

# Lloyd's Capital Return (LCR) 2025

## FAQs

**Last updated:** 06/09/2024

**By:** Lloyd's: Market Reserving and Capital (MRC): Predictive Analytics (PA) and Actuarial Oversight (AO) Teams

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### Key Contacts

- If you have specific questions regarding the focus areas return, the supporting documentation for the LCR submission, capital guidance or the review process, please contact your MRC Point of Contact copying [SCRreturns@lloyds.com](mailto:SCRreturns@lloyds.com)
  - For any issues relating to the Market Data Collection (MDC) platform:
    - Please create a Support Request in the [Market Support Centre Portal](#)
    - If access is required to the Market Support Centre Portal, please email [mdcsupport@lloyds.com](mailto:mdcsupport@lloyds.com)
    - For any other queries, relating to MDC and/or the LCR, please email [kevin.barnes@lloyds.com](mailto:kevin.barnes@lloyds.com) and/or [philip.varnavides@lloyds.com](mailto:philip.varnavides@lloyds.com)
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### MARKET DATA COLLECTION (MDC):

#### Access

- The MDC platform makes user accounts inactive if there has been inactivity for 90 days. Please refer to the 'Key Contacts' section of this document for advice on how to contact Lloyd's, in the event that access to MDC is required.
- If issues are being experienced accessing the MDC platform, please speak to the administrator at your syndicate/managing agent, where access can be granted to the LCR. Alternatively, please refer to the 'Key Contacts' section of this document for advice on how to contact Lloyd's.

#### Data and Validation Requirements

##### Format

- Any GBP fields in the LCR are displayed in units and rounded to zero decimal places (a maximum of 5 decimal places (dcp) is permitted as an input for these fields in MDC).
- A tolerance interval of £100,000 exists on all tests which compare/reconcile between two inputs/calculations. This is designed to mitigate the risk of tests failing due to decimal places. We advise agents that, while the MDC platform will accept 5 dcp, inserting units with zero dcp will avoid complications.
- The dcp present in MDC can be checked by pressing F2 or double-clicking while on a cell. The decimals will then be displayed in the status bar.
- If copying and pasting from an excel sheet directly into MDC, then the cells must be the same shape. For example, one cell cannot be pasted over several cells, like in other applications.
- Some of the free text cell inputs in MDC do not have a wrapped format. Therefore, to see all text, it is useful to 'hard return' (press Alt + Enter) to make the text visible. Alternatively, you can edit your text in another application (such as Notepad), then paste into MDC.
- Text fields have a limit of 1000 characters. Please ensure all text fields do not exceed this limit.
- Ensure when inputting negative figures, that the format is -XXX. Please note that the (XXX) format is not accepted in MDC.

#### Foreign Exchange (FX) Considerations

- The LCR must be reported in converted sterling.
- Submissions made prior to year-end must use the published prior 30 June rates, set out in Market Bulletin Y5439 Submissions made post year-end must use the 31 December rates.

- Syndicates should classify movements in FX as a data change, which means it is excluded from any accumulation of minor changes as per model change guidance.

## Uploading Documents

- Please upload documents as a single zip file in the 'Upload Supplementary Documents' step of the LCR submission process.
- Please **do not** upload any documents in the 'Ad Hoc Attachments' section of the task step within the LCR submission process.
- Please **do not** upload any macro-enabled documents onto MDC.
- If issues are being experienced in the MDC platform, then [SecureShare](#) can be used as a contingency. Please contact your agency administrators for further information on accessing the MRC Syndicate Capital Setting folder(s) within SecureShare.
- If additional documentation is required to be submitted to Lloyd's after a particular LCR has been received, please use SecureShare, which can be found by following the path below:  
lloyds.com -> Resources & services -> SecureShare -> SecureShare Hub Site -> MRC Syndicate Capital Setting

## LCR & MODEL CHANGES:

- Q. What changes have been made to the LCR since the previous modelling year?
- A. Please refer to the 'MDC LCR summary of changes' document and the '2025 LCR Specification (annotated version)' file, which can be found on the [Lloyd's Internal Model SCR](#) web page.
- Q. Syndicates are required to complete the LCR return such that the risk margin is reported using a 4% cost of capital i.e. consistent with the Solvency submissions. In some cases, there may be secondary impacts meaning that the resulting SCR using this mechanism may be greater than the SCR calculated directly with Risk Margin at 6% CoC. This would serve to offset some of the benefit to syndicates from holding a reduced risk margin. Should these secondary impacts be allowed for in the modelling?
- A. We require that syndicates continue to meet the modelling criteria specified within the Lloyd's Capital Guidance. Below we have discussed areas where these secondary impacts may arise:
- Investment Income  
Syndicate models should reflect a net-nil balance sheet at  $t=0$ . In the current environment where market risk can contribute negatively to capital in some cases, a reduction in liability valuation may lead to an increase in the SCR due to decreased investment returns. This may be the case following the change in Risk Margin from being set on a 6% CoC basis to a 4% basis.  
We consider that this is a feature of syndicate exposures to the current external environment and as such should be reflected in models. The reduction in investment income reflects the real-world lower level of assets which support Technical Provisions and accrue investment income. We note that in other periods in recent history, this dynamic would be expected to reduce Market Risk and the SCR.
  - Capping of the Unwind of Discount  
The unwind of the discount benefit (Interest Rate Risk on Liabilities) is a deterministic loss equal to the opening discount benefit. Additionally, no credit should be taken for investment income on FAL (Funds at Lloyd's).  
In the case where the ultimate basis is modelled by a proxy ultimate time horizon (some time before TPs (technical provisions) are fully run off), the assumption that Net Asset Value (NAV) = 0 at  $T_0$  is not enough to ensure that there is no investment income benefit from FAL. The closing balance sheet will not have TPs equal to zero so the difference in discount credit between this proxy position and  $T=0$  does not reflect the full unwind. Using a proxy final balance sheet with discounting might implicitly assume some discount benefit arising from FAL investment income, and therefore adjustments are required to ensure this is not the case.

Syndicates modelling a proxy ultimate balance sheet adjust their models to meet this requirement. One approach used by some syndicates is to scale down the discount credit (i.e. 'capping') with consideration to the level of assets compared to technical provisions. In this case, reduced asset holdings at t=0 from the reduction in Risk Margin will lead to reduced asset holdings in the proxy ultimate position serving to reduce the discount credit recognised in the proxy ultimate position. We would expect syndicates to continue to recognise this dynamic to ensure that no credit is taken for investment income on FAL.

- Q. How should changes in relation to the lower cost of capital be categorised in the Model Change Template?
- A. Lloyd's does not expect that model changes in relation reflecting the lower cost of capital should contribute to the accumulation of minor changes. This change should be categorised as a 'data' change.
- Q. Is there a template to load a reduced dataset for an Early View of Capital LCR?
- A. A CSV template and instructions file is available in the MDC platform – LCR Help section. The CSV file will enable minimum data inputs to be loaded to the MDC platform, with some dummy data included to bypass error tests. As a result, any generated warnings – which are unrelated to any data inputted into the CSV by the syndicate – can be satisfied with a generic comment.
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#### **QUARTERLY CORRIDOR TEST (QCT) QUESTIONS:**

- Q. Why do the final agreed SCRs in the CPG letter differ from those used in the QCT?
- A. As part of the new capital setting process the final agreed SCRs notified to syndicates in the CPG letter will exclude the QCT results (i.e., the conversion to the latest quarter foreign exchange rates and the latest Quarterly Solvency Return (QSR) submission data which includes the Reinsurance Contract Boundary (RICB) & risk margin adjustments). Further details of the QCT process will be contained in further market bulletins.
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#### **FOCUS AREA RETURN QUESTIONS:**

- Q. Can syndicates complete the Focus Area return analysis on an earlier version of the model than what will be submitted to Lloyd's?
- A. Yes, this is a reasonable approach. It would be useful to Lloyd's if syndicates flag this in the Focus Area return and highlight whether it is likely that any outcomes would change if analysis were to be conducted on the final model.
- Q. General Queries - Is the YOA back-testing needed for syndicates that do not write much non-cat risk?
- A. There are teams in Lloyd's that use this information. We would still like the test to be completed and if the results are skewed due to the syndicate risk profile, please outline this in the comments box.
- Q. Model Tests - The model loss ratio uplift test would require a lot of work to assess by class and over time, between reserving, planning and capital. Can validation be focussed on the difference at a total loss ratio level?
- A. Lloyd's does not prescribe the granularity of the validation performed. We expect syndicates to perform appropriate levels of validation, e.g., in isolation for material classes of business and in aggregate for less material classes. Lloyd's testing will be checked at the level of granularity stated in the LCR instructions, which is by class and total for gross, and total for net. We trust syndicates to have an appropriate governance structure in place to determine validation testing on prospective year loss ratios. We will retrospectively assess the appropriateness of capital model loss ratios

based on actual performance as it comes through in the data and then determine if a retrospective capital loading is appropriate.

Q. The instructions for completing the Focus Areas files for some tabs are relatively high-level, is there more information available to guide us in how to complete the questions?

A. Yes. There are further details available in the LCR Instruction that describes how Lloyd's expects agents to complete the Focus Areas file, in conjunction with the instructions within the Focus Areas file itself.

Q. When I try to edit links to link the return to the LCR then the option is greyed out. Why is that?

A. Due to the protections in the file, it is only possible to edit links from the Control tab. So please go onto the control tab first and then edit the links.

Q. As per the LCR Instructions – Focus Area Model Loss Ratio section, there is a floor/minimum expectation on the prospective year modelled loss ratios, gross and net of reinsurance not to be below the SBF loss ratio. What are Lloyd's expectations in the event of an SBF resubmission?

A. Lloyd's will firstly run this test on the first submission of SBF and LCR i.e., check that the prospective year capital modelled loss ratio is at least equal to the submitted plan loss ratio (as per LCR 561) by class of business (gross net) and whole account (net net and gross net).

Syndicates are required to provide rationale if they fail the test within the Focus Area Questionnaire. If the response is inadequate, a loading will be considered. The requirement for and calculation of any loading will be on a case-by-case basis.

It is likely that the syndicate will be required to calculate the impact on uSCR of increasing the gross net modelled loss ratios to a minimum of the plan loss ratios by class and ensuring that the net net modelled loss ratio is at least equal to the plan loss ratio at the whole account level. The syndicate could be loaded by the amount of the impact. The syndicate may be given the option of a management adjustment in the LCR (a 'self-loading') or being loaded by Lloyd's. If the former option is selected ('self-loading'), this will be referred to in Lloyd's feedback letter to the Syndicate. However, in some cases, a Controls loading may be considered and recommended to CPG.

The loading approach and rationale will be communicated to impacted syndicates during the CPG process. Lloyd's will rerun this test where an SBF resubmission triggers an LCR resubmission.

Further, Lloyd's will require syndicates to complete a 'New SBF but no LCR' template for SBF resubmission that does not trigger an LCR resubmission. Further information around this template can be found in the LCR 2025 YoA Instructions – LCR Resubmissions section.

The expectation is that, in the event of an SBF resubmission, syndicates will update the prospective year loss ratio in their capital model to reflect any changes in the plan loss ratio, taking into account the Lloyd's guidance that model loss ratios should be at least equal to plan. In this way, syndicates should understand the impact to capital before informing Lloyd's that a change in SBF has resulted in an immaterial change in uSCR, and as such an LCR resubmission is not required.

Q. Where the prospective year modelled loss ratio is less than the submitted plan loss ratio, and this is due to a difference in basis between the two loss ratios, would Lloyd's accept this rationale and as such not load the syndicate?

A. Lloyd's review of plan loss ratios is based on best estimate historical performance, which aligns to a mean basis. The prospective year modelled loss ratio is also required to be set on a mean basis; hence we expect the prospective year modelled loss ratio to be at least equal to the plan loss ratio (in line with our issued guidance). Rationale citing a difference in bases as the reason for failure of the test will not be accepted by Lloyd's.

Q. Lloyd's will be comparing the 'self-uplift' with the prior year 'self-uplift' and will request an explanation of any decrease of more than 1% at the overall syndicate level. 'Self-uplift' is defined as

difference between modelled and plan loss ratios from LCR form 561. On what basis will this test be carried out and what are the next steps if there is a decrease of more than 1%?

- A. This test will be carried out on both a gross of reinsurance net of acquisition cost (gross net) and net of reinsurance net of acquisition cost (net net) basis. As aforementioned this will be at the overall syndicate level.

Lloyd's will request an explanation of any decrease of more than 1% via the Focus Area Questionnaire. If Lloyd's concludes that the 2025 modelled loss ratio may have been set on a weaker basis than historically, Lloyd's will consider the impact of this. For example, Lloyd's will consider performance versus the modelled loss ratio and consider what this would have looked like historically, had the modelled loss ratio been set on the weaker basis in the past.

In some isolated cases, Lloyd's may apply a loading at year-end capital approval itself.

- Q. Will Reserving loadings be rounded to the nearest £2.5m or £1m for the 2025 Capital and Business Planning Approval process?
- A. During the 2025 Capital and Business Planning Approval process, reserving loadings (for each test) will be rounded to the nearest £1m rather than £2.5m. This remains the same as for the 2024 Capital and Business Planning Approval process.

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## GENERAL QUESTIONS:

### CPG Review Criteria

- Q. What are the criteria for a syndicate to be on Fast Track?
- A. The Fast Track criteria have been laid out in the 'LCR Instructions' document, which can be found on the [Lloyd's Internal Model SCR](#) web page.

### LCR Submission Process

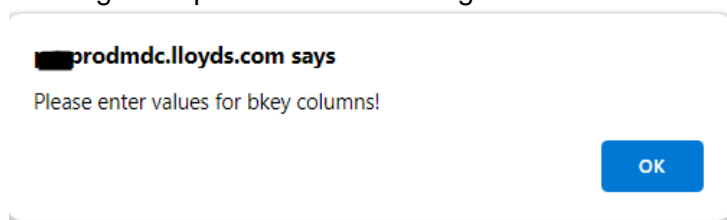
- Q. Can I submit an LCR outside of the MDC platform?
- A. All LCR submissions must be made into the MDC platform.
- Q. Clarify in what cases syndicates would be expected to resubmit an LCR if there is an SBF resubmission?
- A. There is a requirement included in the LCR Instructions for syndicates to provide information about model loss ratio and capital impacts following certain SBF resubmissions. The LCR Instructions also provide details around when an LCR resubmission is required – please see 'LCR resubmissions' section.
- Q. When can I resubmit to take account of a legacy reinsurance (RI) transaction?
- A. The legacy RI instructions have been laid out in the 'Legacy RI Instructions' document, which can be found on the [Lloyd's Internal Model SCR](#) web page.


### LCR Form Completion Process

- Q. How do I add in business classes that are not in the SBF?
- A. The LCR will be linked to the relevant SBF, and the business classes will be available for selection to populate the relevant forms in the LCR upon creating the LCR in MDC. Should you need to add further capital related classes of business that are not in the SBF, then this must be administered by your devolved MDC administrator prior to creating the LCR. The capital classes will then be available for selection upon set-up.
- Q. How do I add in capital classes of business to the LCR reference table?

- A. Please find below the process for adding a new class of business via the data management section.
1. To perform this task, your devolved administrator must assign you the roles of:
    - o reference data submitter
    - o reference data approver
  2. Navigate to the syndicate class of business reference table click on Data Management > Data Maintenance > Market Reference Data > Syndicate Class of Business.
  3. Click on the edit option on the right top corner.
  4. Right click on any row and click the option add a new row.
  5. Enter syndicate number under OEG\_CODE\_Syndicate Organisation, class of business code under COBNID and class of business description under COB Desc. The start and end date determine the validity of a class of business, so pick a long end date and it will remain available in MDC for future returns, pick a start date prior to the current date to see it in the system. *(if you find an issue at this stage consider - For the start and end dates, please do not select the date from the calendar (known bug) but input on the line manually.)*

Note: There is a bug identified when adding new classes.  
 If you encounter the below pop up message, please click on 'OK' multiple times to clear the message and proceed with entering the data.



6. Right click on any row and click the option add another new row, follow the same process.
7. Click Save (top left of page) 
8. Click 'Publish) (top left of page) 

Please note class mappings should be representative of your modelling and planning approaches. You can select your own coding, if it is clear what the class is to the reviewers.

Q. How are the classes of business selections mapped to the return datasets?

A. Below is the current mapping:

Selection at start of return (pre setup)	Which forms in MDC it populates
500A	500, 501, 502, 503, 561
510A	510, 511
562 col A	562 col A
562 col B	562 col B

## LCR FORM SPECIFIC QUESTIONS:

### Form 012

Q. What is the hypothetical return option?

A. This enables the user of the return to prepare an LCR for consideration by Lloyd's without it being a formal return signed-off by the Board at the syndicate. Examples of such returns include RITC submissions, or pre-stop loss capital submissions.

- Q. Which returns can be selected for the comparison metrics in Form 600?  
A. Please refer to the Form 600 Question: 'Which returns are being compared?'
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## Form 309

- Q. Should insurance risk values include or exclude diversification between premium and reserve risk?  
A. Agents are advised to submit premium and reserve risk pre-diversification values (columns A and E) prior to any diversification with each other and prior to any diversification within the risk category. Please see example below, which applies to both one year and ultimate splits:
- *On a one-year basis*, the Premium risk stand-alone value is £15m; Reserve risk is £10m. After diversification between the two, premium risk value is assessed at £12m and reserve risk at £8m. After diversification with other risk categories the value for insurance risk is £18m.
  - Please submit £15m in pre-diversification column A line 2 and £10m in column A line 3
  - Please submit £20m in pre-diversification Insurance risk total column A line 1.
  - Please submit £18m in post diversification Insurance risk total column C line 1.
- Q. Should RI and Other Credit risk values include or exclude diversification within the risk type?  
A. Reinsurance and Other Credit risk pre-diversification values should be submitted prior to diversification within the risk category and line 4 should be after diversification between Reinsurance and Other Credit risk. The post diversification Credit risk total should be post diversification with other risk categories (please review Insurance risk point above).
- Q. How do I report the expected underwriting profit in premium risk?  
A. This should be included within premium risk and not as an offset in the diversification credit (line 10).
- Q. What is meant by the phrase 'net of the expected return more than the risk-free rate'?  
A. Investment returns in excess of the risk-free rate, and the risk arising from changes to the risk-free rate, should be included within market risk not insurance risk.
- Q. The guidance suggests we must assume investment profit is released realistically and not rolled up in shareholders' funds through to ultimate. What about other sources of profit?  
A. For the one-year SCR, the model needs to release investment profit as recognised annually – for the ultimate basis we require this no later than 3 years, to reflect the reality of full distribution of profits at Lloyd's. The timing of distribution of profits from other sources is less of a concern, since the focus of capital is at the 1:200, when the syndicate is in deficit, and will not be distributing other profits.
- Q. Should I be providing discounted values in form 309?  
A. The 1:200 outcomes on premium and reserve risk should be consistent with the stress on an undiscounted basis.
- Q. How should the reinsurance contract boundary adjustment figure be derived?  
A. This figure is derived from form 571 – based on inputs in form 570 relating to the technical provisions and model output. Further detail on the derivation of the adjustment based on these figures is included in the LCR Instructions and LCR Notes.
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## Form 310

- Q. If the Mean value (column A) is deemed to be a loss by the syndicate (i.e., a positive value), what do I do?

- A. The return can accept a positive value, so please complete as necessary. The warning (to allow positive values) will prevent submission of the LCR, until a comment has been provided within the business validations section of the MDC platform.
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## Form 311

Q. Should I complete form 312 before I finalise form 311?

A. Yes, column H of form 312 will be used to pre-populate column I of form 311.

Q. Should we include underwriting and reserve risk losses?

A. Yes. We are looking for the sum of claims (including ALAE) being paid during the modelled (= proposed) year plus those reserved for at the end of the model year. The claims can emerge from new business or previously written business.

Since the provisions at the start of the model year are on a best estimate basis, the assumption is that on average there will be neither a reserve release nor a reserve increase at the end of the model year. So, for previously written business, the mean claims paid during the modelled year plus the mean reserves at the end of the modelled year are the same as the starting reserves on an undiscounted basis.

Therefore, an equivalent calculation for the total modelled losses would be to take the reserves at the start of the modelled year plus the claims arising on new business (earned and unearned) during the modelled year.

Table 1 is the aggregate result for all years (1991 to proposed year plus closing unincurred legal obligations for the one-year basis, 1991 to proposed year for the ultimate basis). Table 2 splits the mean into underlying pure year and closing unincurred legal obligations. Closing unincurred legal obligations means the unincurred legal obligations in the net Technical Provisions set up at the close of the modelled year.

Q. Does 'underlying pure year' refer to the Calendar Year or the Year of Account?

A. Year of Account.

Q. Should syndicates account for the profit in the UPR?

A. Form 311 is concerned with claims (including ALAE) only, so there will be no profit as such. The claims (including ALAE) to include in Section 2 are on a best estimate basis, so will be based on expected profitability.

Q. Should we include any investment income in the figure provided?

A. No. The claims should be undiscounted.

Q. Should we include expenses in the figure we provide?

A. ALAE only.

Q. Do you want us to provide you with the underwriting result (i.e., premiums less losses) or just the loss amount?

A. The loss amounts only (claims plus ALAE).

Q. Should the 99.5<sup>th</sup> and other percentiles include the risk of exchange rate movements?

A. No. Form 311 is for insurance risk only.

Q. When it says 'one-year view' does that relate only to expected undiscounted claims arising from premiums earned in or before the modelled year, or including reserves at the end of the year that relate to all future earned premium?



- A. It should include claims arising from premiums earned in or before the modelled year plus claims from unearned premiums and the Unincpected Legal Obligations in the Technical Provisions set up at the end of the modelled year.
- Q. Should the mean net of reinsurance values in Table 1 be the same for both one-year basis (A1) and ultimate basis (A3)?
- A. No, they are expected to differ. This is because the one-year figure should include Unincpected Legal Obligations in the closing technical provisions and the ultimate figure should not.
- Q. I have inputted adjustments to the total mean modelled insurance claims that have a material impact to the final values, what should I do?
- A. Any material adjustments require an explanation to be included within the documentation to be attached.
- Q. I have inputted new business values adjustments to the total mean modelled insurance claims that have a material impact to the final values, what should I do?
- A. Any material adjustments require an explanation to be included within the documentation attached. Any values entered in years of account outside of the last three open years also require comments to be provided within the business validations section of the MDC platform.
- Q. Should values in this form be undiscounted?
- A. Yes.
- Q. Should the total modelled claims for the proposed year of account in Form 311 be equal to the total modelled claims used to calculate the modelled loss ratios in Form 561?
- A. Yes.
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## Form 312

- Q. I have a negative allocation on a year of account split, what should I do?
- A. Negative values are now acceptable for the insurance losses in columns A, C, H, J. As negative insurance losses can now be excluded within the Lloyd's model manual edits are no longer required.
- Q. I need to submit negative values on this form, is that OK?
- A. Agents are required to justify any negative values in columns A-F, H-N within the business validations section of the MDC platform. Lloyd's may have to manually amend them back out, so please only submit them if necessary.
- Q. Should the TPs in form 312 be for the opening or closing of the year?
- A. Closing, as at December.
- Q. I have a larger Net value than I do for the Gross equivalent, is that OK?
- A. Lloyd's cannot accommodate net values larger than gross and will need to make manual edits before processing the data. Therefore, where possible please avoid this data entry and should you submit larger net than gross data, this will require comments to be provided within the business validations section of the MDC platform.
- Q. Am I correct in interpreting the guidance to mean that binder business should not be included in modelled unincpected business? Is this intended to be consistent with the calculation of technical provisions and the guidance issued for that work-stream?

- A. That is our recommendation, but agents may include them if that is how they define contract boundaries. Either way, the calculation of technical provisions and the SCR should be consistent in the treatment of binder business.
- Q. Do you require the SCR to be adjusted for the risk margin held in the TPs? Does that mean we need to reduce the SCR we report in the LCR accordingly?
- A. The risk margin in the ultimate SCR is considered in the TPs (as a 4% cost of capital) and is run-off to zero. Any gain made by the difference between the ultimate 1:200 losses and the time zero balance sheet, can be set off against reserve risk. So, if the deterioration to ultimate from existing TPs (stated at best estimate pre-risk margin) is 20 and overall SCR ignoring the risk margin movement is 100 then: *SCR is 95, reserve risk is 95. On the excel s/sheet, show mean of -5, stress of 20, reserve risk 15. The risk margin in the one-year SCR will have a held value at twelve months' time and therefore will be considered as part of the reserving risk (charge for incepted business) and in the premium risk calculations (new business bound from 1<sup>st</sup> January in the proposed year).*
- Q. How should Managing Agents treat accrued managing agent profit commission in their projected December balance sheets and SCR calculations in the LCR?
- A. The best estimate profit commission (PC) should be established on a basis consistent with the presentation of the Solvency II balance sheet and balances due to members. The adjustments required from the actual syndicate balances on a UK GAAP basis to prepare modelled assets equal to net technical provisions on a Solvency II balance sheet should consider the open year PC accrual on a Solvency II basis.
- We would expect agents to assume that the 4<sup>th</sup> year of account closes (if there are any doubts about the 4<sup>th</sup> year of account closing, please inform Kevin Barnes), and profit commission is paid away with the closing profits on a GAAP basis.
- Where the Solvency II balance sheet reports different net balances because of the change in the calculation of technical provisions, the PC accrual in the balance sheet should reflect this. i.e., if the Solvency II net balance is higher than under UK GAAP, this would trigger a higher PC payable, and this amount should be the basis of the accrual in the December balance sheet (T0).
- The PC accrual reverses when assessing the 1:200 capital requirements, provided agents can demonstrate through the model that the relevant year of account is loss making at the 1:200 overall for the syndicate. In those instances, yes, the PC is 'loss absorbing'.

## Form 313

- Q. As a host syndicate (to an SPA), what premium information is expected?
- A. The host syndicate premium information entered in lines 1 and 2 columns A, B and C must be net of the SPA syndicate.
- Q: How are non-natural catastrophes defined?
- A: A high level definition is as follows: Non-natural catastrophes are defined as events (i.e., an accumulation of claims with a common cause) which are not the result of natural processes on earth. Examples include cyber events, pandemic, terrorism and other man-made cats as well as space weather. Although Lloyd's has provided this high-level definition, we are assessing how each managing agent has defined non-natural catastrophes in line with their risk profile. This will assist Lloyd's in understanding the scope of these exposures across the market and in providing further oversight and guidance.
- Q. With 'catastrophes' now being reported in this form as the sum of natural catastrophes and non-natural catastrophes, does this mean reporting of catastrophes in other forms is also

changing in line with this?

A. No. The definition of catastrophes used in forms 500/502/520/561 are unchanged from previous years – i.e., only natural catastrophes. This is outlined in the LCR Notes (e.g., Note 500.4).

Q. Should the SBF data link to my latest SBF or current year SBF?

A. The final LCR should be based on the most up to date SBF possible. Data within the LCR and SBF returns are directly inputted into the syndicate and member capital setting processes and therefore must be the most up-to-date information for the modelling year. A resubmission of the LCR should report the SBF version that the LCR is based on.

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## Form 314

Q. Why is there a warning on the 'interest rate risk – liabilities', that mean should equal the 1:200 on an ultimate basis?

A. This field should only capture the unwinding of time 0 discount credits to ultimate, which is deterministic at time 0. There is no risk associated with this. Any risk associated with changing interest rates affecting the value of held securities and return on investment should be captured within the 'interest rate risk – assets' line. On a 1-year basis, the 'interest rate risk – liabilities' line should capture the change in discount credit from t0 to t1 provisions (which could include the impact of changes in risk free rates, run-off of business, and discounting credits related to new business liabilities at t1), and thus the mean will not ordinarily equal the 1:200.

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## Forms 500, 502, 510

Q. Why are the Net Claims Percentiles Totals not equal to the aggregate of the Class of Business entries?

A. This is intentional, as the sum of the classes and Totals are all manually inputted. They also constitute the components for analysing various Fully Dependent versus Modelled metrics. The 'Total' percentile figures are the diversified totals and not the sum of the class results.

Q. Is the validation correct on the mean net claims?

A. The validation screen suggests that the validation is pointing to the 'All Other' cell, rather than the sum of the mean net claims. Please note the logic in the validation is correctly validating against the sum of the column not just the 'All Other' line as the validation highlighting suggests. If you are still failing the validation, please ensure the column total match the form 313 cells as per the specification.

Q. What is the validation error relating to in the post-diversified claims total cell?

A. A new auto-calculated Total cell has been added for the new post-diversified claims column in the Question 1 table of each of these forms (500 & 502 column I(i) and 510 column F(i)). This will enable syndicates to check any potential validation error more easily in the Net Claims Percentiles 99.5th column. Syndicates do not now need to manually input into these cells.

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## Form 520

Q. On what basis should I complete question 6?

A. A risk basis to be consistent with form 314.1.

---

## Form 530

Q. For Question 2, what is the basis of modelling required for this question?

A. This question requires managing agents to remove the modelled outwards reinsurance benefit to the SCR: firstly, non-proportional reinsurance, and then all reinsurance. Lloyd's intends to use this data to monitor, at a high level, the overall capital benefit of reinsurance to syndicates. This is an important part of the difference between syndicate and central modelling and understanding the high-level risk profile evolution of the market.

Lloyd's appreciates that the exclusion in the model may not be straightforward. Syndicates are requested to take a proportionate approach which best represents the impact to capital if reinsurance was not applied. For non-proportional cover managing agents should only remove the benefit of reinsurance, not premiums or commissions, whether they relate to reinstatements or otherwise. Lloyd's will compare the impact submitted this year to prior year and ask questions if the movement in reinsurance benefit is not intuitive based on changes in cover. For quota share cover the syndicate should take an approach that appropriately represents the capital benefit, ideally this would not overstate the impact by comparing a model gross position to opening net reserves if quote share cover is material. For one-year capital, managing agents are only required to remove the benefit of reinsurance during the one-year period. Please comment on the approach taken in the appropriate place, including any limitations and the materiality of cover that could not be removed for practical reasons.

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## Form 560

Q. Should I be inputting certain unnaturally open back years in to the YOA inputs?

A. The way MDC is set up, only incremental years can be inputted. If you need to declare any unnaturally open back years, then please input them into the table as per the yellow cells below. Please refer to the CSV instructions in the MDC Help section on how to exclude or include these in the CSV template.

*This example is illustrative of the 2021 LCR:*

YOA
2021
2020
2019
2018
2017
2016
2015

---

## Form 562

Q. Which classes of business are available for selection in the SBF Class column?

A. Classes of business are available for selection in the LCR once they have been manually inputted into the Syndicate Classes of Business reference table within the Data Maintenance section on MDC. These can be monitored and edited by the devolved administrator at your managing agent.

Q. Why can I not see the classes on 562 despite following the above advice?

A. The classes are available just click in the blank rows, then press return, they then appear for selection.

---

## Form 570

- Q. Do the reinsurance premiums on this form relate to total or unpaid reinsurance premium?
- A. The reinsurance contract boundary adjustment is necessary to prevent a decrease in overall level of funds available because of the requirement that reinsurance premium for contracts that are existing or legally obliged at the valuation date are included in technical provisions to the full level at which they are contractually obliged. Only unpaid reinsurance premiums are included in technical provisions and therefore only unpaid reinsurance premiums should be included on this form.
- 

## Form 571

- Q. **In Question 1, the risk margin used in the calculation of the SCR (and as such the ECA) is based on a Cost of Capital of 4% (rather than 6%). Is this correct?**
- A. Form 571, question 1 is scheduled to be removed and was therefore not updated to reflect the new RIM CoC adjustment. The submitted uSCR used should include the risk margin cost of capital adjustment from form 309 cell B3 to maintain the lower SCR. As this issue only affects a table that is scheduled for removal and so currently just for information purposes and not used in Lloyd's management information directly, the change will be made in the next modelling year.
- 

## Form 600

- Q. Which returns are being compared?
- A. The first column (the 'This Return' column) is the LCR return currently being completed. The second column (the 'Selected Return' column) is the comparative LCR, which can be selected on form 012. Note: returns from either the same modelling year as the current LCR return being completed, or the previous modelling year can be selected.
- For the current LCR modelling year, any return with a status in MDC of Submitted, Under Review, Accepted or Approved and with an Edition Number less than the current LCR can be selected.
  - For the previous modelling year option, all returns can be selected i.e. including hypothetical LCRs.
- 

## MDC DETAILED PROCESSES:

### Copying / transferring data to MDC

- Q. How do I upload data via the MDC excel template?
- A. Please find below the process for uploading data into MDC via the MDC Download to Edit function:
1. Create a new 'Manual' return in MDC.  
Note: the classes of business selected at the start of the return will not be able to be changed once data in excel has been uploaded.
  2. Navigate the Download option. Action > Download > Download to Edit.
  3. Populate the template with the datasets from your internal systems.  
Note: if copying and pasting from another excel workbook, please ensure values are unformatted (any formatting or decimals are likely to lead to an upload fail – this is a known platform-wide issue which is currently under review). If the upload fails, please ensure F2 is clicked and then Enter pressed on all affected cells. If the upload fail persists, then try entering data manually (for affected forms) or revert to a CSV upload.
  4. Select the Return in MDC.

5. Navigate the Upload option. Action > Upload

Note: Once an excel template has been uploaded into MDC it is no longer available for editing and reuploading into MDC. You must either edit within MDC directly or 'Download to Edit' a second time and then edit that second version.

Troubleshooting a failed attempt at uploading data via the MDC excel template:

- Links have been inserted into the file (these must be removed).
- The file has been unlocked (will be void and template will need to be downloaded again).
- Decimal places in the data greater than 4 dcp (the template will display no dcp, but if you pasted the data or linked it from a source that had more than 4 dcp, then they persist, despite the template not showing them – paste, unformatted, to a blank workbook to check / amend / paste back in).
- Make sure no Text fields are greater than 1000 characters (including spaces).
- If any data has been edited in MDC after the original download of the MDC excel template, then a new MDC excel template will need to be downloaded, and the process restarted.

Q. How do I upload data via the CSV template?

A. Please find below the process for uploading data into MDC via the CSV upload function:

1. Download the proposed year CSV template from the MDC Help section:

Returns -> LCR -> 202X Underwriting Year -> Help -> LCR Specification and Form Template ->

- LCR csv Template
- Partial LCR csv Template

2. Insert the syndicate number into the top row (cell D1).

3. Input data into column B and reference data into columns C and D and save file.

4. There are specific entries required to certain fields of the template, for example, the 'Yes/No' dropdowns in MDC must be entered as 'TRUE/FALSE' in the CSV template. For all the specific instructions on how to fill in the CSV template, please refer to the instructions within the template.

Create a new return in MDC:

- i. Click on the 'Returns' button.
- ii. Select 202X Underwriting Year.
- iii. Click the 'UPLOAD CSV' box.
- iv. Enter a Version Name, then Browse for the CSV file in a directory.
- v. Click Upload.
- vi. Address errors (if any) via the Error Report download, then re-upload CSV file.

Troubleshooting a failed attempt at uploading data via the MDC excel template:

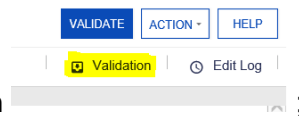
- Please ensure that the file is saved in the format: '**CSV (Comma delimited) (\*.csv)**'. Other formats, such as '**CSV UTF-8 (Comma delimited) (\*.csv)**', will fail upon upload.

Q. If I want to resubmit or start a new task, do I have to start again from scratch?

A. No, you can copy data from a previous return (including the warning comments). Edits can then be completed for the resubmission. These steps should allow copy of the data and comments:

1. Click on the 'Returns' button.
2. Select 202X Underwriting Year.
3. Select version to copy by pressing the 'Copy' button.
4. Insert new version name.
5. Class of Business selections should be replicated, move through stages by clicking 'Next' & 'Generate'.
6. Question – do you want to copy data from previous version = click 'Yes'.

7. For warnings comments you have the function to download warnings to excel, update the comments and upload into the return to populate the same comments in the new version.
8. The process suggestion is to download the warnings file –



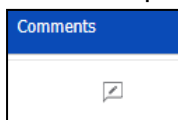
a. Click on Validation ;



- b. click on the Action Button within the Validation bar
- c. Then 'Download Warnings' from the original submission (blue arrow above),
- d. Copy and paste the comments from the original to the new template (warnings should be in same order if there were no changes between downloads)
- e. Then upload via the 'Upload Comments' function in the Validations bar (red arrow above).

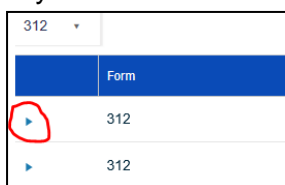
## Warnings & Comments

- When uploading the comments for warnings, do not do this while within the workflow as this can be problematic. Please try to upload the warnings comments from Excel whilst in the return view.
- The process for copying comments is described towards the end of the general FAQs.
- Maintain the same shape of the data file too, so do not add any columns / rows or change the order of the warnings from the version that you download from MDC to complete.
- Every warning requires a comment before the LCR can be submitted.
- When completing loading comments on MDC there is the following symbol on warnings




click this to enter comments.

- The cursor does not change when hovering over the comment box but press it anyway and the warning box will appear. This summarises the test and allows comments to be entered at the bottom of the section and then save the comments.
- If you do not see the comment symbol (above), look to the left of the screen for this symbol:




which will expand to show all the warnings for comment. Forms with multiple lines (i.e., 311/312) may have the arrow on the left-hand side of the screen (non-completion will prevent submission, so if you see a warning while trying to sign off check for this symbol and expand to complete.

## Workflow Completion and Submit to Lloyd's Process

- Once all the errors have been removed and all warnings have a comment attached, including the expanded 311/312 and 500/502/510/561/562 comments, then complete a final validation (press  button).

- The next step is to link to a workflow (if you already linked the return skip down to step 'x'). If an incorrect return has been linked, then please restart the process.
  - i. Press **Home** in the main function bar.
  - ii. Select the relevant LCR Submission Date in the 'Business Calendar' list.
  - iii. Press **Start**.
  - iv. Press **Yes** to navigate to the task (if **No** is selected, to see the task you just created, select **Tasks** then **Available**).
  - v. Select any of the **Prepare & Validate LCR Return** workflows available for the syndicate being worked on.
  - vi. Press **Claim** to take ownership of the **Prepare & Validate LCR Return** task.
  - vii. Note: if being redirected here from a later 'Task,' then the return being worked on should already be linked. If this is the case, then please skip to step 'xi.'

Press **Link Return** to select the LCR return you have been working on and just validated

- View**
- viii. Press the view symbol  on the return you wish to link.
  - ix. Press **LINK TO WORKFLOW** in the top right corner
    - 'Errors' in the data will prevent linking – open Return and fix.
    - Missing comments can also prevent linking, so complete these too.
    - Remember to press **VALIDATE** again after any changes are made.
  - x. Press **YES** and **OK** to the prompts that appear in the ribbons at the top of the screen.
  - xi. Navigate to **Assigned** if not redirected automatically. Select the **Prepare & Validate LCR Return** workflow that now shows the version number and name being submitted.

Note: if being redirected here from a later 'Task,' then the return being worked on may not need an updated submission document uploaded. Alternatively, a document may not be required to be uploaded at this stage. If this is the case, then please skip to step 'xvi.'

If required, press **Upload Supplementary Documents** and follow steps to upload one submission document.

- xii. Navigate to **Available**. Select the **Upload Supplementary Documents** workflow that now shows the version number and name being submitted.
- xiii. Press **Claim** to take ownership of the task.
- xiv. Upload one document to accompany your submission by clicking **Browse...** to navigate a directory. Comments for this document must be entered below this section. Task Comments can also be left on the left-hand side.
- xv. Press **Send for Review** to complete the upload process.

- xvi. Press 'More' then 'Send for Review':  to move to the next task.

Steps: 'xvii'- 'xxi' are all performed by the assigned sign-off manager:

- xvii. Navigate to **Available**. Select the **Review LCR Return** workflow that now shows the version number and name being submitted.
- xviii. Press **Claim** to take ownership of the task.



- xix. Navigate to **Assigned** if not redirected automatically. Select the **Review LCR Return** workflow that now shows the version number and name being submitted.
- xx. The return can now either be:
- viewed **View Return**, so the data can be viewed, and the validity of the return can be assessed.
  - Rejected: press 'More' then 'Reject': **Off** **More** **Reject**. If rejected, then the system will take the user back to step 'v' for re-review of the return.
  - signed off as approved ready for submission **Sign Off**. If Approved, then carry on from step 'xxii.'
- xxi. After each of the options above, click **Confirm** to proceed, or **Cancel** to reconsider any of the options.
- xxii. Navigate to **Available**. Select the **Submit to Lloyd's** workflow that now shows the version number and name being submitted.
- xxiii. Press **Claim** to take ownership of the task.
- xxiv. Navigate to **Assigned** if not redirected automatically. Select the **Submit to Lloyd's** workflow that now shows the version number and name being submitted.
- xxv. Add any final comments or conduct any required reviews (i.e., if your internal process has different sign-off to submitter roles assigned).
- xxvi. The return can now either be:
- **d's** **More** **Reopen return**. If re-opened, then the system will take the user back to step 'v' for re-review of the return.
  - viewed **View Return**
  - submitted **Submit to Lloyd's**
- xxvii. After each of the options above, click **Confirm** to proceed, or **Cancel** to reconsider any of the options.
- xxviii. Navigate to **Completed**. Select the **Submit to Lloyd's** workflow that now shows the version number and name that has just been submitted, where the Return can be viewed again **View Return**. This confirms successful submission.