

Lloyd's Standard Model (LSM) - Instructions

Instructions for completing Lloyd's Standard Model template
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Contact Details

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1 Introduction

1.1 Purpose

This document provides instructions for the submission of the Lloyd's Standard Model Return (LSM). These instructions should be considered in conjunction with the New Syndicate Guidance, which is found on the [Requirements for New Entrants](#) page on Lloyds.com.

There are a number of parameters and assumptions that have been set specifically for use in the Lloyd's Standard Model and should not be used for any other purposes. This includes, but is not limited to, class of business correlation parameters, year of account correlation parameters and class of business / year of account volatility parameters. These parameters are tailored to the LSM methodology and the purpose of capital setting for certain syndicates in the market and are therefore unsuitable for use elsewhere. In particular, Actuarial Oversight will not accept the parameters in this model being used for benchmarking for syndicate internal models, these parameters are not designed for this purpose.

1.2 Background

A Lloyd's Standard Model template return is required to be submitted by agents in line with the New Syndicate Guidance.

The Lloyd's Standard Model template is also available on Lloyds.com on the [Requirements for New Entrants](#) page.

Upon receipt of completed syndicate templates, Lloyd's conducts a review of the returns and may question syndicates on the data supplied. Further information on the Lloyd's review process can be found in the New Syndicate Guidance.

1.3 Submission of template

Completed calculation templates should be uploaded to the "MRC Syndicate Capital Setting" folder of SecureShare.

One Excel file submission template (with links to external files removed) should be submitted for each syndicate using the standard naming convention "SYXXXX_EDY_SBFZ_LSM_YOA.xlsx", where "XXXX" represents the individual syndicate number (4 digits), "EDY" represents the LSM submission edition number to Lloyd's (Y to be replaced with 1, 2, 3 etc. as necessary), "SBFZ" represents the corresponding SBF edition number (Z to be replaced with the edition number) and "YOA" to be replaced with the relevant YOA (e.g. 2024, 2025 etc.). External links should be removed using the button on the 'Information' sheet.

Agents should ensure they are using the most up to date version of the template to avoid any errors in their submissions, please check lloyds.com regularly for any updates.

The submission deadline for LSM template is as per the LCR. Deadlines are 1pm on the submission deadline day. The LSM should be submitted in line with the phased approach used for LCR submissions. The relevant deadlines will be set out in market bulletins.

This document only considers the LSM template and how it should be filled out. Syndicates are required to submit any additional documentation as outlined in section 5.1 of the New Syndicate Guidance.

It is also required that Agents consider the appropriateness of the LSM for setting capital when completing and submitting the template. In particular, Lloyd's have set out various factors to consider in section 5.2 of the New Syndicate Guidance. The managing agent is required to discuss with Lloyd's where any of these factors raise concerns around the suitability of the LSM.

1.4 Scope and Purpose

The LSM template has been produced by Lloyd's for the purpose of capital setting for certain syndicates in the market, as per the New Syndicate Guidance. The inputs provided in the LSM template must be complete and in line with the New Syndicate Capital Guidance and Instructions below.

1.5 Related Guidance

Lloyd's Capital Guidance: The latest version of this can be found on the [Internal Model SCR](#) page on Lloyds.com.

New Syndicate Guidance (incl LSM): The latest version of this can be found on the [Requirements for New Entrants](#) page on Lloyds.com.

LCR Instructions: The latest version of this can be also found on the [Internal Model SCR](#) page on Lloyds.com

Standard Formula Guidance: The latest version of this can be found on the [Standard Formula SCR](#) page on Lloyds.com.

Technical Provisions Guidance: The latest version of this can be found on the [Lloyd's Reserving Guidance and Support Materials](#) page on Lloyds.com

2 Requirements for calculation template

2.1 General requirements

The template is intentionally set out in a standard format to enable all data and results to be exported for the analysis performed by Lloyd's. The data and results extraction process assumes the template structure is the same as that released on lloyds.com. To avoid changes to the template, Lloyd's has protected the workbook where necessary. However, where the ability exists, please do not change the structure of the template.

Throughout the template the following colour convention has been used:

- yellow cells relate to input values;
- green cells are calculated amounts including results; and
- grey cells are parameters or blank/not required cells.

2.1.1 Data inputs

The data inputs for LSM are expected to be governed in the same way as set out in section 7 of the Lloyd's Capital Guidance.

2.2 Basis

2.2.1 Standard Formula

The LSM uses the Solvency II Standard Formula for calculation for Market Risk and Counterparty Default (CPD) Risk (referred to as Credit Risk for the LCR).

Insurance Risk and Operational Risk are bespoke to the LSM and should be filled out with this in mind.

2.2.2 Technical Provisions

Technical provisions (reserves) for the LSM should be produced in line with those expected for the LCR, i.e. projected based to model balance sheet date, e.g. Q4 based on projected Q2 for September/October submissions. Actual positions should be used for a March submission. Further information on this can be found in the Lloyd's Capital Guidance.

2.2.3 FX Rates

Agents are required to report all figures in thousands and converted to Sterling. For submissions made prior to year-end, agents should use Q2 FX rates as provided in the QMR bulletins published every quarter. For reference these rates are also provided in the 'Exchange Rates' sheet in the calculation template. Submissions made post year-end must use the Q4 FX rates. Further information on the basis that should be used can be found in the LCR Instructions.

2.2.4 Financial Investments

Financial investments should be input such that the total net asset value (NAV) on a Solvency II basis at the valuation date is nil. This is in line with the opening position used to calculate an internal model SCR. All inputs for financial investments in the calculation template should be on this basis.

2.2.5 Look Through Approach

Please follow section 2.4 of the Standard Formula Guidance regarding a Look Through Approach for assets.

3 Sheet by Sheet Guidance on the LSM template

3.1 Information sheet

This sheet collects and provides high level submission information:

- Summary Details – This should include the managing agent and syndicate, an edition number of the LSM submission (which the syndicate should and the corresponding SBF edition, as well as key personnel which Lloyd's may wish to contact with queries on the submission.
- Sign-off and Declaration – This section should include the details of the Director taking responsibility for the return. Through the completion of details here, Lloyd's will assume the given confirmation is being made.
- Scope and Purpose – This provides high level information on the reasons for the exercise and template and sources of additional information.
- Key – This provides details of the colour coding of cells used throughout the template.

3.2 Version History sheet

This details the version history of the template, describing the changes from previous versions.

3.3 Comments sheet

This is a free-text section which allows agents to input comments and notes on the data provided. Lloyd's requests that agents use this section to avoid unnecessary questions from Lloyd's on unusual results and provide commentary on specific methods, assumptions or simplifications used in completing the template.

3.4 Validations sheet

This sheet contains the validations which syndicates and Lloyd's can use to help ensure reasonableness of the results and consistency of inputs within the template.

Please note that these validations are designed as a sense check and may not all pass. Please provide a comment in all cases where any validation has failed.

The validation tests performed on this sheet are as follows:

- Approximate check that the calculation has been completed in 000s by checking the final SCR is between £100k and £1bn.
- Checks that gross class level exposure is greater than or equal to net class level exposure.
- Check that total natural catastrophe exposure input into the 'Nat Cat Risk (LCM 5)' and 'Nat Cat Risk (RoW)' sheets (which includes the prospective YoA and unearned exposure) is greater than or equal to the natural catastrophe exposure input into the 'Prospective YoA – Exposure' sheet.
- Check that the template is counting the correct number of unique classes for each exposure cohort. Note, a failure of this test may not indicate an issue with the inputs.
- Check that the risk code mappings sum to the total number of classes, i.e. all exposure is accounted for.
- Check that currency risk Net Asset Value equals 0.
- Check that the RICB allocation by YoA adds up to 100%.

3.5 LSM Structure sheet

This sheet is for information only and gives a pictorial representation of the Lloyd's Standard Model Structure. The colour coding here is used for the individual calculation sheets.

3.6 Exchange Rates sheet

The exchange rates in this sheet are required to be used to convert exposures to Sterling amounts. This tab is not used for any calculations but is included for Agents to ensure inputs are consistent.

3.7 Franchise Guidelines

This sheet is optional for syndicates to complete. It is intended as a useful guide for syndicates to assess potential capital requirements, based on Lloyd's Franchise Guidelines. This sheet is not used for determining capital requirements using the LSM, however syndicates should consider that any ECA indicated by these Franchise Guidelines would apply unless dispensations are agreed by CPG.

The sheet checks against the following Franchise Guidelines:

- The maximum net line size that a syndicate should have on an individual risk cannot exceed 30% of ECA plus profit
- Any syndicates with a Cat Risk Appetite (CRA) ratio > 37.5% is required to discuss this with the Lloyd's Exposure Management team. The CRA ratio is defined as: $\text{LCM5 1:200 AEP FNL} / (\text{ECA} + \text{SBF profit})$
- A Syndicate's projected and in-force loss estimates for Realistic Disaster Scenarios, shall not exceed 80% of ECA plus Profit for Gross
- Minimum ECA implied by 1:500 to 1:200 LCM ratio
 - If this guideline is breached, agents should contact their Exposure management and Syndicate Capital point of contacts to discuss potential outcomes.
- The 99.8th percentile of Final Net LCM WWAP losses shall not exceed 135% of the 99.5th percentile of Final Net LCM WWAP losses
- The 99.8th percentile of Final Net LCM WWAP claims shall not exceed ECA plus Profit

In respect of the LCM figures provided within this sheet, these should be on a reporting basis in line with the Lloyd's Exposure Management requirements i.e. on a calendar year view of risk.

Further information on Franchise Guidelines can be found in Market Bulletin Y5375 and in the New Syndicate Guidance.

3.8 Final SCR & RICB adjustment sheet

This sheet takes the total uSCR from the 'SCR results' sheet and applies an RICB adjustment and an uplift of 1.35 to arrive at the ECA – economic capital requirement. The RICB adjustment is calculated based on inputs required in the sheet.

This sheet should be completed consistently with the guidance for LCR form 570. The figures should be in line with most recent balance sheet that the model is relevant to – e.g. for September LSM submissions, this will be the Q2 QSR; for March LSM submissions, this will be the ASR. As the LSM does not have an opening 'modelled' balance sheet, the second table has these figures greyed out.

These figures are required in order to adjust the SCR to ensure that changes in the technical provision due to reinsurance contract boundaries have no impact on the overall level of funds available, as it does not represent a change in risk.

The following inputs are required as included in either the QSR or ASR return relevant to the LCR return:

- The expected RI premium amounts that would be portioned to each of existing (including legally obliged) and future inwards business.
- The total minimum level of contractually obliged premium that would be paid if only existing (including legally obliged) business was ceded.
- The impact of the change is the minimum premium (C) less the expected premium for existing (including legally obliged) premium (A) at the valuation date.
- The following inequality should hold: $(A + B) \geq C \geq A$. Please provide an explanation if not.

Example: If a contract with £1m expected premium (£0.8m minimum premium) is legally obliged at the valuation date and the underlying contracts covered are 50% existing and 50% new business the premium would be split into £0.5m for existing and legally obliged inwards and £0.5m for future inwards. The minimum contractually obliged premium would be input as £0.8m. The template would then calculate the impact as the minimum premium (£0.8m) minus the portion for existing inwards (£0.5m) of £0.3m.

The table with the allocation by YoA (Prospective, Current, Prior) should be completed in order to allow Lloyd's to allocate the Total RICB Adjustment (calculated above) correctly by YoA. This allocation will be used in the Members' Economic Capital Assessment calculation.

The Lloyd's Capital Guidance provides further information on the RICB adjustment and contains a worked example in Appendix B.

3.9 SCR results sheet

This sheet pulls together the calculations for all risk categories and provides the total ultimate and one-year SCRs (excluding RICB adjustment), taking account for the mean profits on insurance risk and market risk, and the risk margin.

This sheet requires the following inputs:

Ultimate:

- Prospective year insurance risk profit (Ultimate): Mean ultimate underwriting profit for the prospective YoA in £'000, excluding investment profits. The Lloyd's Capital Guidance outlines the requirements for prospective loss ratios and these hold for LSM. Further to this, the New Syndicate Guidance also contains further details on the consistency with SBF for this input.
- Current & prior years profit not already reflected in TPs (Ultimate): Any expected UW profits from current & prior years, to the extent these are not already reflected in the Technical Provisions.
- Market risk profit (Ultimate): Mean profit for market risk should be set to nil.
- Use Risk Margin override: Whether you are overriding the default risk margin factor with a calculated risk margin value. Note that the default risk margin is calculated as 10% of total current and prior years of account exposure for syndicates in their second year of account and beyond, or nil for syndicates in their first year of account.
- Risk Margin override: If you are using a risk margin override, provide the risk margin value here. Please also provide commentary detailing how this has been calculated. If provided, this override will be review by the actuarial oversight team at Lloyd's and further information may be requested. The risk margin override should be produced in line with the Technical Provisions Guidance.

One-year:

- Prospective year insurance risk profit (One-year): Mean one-year underwriting profit for the prospective YoA in £'000, excluding investment profits. The Lloyd's Capital Guidance outlines the requirements for prospective loss ratios and these hold for LSM. Further to this the New Syndicate Guidance also contains further details on the consistency with SBF for this input.
- Current & prior years profit not already reflected in TPs (One-year): Any expected UW profits from current & prior years, to the extent these are not already reflected in the Technical Provisions.
- Market risk profit (One-year): Mean one-year profit for market risk should be set to nil.

Additionally, this sheet applies a guardrail to the insurance risk vs exposure calculated in the template. This guardrail is 40%, which is the minimum insurance risk vs exposure allowed in the template. Exposure here is defined as the sum of best estimate mean net claims plus half of the total earned reserves (consistent with measure used in LCR). This minimum has been calculated to ensure syndicates using the LSM are above at least the lowest quartile for this ratio. This is considered reasonable on the basis that new syndicates are expected to be more capital intensive than stable syndicates in the market.

Market risk profit is capped such that no risk can contribute negatively to capital.

3.10 BSCR sheet

This sheet calculates the ultimate BSCR (BSCRu) and one-year BSCR (BSCR1), which is the aggregation of the 1 in 200 stresses of insurance risk, market risk and counterparty default risk (this does not include operational risk).

3.11 Operational risk sheet

This sheet calculates the operational risk for the syndicate. Note that operational risk is added on to the BSCR to calculate the total SCR (pre-RICB adjustment). There is no diversification credit between operational risk and any other risk category. Operational risk is calculated based on the answers to questions in the sheet, which inform an operational risk factor that is applied to the BSCR after allowing for profit and risk margin.

Select responses based on answers to the following questions.

- Q1: Please select the number of years in operation for the syndicate, i.e. the number of YoAs in the syndicate should be selected regardless of which point of that YoA the syndicate started, and this should be filled out with prospective year in mind. For example a syndicate that has started in June 2022, will have 2022 and 2023 YoA in their 2023 SCR so should select option 2 from below.
 - Option 1 should be selected for syndicates completing their first LSM/SBF submission and in their first year of account.
 - Option 2 should be selected for syndicates in their second year of account
 - Option 3 should be selected for syndicates beyond their second year of account.

- Q2: Please select "Yes" if the syndicate is the first syndicate in operation for the managing agent. Select "No" otherwise.
- Q3: Please select "Yes" if there any existing risk management/governance concerns on the managing agent from Lloyd's. Select "No" otherwise.
 - The outcome will be determined in line with [Principle 10](#).
- Q4: Please select "Yes" if the syndicate is a captive. Select "No" otherwise.

3.12 Insurance Risk Total sheet

This sheet pulls together the calculations for the components of insurance risk to calculate the total net insurance risk (excluding profit). This sheet also allows for risk mitigating impacts of outwards RI cover applicable to multiple classes or region/perils, which isn't already reflected in the exposure inputs. Inputs of these risk mitigating effects should be in line with the EIOPA Guidelines on the Application of Outwards Reinsurance. This can be founded here:

https://www.eiopa.europa.eu/document-library/guidelines/guidelines-application-of-outwards-reinsurance_en

Allowance for risk mitigating impacts of ORI cover adds flexibility to the calculation in that it allows credit to be taken for programmes covering multiple classes or region/perils (for natural catastrophe risk). However, users must be careful to avoid double counting of cover across classes and region/perils and ensure that the net result is consistent with their understanding of the programme operation in practice.

Where appropriate, the following inputs are required in this sheet:

- Aggregate Insurance Risk Mitigation: Risk mitigation impact of any covers operating in aggregate of insurance risk not already reflected in results.
- Insurance (ex nat cat) risk mitigation: Risk mitigation impact of any covers operating in aggregate of non-natural catastrophe insurance risk not already reflected in the stand-alone results.
- Nat cat risk mitigation: Risk mitigation impact of any covers operating in aggregate of natural catastrophe risk not already reflected in the stand-alone net results.

Example B from Appendix A of the Standard Formula Guidance provides an example of where allowing for stop loss cover may be appropriate.

3.13 Insurance Risk (ex Nat Cat) sheet

This sheet does not require any inputs.

This sheet performs the calculation of the insurance risk (excluding natural catastrophes) 1 in 200 stress, net and gross of outwards reinsurance. It uses exposure data by Lloyd's 60 class of business (see definition below) and YoA cohort, from the exposure by own class and own class to risk code mappings provided.

The Lloyd's 60 class of business split is also referred to as the Generic Class of Business split. Further details around the Lloyd's risk codes and classes of business descriptions and mappings can be found here:

<https://www.lloyds.com/conducting-business/underwriting/risk-codes>

As per the Solvency II Standard Formula, a weighted average standard deviation for the total exposure is calculated and the 1 in 200 stress is calculated as three times the weighted average standard deviation multiplied by exposure. The weighted average standard deviation uses Lloyd's 60 generic class of business CoV assumptions (parameterised by Lloyd's) and exposure by Lloyd's 60 generic class of business (derived from syndicate inputs), allowing for correlations between YoA cohorts and Lloyd's 60 generic classes of business (both parameterised by Lloyd's).

3.14 Nat Cat Risk (LCM 5) sheet

This sheet is used to collect Lloyd's Catastrophe Model return data for LCM 5 region/perils, which is used to calculate natural catastrophe risk for LCM 5 region/perils.

The data can be provided at an aggregated LCM 5 or by region/peril granularity. This should be indicated in the 'Aggregated LCM 5 region/perils or by LCM 5 region/peril granularity' option. The granularity selected here will be used for the calculation, regardless of the data inputted into the template. Inputs here are required to be consistent with the LCM or the Lloyd's Proposed Syndicate Submission return, where appropriate

Loss amounts should be provided on the following basis:

- Undiscounted
- Losses arising from both the prospective YoA and unearned exposure should be included
- GBP thousands
- Final net losses should include the cost of any reinstatements
- Reinsurance recoveries reflected at this level cannot be allowed for elsewhere (no double counting)
- Losses should be reported on an ultimate basis

3.15 Nat Cat Risk (RoW) sheet

Similar to the previous sheet, this sheet is used to collect Lloyd's Catastrophe Model return data for 'Rest of World (RoW)' region/perils, which is used to calculate natural catastrophe risk for RoW region/perils. Inputs here are required to be consistent with the LCM or the Lloyd's Proposed Syndicate Submission return, where appropriate

The data should be provided at an aggregated RoW or by region/peril granularity.

Loss amounts should be provided on the following basis:

- Undiscounted
- Losses arising from both the prospective YoA and unearned exposure should be included
- GBP thousands
- Final net losses should include the cost of any reinstatements
- Reinsurance recoveries reflected at this level cannot be allowed for elsewhere (no double counting)
- Losses should be reported on an ultimate basis

3.16 Prospective YoA – Exposure sheet

This sheet collects exposure data for the prospective YoA (for 2023 capital submission this will be the 2023 YoA) by syndicate's own class of business which is used in conjunction with the 'Prospective YoA - CoB mapping' sheet as an exposure basis to calculate insurance risk excluding natural catastrophes by Lloyd's 60 class of business.

Own classes of business provided in this sheet should be the same as those provided in the prospective YoA SBF submission.

All exposure data should be provided on a best estimate, undiscounted basis.

The following data is required:

- Class names:
The class names inputted into the sheets will be the source of the class name drop-down in the 'Prospective YoA – CoB mapping' sheet. Class names between the two sheets are required to be consistent.
- Gross Premium:
Should be provided by own class of business, net of acquisition costs
- Net Premium:
Should be provided by own class of business, net of acquisition costs. The net premium should be consistent with the SBF and can be obtained from SBF form 167, column D, total.
- Ultimate Gross Claims excluding natural catastrophe:
Claims arising from natural catastrophe exposure captured in the cat risk submissions should be excluded here. This column is used in the calculation of insurance risk excluding natural catastrophe.
- Ultimate Net Claims excluding natural catastrophe:
Claims arising from natural catastrophe exposure captured in the cat risk submissions should be excluded here. This column is used in the calculation of insurance risk excluding natural catastrophe.
- Ultimate Gross Claims:
This will be used for the purpose of comparing loss ratios reported here to those in the SBF.
- Ultimate Net Claims:
This will be used for the purpose of comparing loss ratios reported here to those in the SBF. The net claims should be consistent with the SBF and can be obtained from SBF form 105s, column N, total. However, it is noted that gross (and by extension, net) prospective loss ratios for capital setting may be greater than or equal the gross (and net) SBF loss ratios by class of business (as per the Lloyd's Capital Guidance) and, as such, prospective YoA claims by class of business submitted in the LSM may differ from the SBF.

3.17 Current YoA – Exposure sheet

This sheet collects exposure data for the current YoA (for 2023 capital submission this will be the 2022 YoA) by syndicate's own class of business which is used in conjunction with the 'Current YoA - CoB mapping' sheet as an exposure basis to calculate insurance risk excluding natural catastrophes by Lloyd's 60 class of business.

All exposure data should be provided on a best estimate, undiscounted basis (i.e. no explicit risk margin should be included) and on an ultimate risk time horizon (i.e. including unwritten business). Claims information provided should be based on projected Q4 positions. Guidance around on the projected Q4 opening balance sheet can be found in section 4.10 of the Lloyd's Capital Guidance.

The following data is required:

- **Class names:**
The class names inputted into the sheets will be the source of the class name drop-down in the 'Current YoA – CoB mapping' sheet. Class names between the two sheets should be consistent.
The sheet currently allows for 60 own classes of business. Please contact us if further rows are required.
- **Gross Earned Claims:**
This should be unpaid claims, i.e. earned exposure should be reserves, so IBNR and outstanding claims.
- **Net Earned Claims:**
This should be unpaid claims, i.e. earned exposure should be reserves, so IBNR and outstanding claims
- **Gross Unearned Claims:**
This should be ultimate claims, i.e. ultimate claims consistent with prospective year. Claims arising from natural catastrophe exposure captured in the cat risk submission should be excluded.
- **Net Unearned Claims:**
This should be ultimate claims, i.e. ultimate claims consistent with prospective year. Claims arising from natural catastrophe exposure captured in the cat risk submission should be excluded.

3.18 Prior YoAs – Exposure sheet

This sheet collects exposure data for the prior YoAs (for 2023 capital submission this will be the 2021 and prior YoAs) by syndicate's own class of business which is used in conjunction with the 'Prior YoAs - CoB mapping' sheet as an exposure basis to calculate insurance risk excluding natural catastrophes by Lloyd's 60 class of business.

All exposure data should be provided on a best estimate, undiscounted basis (i.e. no explicit risk margin should be included) and on an ultimate risk time horizon. Claims information provided should be based on projected Q4 positions. Guidance around on the projected Q4 opening balance sheet can be found in section 4.10 of the Lloyd's Capital Guidance.

The following data is required:

- **Class names:**
The class names inputted into the sheets will be the source of the class name drop-down in the 'Current YoA – CoB mapping' sheet. Class names between the two sheets should be consistent.
The sheet currently allows for 60 own classes of business. Please contact us if further rows are required.
- **Gross Reserves:**
This should be unpaid claims, i.e. earned exposure should be reserves, so IBNR and outstanding claims.
- **Net Reserves:**
This should be unpaid claims, i.e. earned exposure should be reserves, so IBNR and outstanding claims

Any unearned exposure should be treated allowed for in the reserve as ultimate claims (consistent with prospective YoA claims exposure)

3.19 Prospective YoA – CoB mapping sheet

This sheet is used to collect a mapping from own classes of business input into the 'Prospective YoA – Exposure' sheet to Lloyd's Risk Code. A mapping from Lloyd's Risk Code to Lloyd's 60 class of business is then applied, so that class level volatilities can be applied at this level.

All own classes of business input in the 'Prospective YoA – Exposure' sheet should be mapped to Lloyd's Risk Codes and a high level description of the class should be provided. Own classes can be mapped to one or more Lloyd's Risk Codes and the percentage of total mean net claims mapped to each Lloyd's Risk Code should be input in the 'Risk code % of total net claims for prospective YoA' column, The 'Risk code % of total net claims for prospective YoA' column should sum to 100% for each own class of business.

The comment column and Agent's comments spaces should be used to note any material judgements in reaching the allocation.

3.20 Current YoA – CoB mapping sheet

This sheet is used to collect a mapping from own classes of business input into the 'Current YoA – Exposure' sheet to Lloyd's Risk Code. A mapping from Lloyd's Risk Code to Lloyd's 60 class of business is then applied, so that class level volatilities can be applied at this level.

All own classes of business input in the 'Current YoA – Exposure' sheet should be mapped to Lloyd's Risk Codes and a high level description of the class should be provided. Own classes can be mapped to one or more Lloyd's Risk Codes and the percentage of total mean net claims mapped to each Lloyd's Risk Code should be input in the 'Risk code % of total net claims for current YoA' column. The 'Risk code % of total net claims for current YoA' column should sum to 100% for each own class of business.

The comment column and Agent's comments spaces should be used to note any material judgements in reaching the allocation.

3.21 Prior YoAs – CoB mapping sheet

This sheet is used to collect a mapping from own classes of business input into the 'Prior YoAs – Exposure' sheet to Lloyd's Risk Code. A mapping from Lloyd's Risk Code to Lloyd's 60 class of business is then applied, so that class level volatilities can be applied at this level.

All own classes of business input in the 'Prior YoAs – Exposure' sheet should be mapped to Lloyd's Risk Codes and a high level description of the class should be provided. Own classes can be mapped to one or more Lloyd's Risk Codes and the percentage of total mean net claims mapped to each Lloyd's Risk Code should be input in the 'Risk code % of total net claims for prior YoAs' column. The 'Risk code % of total net claims for prior YoAs' column should sum to 100% for each own class of business.

The comment column and Agent's comments spaces should be used to note any material judgements in reaching the allocation.

3.22 Mapped Exposure data sheet

There are no inputs required on this sheet.

This sheet takes the exposure inputs by own classes of business and class of business to risk code mappings and calculates exposure by Lloyd's 60 class of business for each YoA cohort.

3.23 Risk Code Mappings sheet

There are no inputs required on this sheet.

This sheet contains the Lloyd's Risk Code mapping, for reference when allocation exposures in the relevant tabs above.

3.24 CoB Correlations sheet

This sheet contains the correlation parameters for Lloyd's 60 classes of business, which have been parameterised specifically for use in the Lloyd's Standard Model (see section 1.5 for more information).

3.25 YoA Correlations sheet

This sheet contains the correlation parameters across YoA cohorts, which have been parameterised specifically for use in the Lloyd's Standard Model (see section 1.5 for more information).

3.26 Volatilities sheet

This sheet contains the volatility parameters by Lloyd's 60 class of business / YoA cohort, which have been parameterised specifically for use in the Lloyd's Standard Model (see section 1.5 for more information).

3.27 Market Risk sheets

For guidance around completing Market Risk please see the Standard Formula Guidance on Lloyds.com. Note that the LSM template should be completed on 'Basis 2', as referred to in section 2.3 of the Standard Formula Guidance.

Syndicates in their first year of account are not typically expected to provide any inputs within the Market Risk sheets, as the market risk calculations are based on the opening balance sheet. The exception to this would be where a first year syndicate expects to have a material volume of business legally obliged at 1/1 in their first year.

3.28 Counterparty Default Risk sheets

For guidance around completing Counterparty Default Risk please see the Standard Formula Guidance on Lloyds.com.

All syndicates should include counterparty default risk from any reinsurance contracts within their prospective year business plan, as well as any current and prior year reinsurance in place. Syndicates in their first year of account are not typically expected to provide any counterparty default risk that would be based on the assets on a net nil opening balance sheet. The exception to this would be where a first year syndicate expects to have a material volume of business legally obliged at 1/1 in their first year.

4 Appendix A – Acronyms

Acronym	Description
AEP	Aggregate Exceedance Probability
ASR	Annual Solvency Return
BSCR	Basic Solvency Capital Requirement (defined as the aggregation of insurance risk, market risk and counterparty default risk in the Lloyd's Standard Model)
CRA	Catastrophe Risk Appetite
CPD risk	Counterparty Default Risk
ECA	Economic Capital Assessment
EIOPA	European Insurance and Occupational Pensions Authority
FNL	Final Net Loss
FX	Foreign Exchange
LCM	Lloyd's Catastrophe Model
LCM5	Lloyd's 5 core peak natural peril-regions, being US Earthquake, US Windstorm, European Windstorm, Japan Earthquake and Japan Typhoon
LCR	Lloyd's Capital Return
LSM	Lloyd's Standard Model
MRC	Market Reserving and Capital
NAV	Net Asset Value
QMR	Quarterly Monitoring Return
RDS	Realistic Disaster Scenarios
RICB	Reinsurance Contract Boundary
ROW	Rest of World
SBF	Syndicate Business Forecast
SCR	Solvency Capital Requirement
SF	(Solvency II) Standard Formula
TPs	Technical Provisions
WWAP	World-Wide All Perils
YoA	Year of Account

5 Appendix B – Changes from Previous Versions

The list below summarises the substantive changes in this guidance from the previous version, which was published in September 2022:

- Section 1.3. Update to clarify the expected naming convention for LSM submission files
- New Section 1.5 “Related Guidance”. Most hyperlinks to documents intended to be read in conjunction with this guidance have been removed, to avoid the need to continually update these links in successive editions. Instead, a link to the webpage where the relevant documents can be found is included in this section.
- New Section 3.7 “Franchise Guidelines” (and subsequent renumbering of following sections). Instructions updated to reflect the inclusion of the Franchise Guidelines worksheet in the LSM.
- Section 3.8. Update to reflect changes made with the 2024 LSM that only requires the first table collecting RICB inputs. Update to reflect the new table of RICB allocation by YoA.
- Sections 3.14 and 3.15. Inclusion of requirement to report natural catastrophe losses on an ultimate basis. This is not a new requirement, this is only a clarification.
- Section 3.27. Clarification that first year syndicates are not typically expected to provide any market risk inputs
- Section 3.28. Clarification on items expected to be included within the counterparty default risk calculations for all syndicates.
- Appendix A: inclusion of acronyms added into this document with this update