM] Quarterly Return is submitted directly to Exposure Management & Aggregation via the SecureShare 'Catastrophe Risk Returns' share site.

As before, the 1 October submission is subject to a 'materiality of change' threshold.

Where syndicates' results do not meet this threshold, syndicates are required to provide confirmation of this as a 'Nil return' to Lloyd's Exposure Management, via a simple declaration form to be uploaded to SecureShare.

The reporting day is always the penultimate Thursday of the month.

Syndicates must ensure that their LCM is a complete representation of risk.

The 2023 reporting dates are as follows:

Name	As-at date	Reporting date	Via
LCM 1/1	1 January 2022	Noon, Thursday 16 February 2023	SecureShare
LCM 1/4	1 April 2022	Noon, Thursday 18 May 2023	SecureShare
LCM 1/7	1 July 2022	Noon, Thursday 24 August 2023	SecureShare
LCM 1/10*	1 October 2022*	Noon, Thursday 23 November 2023*	SecureShare*

* A Nil return declaration is required to be submitted where 'materiality of change' thresholds are not met.

All LCM and associated returns should be submitted via the SecureShare 'Catastrophe Risk Returns' site.

1.3 Lloyd's Catastrophe Model forecast return

Lloyd's will require two LCM forecast returns in 2023.

- One provides an updated view of 2023 forecasts (submitted only if there is a change in planned catastrophe risk)
- The other provides 2024 forecasts for the 2024 business planning and capital-setting process.

All forecasts of syndicate estimated losses into the prospective calendar year should be consistent with the equivalent Syndicate Business Forecast [SBF], 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 2023 reporting dates are as follows:

Name	Applied to	Reporting date	Via
Forecast Return (2023 update)		With resubmission of 2023 SBF	SecureShare
Forecast Return (2024 CPG)		2024 SBF submission date	SecureShare
Catastrophe Risk Sensitivity Tests	latest 2024 LCR	2024 LCR submission date	SecureShare
LCM/LCR Analysis of Change	latest 2024 LCR	2024 LCR submission date	SecureShare

1.6 Realistic Disaster Scenarios

In-force Realistic Disaster Scenarios are submitted to Lloyd's via CMR twice per year.

The reporting day is the final Thursday of the relevant month. The RDS and RDL return dates for 2023 are as follows:

Name	As-at date	Reporting date	Via
RDS	1 January 2023	Noon, Thursday 30 March 2023	CMR
RDL	1 July 2023	Noon, Thursday 31 August 2023	CMR

1.6.1 Supplementary Information

All six Lloyd's Liability Scenarios will continue to be reported as part of the RDS and RDL supplementary information for 2023. Reporting will continue to include both underwriting losses and earned reserve impact estimates.

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 2022, to satisfy OSFI regulatory requirements, this return includes a tab for Canadian specific risks.

As in 2022, as part of Solvency II Pillar 3 reporting, this return will specifically include Lloyd's Europe risks.

Further guidance on the selected Unique Market References will follow and the completed template should be submitted via the SecureShare – 'Catastrophe Risk Returns' site / ASR251 Form.

The deadline for completion is Friday 10 March 2023.

1.8 Cyber

Four compulsory Lloyd's Cyber RDS are required as part of the 2023 RDS and as per Form 452 of the 2023 SBF.

- Major Data Security Breach
- Business Blackout II
- Ransomware Contagion
- Cloud Cascade

Additional syndicate Cyber scenarios will also be collected in the RDS Supplementary Information return via the SecureShare 'Catastrophe Risk Returns' Share site.

The syndicate Cyber scenarios reported must be *different* to Lloyd's Cyber RDS.

1.9 Liability

Lloyd's six Liability Scenarios will be reported within Supplementary Information alongside the RDS and RDL returns in 2023. Reporting will continue to include both underwriting losses and reserve impact estimates.

Lloyd's Liability Scenarios are *not* subject to *de minimis* thresholds, and all syndicates should complete the return.

Syndicates are required to submit Liability A & B RDS losses only where losses are not *de minimis*. Liability A & B RDS should be *different* to Lloyd's Liability scenarios.

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 2023 the SRS return is to be submitted to Lloyd's twice.

The reporting deadline for the SRS Q1 is 16 February 2023; this allows time to validate the submissions received and for any potential resubmissions in advance of the PRA reporting deadline.

The 2023 reporting dates are as follows:

Name	As-at date	Date return open in CMR	Reporting Deadline date	Via
SRS Q1	1 January 2023	3 January 2023	Noon, Thursday 16 February 2023	CMR
SRS Q3	1 July 2023	3 July 2023	Noon, Thursday 20 July 2023	CMR

SRS Q1 2023

The core data and reporting requirements for this return will largely follow that of the 2022 return. There are no significant changes to the Guidance & Instructions. Further details can be found in the communication from the Lloyd's Outwards Reinsurance team issued during the week of 5 December 2022.

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 2023. 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 Lloyd's Outwards Reinsurance team.

2.2 Quarterly Monitoring Report – part A (QMA)

Form 710U Reinsurance Recoverables

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 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 2023 will be issued separately by Lloyd's Market Finance.

Whilst the overall QMA return is not managed by the Lloyd's Outwards Reinsurance team any technical outwards reinsurance questions on the QMA 710u or 800u forms should be directed to the Lloyd's Outwards Reinsurance team.

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 the Lloyd's Outwards Reinsurance team any technical outwards reinsurance questions on the QMB should be directed to the Lloyd's Outwards Reinsurance team.

2.4 Annual Related Party Disclosures and Declaration – Outwards Reinsurance

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, RITC and special purpose arrangement syndicates.

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

The deadline for completion is Thursday 30 March 2023.

The instructions for the "2023 Related Party Disclosures and Declaration" submission will be issued by Lloyd's in February 2023. Any outwards reinsurance specific technical questions on this return should be directed to the Lloyd's Outwards Reinsurance team.

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 2023 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 alongside the RDS return and should be submitted to the SecureShare 'Catastrophe Risk Returns' Share site.

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 in previous years, 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 2023.

This data will be collected as part of the RDS Supplementary Information and should be submitted to the SecureShare 'Catastrophe Risk Returns > RDS Supplementary Information' folder.

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 the SecureShare 'Catastrophe Risk Returns' Secure site.

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 the SecureShare 'Catastrophe Risk Returns > RDS Supplementary Information' folder.

Managing agents will be required to report static property exposures to South African earthquake, aggregated by CRESTA zone, as at 1 January 2023.

3.5 Lloyd's Europe

Standard Formula Return

A Standard Formula Return for Lloyd's Insurance Company S.A. will again be required for 2024 business planning and should be submitted in August 2023, via SecureShare.

The purpose of this return is to collect data which will allow Lloyd's to complete a Standard Formula solvency capital calculation for 2024.

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 Europe in 2024.

Likewise, a year-end 2023 Standard Formula Return will be required in November 2023. The purpose of this return is to collect data for year-end reporting.

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 alongside the RDS return via SecureShare. Likewise, the template and guidance will be issued at the same time as the RDS.

3.7 Nuclear Liability Written at Lloyd's - Exposure Data Collection

Instructions for this reporting will be provided with the RDS documentation in January 2023.

4 ADMINISTRATIVE

4.1 Fining

Lloyd's requires that returns are completed accurately 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.

The 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 arrangements (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 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:

Exposure Management questions should be directed to:

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