

Lloyd's Capital Return 2025

MDC Development

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Purpose: To summarise the changes being made to the 2025 LCR. Please review in conjunction with the 2025 annotated specification ([Internal Model SCR - Lloyd's \(lloyds.com\)](#) - Guidance Issued section) which has more detail on all the changes included.

Definitions

Term	Definition
Validation	A test which, when triggered, prohibits the user from submitting an LCR.
Warning	A test which, when triggered, requires the user to provide a comment prior to submitting an LCR.
Auto-calculated	A cell which does not require any manual input. It calculates a figure based on other cells in the LCR.
Pre-populated	A cell which does not require any manual input. It is pre-populated from another cell in the LCR.
Manual input	A cell which requires a manual input.

List of changes

Form 309

- **New auto-calculated cell**

Risk Margin Adjustment (new cell B3)

- Syndicates should complete the LCR form so that the Risk Margin is reported using a 4% Cost of Capital i.e. consistent with the Solvency submissions. The Risk Margin underlying the Syndicate SCR in cell B1 should be reported using a 4% Cost of Capital.
- This is then converted to an equivalent Risk Margin at 6% Cost of Capital using an auto-calculated field.
- This auto-calculated field (cell B3) is based on the increased total Risk Margin in the Technical Provisions being transferred as a benefit to capital. The calculation is: Total Risk Margin * (1 - (6% / 4%)).
- It is also now an extra component for the Total SCR calculation sum in cell B4 (ultimate).

- **New warnings**

Pre-diversified Premium Risk (one-year: cell C2, ultimate: cell G2)

- The warning is triggered if a syndicate has declared being a 'Run-Off or RITC syndicate' on form 012 and provides a non-zero amount for premium risk.

Form 310

- **New cells**

Balance Sheet Distributions by year of account (new section 2 split into 2 tables)

- This information was previously collected via the Focus Areas return to enable a more accurate allocation of capital by year of account when calculating the member ECA.
- It has now been included in the LCR to streamline the collection and collation.
- A new dropdown section (cells I1 to I3) has been included to declare whether the information will be provided (as this section is optional), and, if so, the nature of the information (has the modelled output been used, and if not, which allocation method has been used). If not outputted directly from the model, agents are expected to provide enough detail on the

allocation method to reasonably allow Lloyd's actuaries to fully understand the methodology used.

- A new table (cells J to Q) has been included to provide the optional data (by year of account, for all open years net of RITCs). It includes the same validations and warnings from the already-existing table 1. There are also auto-calculated cells to sum and analyse the undiversified totals by percentile.

Form 311 (and 312)

- **Amend validations**

Net Claims (Mean: one-year cell A1, ultimate cell A3. 99.5th: one-year cell G1, ultimate cell G3)

- This has been included to replicate a Lloyd's Internal Model validation.
 - The validation already existed to trigger any negative amounts provided – it has now been amended to also include zero amounts.
 - There is also a new validation on form 312 Net Insurance Losses total to ensure it is a non-zero amount. This column pre-populates form 311 Total Claims column I.
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Form 312

- **Change from warnings to validations**

Expenses (Gross: column B. Net: column I)

- This has been included to replicate a Lloyd's Internal Model validation.
 - The already-existing warning triggers for any negative amounts – it is now a validation and has now been amended to also include zero amounts.
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Form 313

- **Change from a manual input cell to an auto-calculate cell**

Premium Risk Claims - Excluding Natural Catastrophe Claims (cell F4)

- This change has been implemented to simplify the LCR.
 - This cell now auto-calculates to being equal to the sum of 'Premium Risk Claims – Non-Natural Catastrophe Claims' (cell F1a) plus 'Premium Risk Claims - Excluding All Catastrophe' (cell F4a)
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Form 314

- **Change from a manual input cell to a pre-populate cell**

One-Year SCR (Mean cell G1, 1:200 cell I1)

- This change has been implemented to simplify the LCR.
 - The mean cell G1 now pre-populates to be equal to form 310 cell A1: 'Distribution of balance sheet position on a Mean One-Year basis'. The 1:200 cell I1 now pre-populates to be equal to form 309 cell C11: 'One-year diversified SCR'
 - All previous warnings and validations have been removed.
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Form 500, 502, 510

- **Remove warnings**

Net Claims 50th percentile total (forms 500 and 502 cell E total, form 510 cell B total)

- This change has been implemented to simplify the LCR.
 - The warning which triggers when the 50th percentile total is less than the mean total is being removed.
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Form 502, 510

- **New warnings**

Post-diversified Claims by class of business (form 502 column I(i), form 510 column F(i))

- This change has been implemented to simplify the LCR.
 - A warning is being included to trigger when the post-diversified claims is less than the mean.
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Form 520

- **Change from a manual input cell to a pre-populate cell**
Mean One-Year Market risk (cell U5)
 - This change has been implemented to simplify the LCR.
 - This cell now pre-populates to be equal to form 314 cell J9: 'Mean one-year diversified total'.
 - **Remove unused columns**
ENIDs (columns X and AB)
 - Blank unused columns are being removed for aesthetic.
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Form 550

- **New cells**
LCR one-year net premium (new cells G1 to I1) and claims (new cells G2 to I2)
 - This information will now be collected to provide additional oversight.
 - New columns to the existing table have been included to provide the additional one-year data. There are also auto-calculated cells to analyse differences to the ultimate equivalent.
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Form 600

- **Amended auto-calculation**
Section B – 1:200 vs Exposure – SCR and Insurance risk
 - This change is related to the regulatory Risk Margin change described in the form 309 section.
 - The Risk Margin will now be removed from the SCR (numerator) part of the 'SCR vs Exposure' ratios on form 600.
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BAU annual changes

Annual Incremental Rollover of Year of Account

1. Form 311

New row added – table 2, section 1: columns I to L

Old:

1. Underlying Pure Year	Net Insurance Claims brought forward (complete form 312 column H to populate this section)	Adjustments	New Business	Total Claims
	I	J	K	L
2022	= 312.1 H 2022	-	w: if -ve	= I + J + K
2023	= 312.1 H 2023	-	w: if -ve	= I + J + K
2024	= 312.2 H	v: if <> 0 & 012 ULO = No	w: if -ve v: if <> 0 & 012 ULO = No w: if = 0 & 012 ULO = Yes	= I + J + K

New:

1. Underlying Pure Year	Net Insurance Claims brought forward (complete form 312 column H to populate this section)	Adjustments	New Business	Total Claims
	I	J	K	L
2022	= 312.1 H 2022	-	w: if <> 0	= I + J + K
2023	= 312.1 H 2023	-	w: if -ve	= I + J + K
2024	= 312.1 H 2024	-	w: if -ve	= I + J + K
2025	= 312.2 H	v: if <> 0 & 012 ULO = No	w: if -ve v: if <> 0 & 012 ULO = No w: if = 0 & 012 ULO = Yes	= I + J + K

2. Form 312

New row added – table 1: columns A to Q

A straightforward replication of the last row of the table to present the new proposed year.